CHAPTER 11

Influences in establishing a small to medium enterprise

11.1 Introduction
The thousands of SMEs in Australia today are owned and operated by all types of people. These businesses all had a beginning; they all had a person or small group of people who decided to ‘have a go’. When establishing their businesses, they needed to consider a range of influences that combine to determine the level of success achieved.

11.2 Personal qualities
All types of people own and operate the thousands of businesses in Australia today. Not everyone, however, is suited to the role of business owner as certain skills and personal qualities are required to succeed.

Starting a new business requires courage, determination and energy, and it demands a wide range of skills. It is important for people to recognise their strengths and weaknesses, decide if they have the right personal characteristics to be a business owner and learn the skills they don’t presently have. It is best for business owners to select a business opportunity that suits their personality and builds on their strengths. If people have an honest understanding of their own personal qualities, then failure can be minimised: the ‘square peg in a round hole’ problem can be avoided.

There is no simple checklist of skills and personal characteristics that will guarantee business success. However, many studies have shown that certain personal characteristics are helpful in operating a business, and that the potential business owner should be prepared to honestly answer the questions asked in figure 11.1.

FIGURE 11.1 Some questions to ask yourself to assess your entrepreneurial ability
Qualifications

Hundreds of thousands of people start a new business every year. Would you like to be one of them? You do not have to be an exceptional champion of legendary dimensions. Mainly, those who decide to ‘give it a go’ are ordinary people rather than sensational opportunists who desire adventure. Many start out with only a small amount of money, operating informally from home, at least in the beginning while they are getting established.

Exceptional grades and a dazzling history in business are not essential. What does appear to be important is the eagerness to work long hours. Recent research revealed that about 75 per cent of people who started their own SME spent at least 50 hours a week in the business; 25 per cent of them put in 65 hours or more.

Starting a SME knows no age limits. From the very young to the very old, people are starting new businesses at a rapid rate. Particularly encouraging is the large number of young people aged between 20 and 25 who are operating a SME. Older people are also involved in starting new SMEs; this type of business offers the most opportunities and flexibility to retirees.

For some types of SMEs, are few or no formal academic requirements needed to commence operating. However, for those who want to gain academic qualifications in small business, many tertiary courses are available. The Business Studies course you are studying is of enormous value should you decide to become a SME owner. Such courses give you knowledge and understanding of what is required to successfully own and operate a SME. Knowledge and understanding can also come from experience through working for other businesses. Your part-time job, for example, is providing you with experience in a business’s day-to-day operations, how to manage your time and other people, purchasing and pricing decisions, and a variety of other business functions.

SME owners are a varied group. It is extremely difficult to categorise them or the qualifications they possess that make their business a success. As well, a variety of personal factors encourage individuals to go into business. However, two factors that are often mentioned are motivation and the ‘entrepreneurial spirit’. They combine to form a powerful desire to create a new business.
Skills

Luck has little to do with business success. Skills are essential. These skills can be attained through experience, education and/or training.

Experience

If a person has been working the last few years as a dedicated employee, then during that time, they will have gained valuable experience. They probably also developed new skills as a result of training or exposure to various aspects of the business’s operations. Consequently, apart from well-developed management skills, a person with hands-on experience will have a greater chance of achieving business success.

The best time for a person to gain management experience is before establishing the business. This can be done by either completing a management training course or by undertaking a management role within a business. The best way a person can gain business experience is to work in the type of business in which he or she intends to become self-employed.

These experiences provide a platform from which to work. The experienced person will understand and be realistic about the demands, both financial and personal, that a business will place on them. Figure 11.3 outlines possible experiences, from working in other businesses, that could help someone establish their own business.

Education and/or training

Education and/or training is another way to gain skills. Universities, TAFE and business colleges offer courses in many business and industry fields. These courses may be broad in nature, such as a degree in business management, or specific, such as a degree or diploma in marketing, human resource management, computing or accounting. TAFE and business colleges also offer vocational courses and courses for establishing a SME. The main problem is that some courses are expensive and take years to complete. For this reason they are not always an option, especially for small business owners who may wish to gain the knowledge quickly.

Some government agencies provide opportunities to learn about starting a business. Business Enterprise Centres are an example. The centres are run by

FIGURE 11.3 An individual’s range of experiences
business facilitators who have experience in establishing and operating a business. They offer a range of services, such as business start-up advice and assistance, business growth mentoring, seminars, business plan assistance and skills training. They also facilitate networking opportunities and provide information on grants and assistance that may be available.

All of these avenues for education allow the business owner to develop the essential skills necessary for establishing a business. These skills may include:

- accounting
- computer skills
- staff management
- business administration, including inventory control and rosters
- marketing.

**Motivation**

Motivation refers to your personal drive, determination and desire to achieve a goal or objective. The desire to be your own boss is a major reason for wanting to start your own business. Many people start on their own because they believe they can do better for themselves than if they remain with their present employer. Often they desire the freedom to choose when and where they work, with whom they work and whether to work from home. The underlying attraction is the desire to transform an idea into a successful product by capturing the attention of potential customers (see the following Snapshot).

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**PracticeManager 24/7 — Anthony Turri’s motivation**

PracticeManager247.com.au is an online business management software program that helps health and fitness professionals run successful practices.

How do you describe your business?

Practice Manager 24/7 has been custom designed and built by Australians, for Australians. It’s best suited to personal trainers, massage therapists, physiotherapists, or anyone that has an appointment-based business. Our program does all the hard work so that health professionals can focus on doing the things they love. We strive to give our customers the freedom they deserve and we live by our motto: It’s your Practice, made Perfect!

Did you always want to run your own business?

Yes and no. I didn’t really dream about running my own business when I was in high school. Although, studying Business Studies definitely piqued my interest. Once I was at university, the urge to run my own business grew stronger and stronger. By the time I finished university I was hooked! After that I’ve never looked back. In that time, I have been lucky enough to own and operate multiple businesses, often concurrently, within the fields of my expertise: health and education.

What motivated you to want to start your own business?

A belief that one day I could help change the world to make it a better place. Being a health professional first, the biggest kick I get out of each day is being able to help someone. That’s what makes me tick. So, through my entrepreneurial endeavours, my aim is to help thousands of great health professionals achieve two things: firstly, to help them stay in the industry, and secondly, to help them with their business operations so they can focus wholeheartedly on their patients and clients. Achieving these two goals will help the world become a happier and healthier place.

*Self-belief and self-motivation is crucial.*

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(continued)
How did the idea come about and what inspired you to get into action?
As a lecturer I have seen some fantastic graduates come through the ranks. When catching up with them a few years later, I was shocked to find that so many of them had given up on running a practice. Many had left the industry altogether, which was the biggest shame, as I knew they had the potential to do great things. I often asked them why they’d given up and the most common answer I received was ‘it just got too hard’. On further investigation I’d discovered that these practitioners were great at being health professionals, but not so great at running a business. They just didn’t have the necessary business tools required. On completing my research I discovered a gap in the marketplace. I noticed that all the other software programs were way too complicated and created by computer programmers, not health professionals. So I found my niche, a great business partner and a fantastic team of developers. And after three years, Practice Manager 24/7 was born.

What are some of the things you enjoy most about running your own business?
Freedom. The freedom to create, to make your own decisions, to enjoy every day and to determine your own destiny.

What’s the biggest challenge you’ve had to overcome to make your ideas a reality?
Patience. There are going to be times when you can’t see the light at the end of the tunnel. Sometimes you can’t even see the road! Running a business, just like life, is a marathon, not a sprint. Relax, refocus, review and persevere, and you’ll get there. Self-belief and self-motivation is crucial.

What advice can you share with other people trying to start a business?
Try to use as much of your own money as possible when first starting up. You’ll be much more motivated when it’s your money that you’re losing. It’s surprising how much harder you’ll work.
Do your research. Planning is the most critical stage of any business. We are lucky enough to live in a world where we have access to a plethora of information, so read, read and then read some more. Also, watch and listen to interviews/podcasts/documentaries/TV shows, whatever you can. Ensure your business will work before you embark on any business venture. Find your market, be realistic and do your sums. If the numbers don’t add up now, they won’t add up later.
Learn from other people’s mistakes, not just your own. It’s a lot less painful.
Stop comparing yourself to others. There’s always going to be someone, bigger, stronger, faster, smarter or prettier. Just be the best you can be!
Have fun! If it’s not fun, it’s not worth it. If you wake up in the morning and you’re not pumped and ready to work on your business (even on 3 hours sleep sometimes) then do something else. Not every day is going to be amazing, but if you don’t believe it will be, then it’s not the right thing for you. You’re going to work harder than most of the people you know so you have to love it.
And finally, be good to as many people as you can. Good people get good things in return. Sometimes it takes a while, but it does and it will happen.

Snapshot questions
1. Identify the characteristics shown by Anthony Turri that would categorise him as an entrepreneur.
2. Recall some of the things Anthony Turri enjoys most about running his own business.
3. Summarise Anthony Turri’s main challenges.
4. Determine why you think Anthony Turri has been successful in business.

Most business owners are motivated by the rewards they believe can be gained from establishing a business, including both monetary and non-monetary rewards (see figure 11.4).
Entrepreneurship

As was outlined in chapter 1, an entrepreneur is someone who starts, operates and assumes the risk of a business venture in the hope of making a profit. The term can apply to any person — male or female, mature age or young — willing to establish a business in a bid for success. Not all entrepreneurs begin by setting up a business premises. An increasing number of people work from home, especially as computers have allowed greater access and communication with business markets. Entrepreneurship is not just an avenue to wealth, but a way of making a living and achieving job satisfaction.

Society is constantly changing and thus creating new opportunities for innovative products and services to be developed. The entrepreneur must have a range of personal characteristics that enable them to take advantage of, and be successful with, these opportunities (see figure 11.5).

First, entrepreneurs must be prepared to take a risk and incur the results of this risk, whether it is a success or a failure. They must be confident in decision making and willing to accept all responsibility for their decisions. Sometimes a decision requires ‘guts and determination’ and such times often lead to success. The entrepreneur must always have a will to succeed: they may not achieve the desired goal with the first venture, so they need drive, determination and an ability to recover from poor decisions or mistakes.

Flair and creativity are also essential for an entrepreneur. They allow the entrepreneur to create or seize new opportunities for business, new niche markets or new products and/or services. Success can sometimes depend on finding a new and more innovative way to sell a good or service. Scott Bradley and Sean Towner, who established Yo-get-it (pages 323–4), are examples of entrepreneurs who successfully developed a nice market. Finally, the most important quality for an
entrepreneur is the ability to set goals and have a vision for the business's future. Having achieved their goals, they must set new goals — continually adjusting to changing business, economic and customer markets.

FIGURE 11.5 General personal characteristics of a typical entrepreneur

Entrepreneurs under the microscope

What does it really take to be a successful entrepreneur? You often read about entrepreneurs with no wealth or education becoming hugely successful. This can sometimes happen, but the latest research revealed in the book *The anatomy of an entrepreneur: family background and motivation* is that 90 per cent of 549 company founders were from middle-class or upper lower-class backgrounds, and were well-educated. The entrepreneurs in this study gave their insight into what influences success or failure, as shown below.

**Keys to success**
- Prior work experience in the field — knowledge of the business
- Ability to learn from mistakes
- Work with a strong team

**Barriers to success**
- Unwilling to take risks
- Not enough time or energy
- Difficult raising capital to finance the business venture
Snapshot questions
1. Construct a concept map identifying the barriers to being a successful entrepreneur.
2. Deduce why prior knowledge of a business or work experience can lead to greater success when starting a new business venture.

The benefits of entrepreneurship
A sense of freedom and independence are perhaps the best things about being a business owner. Often, a person will desire the freedom to choose when and where they work, with whom they work, and whether to work from home. The great attraction is the belief that owners will have more control over their own destiny.

Someone willing to work hard may believe that they can earn much more by working for themselves than they would by working for someone else. They would expect their extra effort to be rewarded through the profits from their own business. These rewards may not come immediately — even the most successful businesses may lose money in their early start-up phase — but the hope is that eventually the business owner will earn more from being self-employed.

People who work for themselves also experience the satisfaction of guiding the business's growth. They enjoy the challenge of overcoming obstacles, setting and meeting new targets, and gaining a larger customer base. While it can sometimes be a hectic existence, most entrepreneurs seldom complain that running their own business is routine and boring. Ultimately, they take pride in having made it on their own.

The burdens of entrepreneurship
Small to medium enterprise owners must accept the responsibilities of entrepreneurship. Being in business requires a person's full attention. The work hours for a business owner will invariably be longer than an employee's work hours. As well, self-employed people find it difficult to leave their problems at work; they constantly 'live and breathe' the business's problems. The anticipated freedom and flexibility may be illusive.

Even if the business succeeds, the owner still might have little money to spend apart from the salary the owner pays him or herself. Instead, the owner might have to reinvest the profits to generate long-term growth. Alternatively, short-term accounts may need to be paid with cash. In some cases, the owner may not even be able to draw a salary until the business becomes more established. As one entrepreneur claims: ‘The commitment you have to make is enormous; entrepreneurs usually put everything on the line.’

Cultural background
A person's cultural background can influence their reasons for establishing a business. Cultural influence can arise from a community's traditions and beliefs, such as the 'work ethic' — the willingness to work long and hard in an effort to be successful — which is strong in many European and Asian cultures. Many migrants come to Australia with few resources except a strong desire to improve their lives. Their determination often translates into business success (see the following Snapshot). Cultural influence can also arise from centuries of experience in certain trades or services, enabling a person to use this knowledge to achieve business success. A person from a Thai cultural background, for example, may be able to succeed in a restaurant business that aims to provide quality, specialist Thai food.

BizFACT
Approximately 31 per cent of NSW small business owners were born overseas.
SNAPSHOT

seek the help of reliable people before making big decisions

Golden Estate Property Development — culture and business

Mr JinHe Xu, Director of Golden Estate Property Development, travelled around Australia before deciding that Western Australia was the best place to be for sound business opportunities and a great family lifestyle.

‘The Government of Western Australia is very supportive of business migration and I felt they were more approachable than the other states’, Mr Xu said.

‘Through the Small Business Development Corporation, the government provides a lot of assistance for business migrants like us and they were very helpful in showing us how to comply with the requirements of our visa.’

Mr Xu and his family arrived in Australia in 2009 and are now settled in Winthrop, a suburb south of Perth city.

‘My four children have really settled in, they love the lifestyle here and they don’t want to go back to China.’

Mr Xu was sponsored for a 132 Visa and after arriving in Western Australia, he wasted no time setting up his property development business. Following careful research, he recognised a local need for medium density, affordable housing that was suitable for first-home buyers.

After just one year in Perth, Mr Xu had completed his first development of twelve residential home units, and now has two more complexes underway.

Mr Xu is very experienced in building projects and property development, having worked in the industry previously in China, and he is pleased to be able to provide good quality homes that represent value for money, for people in Western Australia.

‘There is great demand for low-cost, quality housing in the eastern suburbs of Perth, with many Western Australians keen to own their own homes, and others such as students, needing rental accommodation’, Mr Xu said.

‘I’m pleased to be able to help the government fill this gap.’

Mr Xu’s next project is a hotel/serviced apartment complex closer to the city.

‘The plans are in the process of being approved for a hotel and 100 serviced apartments, close to the city and the casino’, Mr Xu said.

‘Visitors to Perth want good quality accommodation at a reasonable price, and this new development will provide that.’

Mr Xu’s advice to other business migrants considering a move to Western Australia is to research your choices and seek the help of reliable people before making big decisions.


Snapshot questions

1. Outline what motivated JinHe Xu to begin a business in Western Australia.

2. Recall the support JinHe Xu received from the government.

3. Describe the factors that have contributed to JinHe Xu’s success.

Gender

Governments of developed economies are realising that employment growth will not come from established large businesses but from the creation or expansion of the small business sector. Policies are being created specifically to assist small business in contributing to the national economy. In response to these policies, and to a general change in social attitudes, many women are setting up their own businesses (in particular in self-employment) at three times the rate of men (see the following Snapshot).
Crayons Childcare Centre — women and SMEs

It takes determination, courage, persistence and a high level of motivation to achieve success with any business venture — qualities that Michelle Angeloni possesses. Michelle started her own childcare centre in 1998 after working in the industry for seven years. During those years, she spotted a gap in the market that was not already being satisfied by other businesses in the area for centres that offered personalised care as well as quality education.

‘I noticed that in all the childcare centres I came across, the owners weren’t properly qualified and they didn’t work in the actual centre. I therefore felt they didn’t understand what was important about the level of service required and what families expected.’ After years of frustration at the way some centres were being run, Michelle was determined to run a business exactly the way she wanted. She wanted to run a childcare centre where the children become a family and where every family is made to feel important. Michelle wanted her business to provide a level of service that was not already available in the area.

It took three years of hard work and persistence to get the business started. During that time, she encountered many obstacles and hurdles that she needed to overcome. Her biggest challenge was getting the centre approved by the local council. Michelle had to attend council meetings for three years to continually address issues raised by neighbouring property owners at her own expense. She also had to keep modifying her plans to suit council requirements. To help her with this process, Michelle sought advice and developed good relationships with advisors from the Department of Education and Communities.

‘In order to succeed you need to be persistent, patient and passionate. It takes time to create a successful business, but it’s so much easier to motivate yourself when you’re energised by what you’re doing. In business, you are going to face constant challenges. Success doesn’t come easy, but if you have determination and a positive mindset, you can do anything.’

Michelle’s determination has definitely paid off. In the 15 years since she opened, she has never spent a cent on advertising. All her business has come from word of mouth and recommendations, and she has always remained true to her philosophy and vision for starting the business in the first place.

Snapshot questions
1. Identify the personal qualities Michelle Angeloni possesses that equip her to be a SME owner.
2. Explain the importance of Michelle’s experience in determining the business’s success.
3. Summarise Michelle’s advice for people wanting to start their own business.

Research undertaken by both federal and state government departments has highlighted the following points regarding women in business:
1. Women own approximately one-third of all small businesses operating in Australia.
2. Over the past decade, there has been a rapid growth in the number of women who chose to be self-employed, growing by a rapid 33 per cent.
3. The major industries in which women own businesses are service oriented.
4. Women own almost half of all home-based businesses.
5. Women setting up businesses from home is the fastest growing sector of the Australian economy.
6. Women-owned businesses have less external debt, are more profitable and are profitable much earlier than those owned by men.
7. Women starting their own business generally:
   • are aged 26–45 years
   • have sole financial responsibility for the business
   • acquired skills used in their business from previous work experience
   • borrow very little money.
8. The main reasons for women establishing a business include the following:
   • desire to be their own boss
   • wanting greater flexibility in terms of family needs
   • personal challenge
   • an avenue to utilise their skills and talents
   • wanting to achieve financial security
   • experience of restrictions in terms of promotion within a previous career.

Summary
• Personal qualities, motivation, experience and entrepreneurship are the primary influences on an individual’s decision to establish a business.
• Business qualifications and skills can be attained through experience, education and/or training.
• These factors will affect planning decisions on issues such as the type and size of business, the business location and the individual’s own role.
• An entrepreneur is someone who starts, operates and assumes the risk of a business venture in the hope of making a profit.
• An entrepreneur must have a range of skills and characteristics to own and operate a business successfully.
• Other influences are at work, including cultural background and gender.

Revision
1. Assess your own entrepreneurial ability by completing the questions shown in figure 11.1 on page 328. Someone with an entrepreneurial personality would answer ‘yes’ to most of the questions. Write a self-evaluation report based on your answer.
2. Choose a business you would like to own. Outline the personal qualities you think are needed to be successful in this business. Share your response with a classmate and discuss the main differences in your answers.
3 Divide a page into three columns as shown. In the first column, identify the skills that you presently possess and could bring to a small business. In the second column, identify other skills that you would need to develop. In the third column, outline how you would go about obtaining these new skills.

<table>
<thead>
<tr>
<th>Skills I presently possess</th>
<th>Skills I would need to develop</th>
<th>How I would obtain these new skills</th>
</tr>
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<tr>
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</table>

4 Refer to figure 11.4 on page 333 and classify the possible rewards of business ownership into monetary or non-monetary benefits. Interpret the results.

5 Describe the main characteristics of an entrepreneur.

6 Select the characteristic you regard as the most important and justify your choice.

7 Outline why an entrepreneur should continually set new goals.

8 Prepare a ‘T’ table format to summarise the benefits and burdens of entrepreneurship. The ‘T’ table has been started for you.

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Burdens</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sense of freedom and independence.</td>
<td></td>
</tr>
</tbody>
</table>

9 Determine which you consider to be more persuasive: the benefits or the burdens. Give reasons for your answer. Share your response with the rest of the class.

10 Propose what you consider to be the main reasons for women starting their own businesses.

11 In small groups, brainstorm the problems women face when they attempt to establish and operate a SME. Outline your problems to the rest of the class.

12 Using the Enterprise Network for Young Australians (ENYA) weblink in your eBookPLUS answer the following questions.
   (a) Outline the role of ENYA.
   (b) Identify the specific assistance ENYA offers potential entrepreneurs.

13 Use the Women’s Network Australia weblink in your eBookPLUS to select and read two stories of WomenPreneurs — ordinary women achieving extraordinary success. Compare the main factors that made each business a success.

Extension

1 ‘The entrepreneur has an important role in the Australian economy.’ Assess the accuracy of this statement.

2 Investigate how the role of women in business changed over the past decade. Predict the importance of this role in the future.

3 Create a rap song explaining the meaning of ‘entrepreneur’ and describing the qualities needed to be a successful SME owner.

4 Write out the 12 questions asked in figure 11.1 (page 328) in order of importance, from most important to least important. Compare your list with the rest of the class and be prepared to justify your rankings.
11.3 Sources of information

SME owners cannot be experts in all areas of their business. Further, they do not normally have the funds to employ a specialist or consultant to assist with management. They thus need to possess a variety of skills, including marketing, personnel, finance, administration and public relations skills. Obviously, this multifaceted role is not an easy task. However, the SME owner can receive assistance from a large number of government and private support agencies, examples of which are shown in figure 11.7.

![Figure 11.7 Sources of help and advice for the SME owner]

Professional advisers

It is important for the business owner to have a good relationship with an accountant, solicitor and bank manager, and to keep in touch with them on a regular basis. Management consultants can also be used, especially when restructuring the business or changing its core business activity.

Business owners tend to be totally immersed in the day-to-day operations of their businesses, so they find it difficult to remain objective. However, the professional adviser is able to examine the business much more objectively and provide an independent analysis of the organisation. Professional advisers are also more aware of changes within the legal, economic and financial environment. It is advisable for business owners to make use of the information and advice from the following advisers:

1. Accountants. Accountants provide valuable advice on all financial management issues and taxation obligations. They have access to the latest changes to taxation and financial reporting requirements.
2. **Solicitors.** Solicitors provide information concerning business formation and structures, registration, contracts, leases, partnership agreements, patents and legislation. Solicitors are up to date with any changes to company law and can advise the small business owner on how best to deal with such changes.

3. **Bank managers.** The bank manager is another valuable contact who can provide information and advice on financial services, sources of finance and basic business management. The bank manager usually has a wide range of experience to draw on and is able to access the resources of the bank.

4. **Management consultants.** If a business management problem arises that the owner cannot deal with, then the advice of a management consultant may be necessary. Coming from outside the business, the consultant is able to be more objective and view problems in an unbiased manner. When outsourcing to management consultants, it is wise to check their credentials and experience.

### Government agencies

#### State governments

All state governments have established agencies that provide support and advice to business owners. In New South Wales, the Industry, Innovation and Investment Division of the NSW Department of Trade and Investment, Regional Infrastructure and Services (NSW Trade & Investment) offers a number of programs designed to assist businesses. The main programs are described below.

**NSW Trade and Investment — SmallBizConnect**

This NSW government department provides the following information and services to small business:

- information and advice on starting and managing a small business
- interactive tools to assist owners to start and run their business
- programs to develop key business skills.

**Business Enterprise Centres Australia (BECA)**

Business Enterprise Centres Australia (BECA) is the peak body for business enterprise centres and the more than 300,000 micro and small business owners Australia-wide.

This not-for-profit organisation assists home-based business owners, business intenders and micro and small business owners with a variety of services. These include business mentoring, 1:1 business advice, training, networking events and much more. Most of these services are provided at low or no cost because they are government subsidised, and there are over 100 BECs nationally in city, regional and rural areas.

#### Federal government

The federal government operates a website, www.business.gov.au, as a service to businesses of all sizes, offering access to all government departments, with advice on everything from fair trading to taxation. Government departments such as the Department of Foreign Affairs and Trade, and the Department of Innovation, Industry, Science and Research provide specific advice and support to businesses on issues such as exporting overseas and research and development of new products.
Technological advice

Establishing an online business presence, networking a number of computers within the business premises, or making maximum use of mobile devices can all improve business efficiency. Purchasing equipment from a dealer who offers advice and backup support, or establishing a relationship with an ICT consultant, is another important decision to be made by the prospective business owner. As a technological support service for small business, the federal government has established the digitalbusiness.gov.au website. This service provides free practical advice on how best to take advantage of the internet.

Other sources

Chambers of commerce

Chambers of commerce are local associations of businesspeople, usually centred around a suburb or region. They provide legal and financial help, taxation advice, an explanation of legislation, and industrial relations information. The chambers also organise training seminars, arrange industry conferences and liaise with government departments.

Small Business Association of Australia and New Zealand

This lobby group has a membership consisting of thousands of individual small business owners. The association provides a forum for exchanging news and views.
relating to small business matters. It also organises training days and promotes the role of small business and its importance in the total economy.

**Trade associations**
Trade associations offer specific industry information and assistance. Examples include:
- Australian Retailers Association
- Plastics and Chemicals Industries Association
- Australian Medical Association.
Each association is made up of organisations that are in the same line of business, so it can provide specific details about product development and industry trends.

**Libraries and reference material**
Libraries are a valuable source of information because they have access to vast amounts of reference material. Most libraries have online access to large databases with search facilities that help locate specific material. Librarians are highly trained and will undertake a search of the literature available. Most libraries also subscribe to trade and industry journals.

**Australian Bureau of Statistics**
The Australian Bureau of Statistics provides valuable data on social, economic and demographic trends. It also provides specialised data on business activities. Information useful to business owners can be obtained from the following:
- Census on Population and Housing
- Demographic Trends and Statistics
- Household Expenditure Surveys.
Having access to such information assists the business owner in analysing and understanding changes to the external environment.

**11.4 The business idea**
As well as determining whether or not they have the motivation and personal qualities to start a business, potential SME owners will have a clear idea of what they wish to sell. Sometimes it is an original idea for a good or service that is quite different from anything already on the market, or a distinct improvement on something already available. Or it may be a realisation that particular goods or services are unavailable in a particular area. All the businesses in the world must have started from an initial idea and then grown according to their success within the market. Coke, for example, started as a medicinal tonic sold off the back of a travelling wagon. Now, Coca-Cola Amatil is an internationally successful business that dominates the soft drink market throughout the world.

The source of a business idea may come from a person’s own experiences, interests, abilities or imagination. Inspiration for ideas can be generated by:
- listening to people, particularly for ideas on the goods or services people want, but that may not be readily available
- reading magazines and books, and researching on the internet
- visiting displays and exhibitions in areas such as new technology or new products from overseas
- accessing government statistics and research information
- identifying a ‘gap’ in the market — that is, a demand not currently being satisfied
- determining improvements that could be made to an existing product.
Mocks — a successful business idea

Most of us have seen something advertised and thought, ‘that is just what I need’. Someone, somewhere had the idea for the product. From this original idea, a business was formed to develop, produce and market the product. All businesses begin when a person or group of people have an idea for a new or improved product. And so it was for Lara Solomon who, in 2004, launched the Mocks brand: protective sock covers for mobile phones, MP3 players, cameras and other mobile electronic gadgets.

The idea came to Lara while she was holidaying in Thailand. She came across stalls selling unbranded, different-sized and varying quality covers for mobile phones. With her marketing background, Lara quickly realised the potential of higher-quality branded products with designs more appropriate for the Australian market. Lara spent about six months researching different materials and designs while her family provided financial support.

Due to the product’s unique characteristics, Lara initially found it difficult convincing stores to stock her product. However, due to her persistence and passion for the brand, Fone Zone decided to trial Mocks in seven of its stores. The trial was so successful that the owners decided to sell Mocks in every one of their 110 stores.

Once Lara’s promotional campaign was underway, retailers started calling her to place orders. Lara feels proud to be identified as the ‘Mocks lady’, and believes the product’s quirkiness and usefulness are the reasons for their popularity.

Today, Lara’s company LaRoo Pty Ltd sells over 70 different designs, with new designs launched every three months. In 2008, Solomon was named one of Business Review Weekly’s Top 100 Fast Startups. Mocks are sold in Australia, the United Kingdom and online. To date, over 1.6 million Mocks have been sold worldwide.

**Snapshot questions**

1. Outline the source of Lara’s business idea.
2. Besides the original business idea, describe other factors that contributed to the success of LaRoo Pty Ltd.

The successful identification of a gap in the market is a key to establishing a lucrative business. It means that the new business provides something not already available. Breaking into a market that is already well served means that the new business has to do something exceptional to draw customers away from existing businesses. For example, if a shopping centre currently has three hairdressing salons, would a hairdresser be wise in setting up a fourth salon in the same centre? It is unlikely that a gap in the market exists unless the other three hairdressers are so heavily booked that locals find it difficult to make an appointment.
Identifying business opportunities

Identifying a **business opportunity** is not just about having an idea. An opportunity is something that a person can see as an avenue to success. It is often identified when a person feels they can provide goods or services in a better or different way from that already in the market. There are many ways of identifying an opportunity, for example:

1. Analysing and reviewing particular parts of the market to find an opening for particular goods or services. Sometimes, you can find the best opportunities by seeking those goods or services that larger businesses are unable or unwilling to provide to their customers. Angela, for example, may want to open a plant nursery, but she is afraid that the larger nurseries will be able to undercut her prices in most products simply because they can buy in bulk. Angela could concentrate on the provision of services — maybe plant delivery services, landscaping, garden consultations, soil testing and more — which the larger nurseries tend to overlook.

2. Identifying whether many other people share a particular interest or hobby. This interest or hobby may become the main catalyst in identifying a business opportunity. An individual is not always driven by the motive to make a profit, but rather by a belief in the product itself. The most important issue is that such interest does not always equal success. There must be a large enough market to sustain sales of the product or service.

Once a business opportunity is identified, a number of areas need further investigation before the business opportunity becomes a reality. The most important of these is a consideration of the competition.

**Competition**

**Competition** is rivalry among businesses that seek to satisfy a market. When identifying a business opportunity, the entrepreneur must decide on the type of market in which their goods or services will compete. This means deciding whether to target the goods or services at a broad market (mass market) or a more specialised market (niche market). Once this decision is made, the business owner is able to identify the level of competition and the main competitors.

The business owner must then decide how to make the business competitive or, more simply, how to develop a customer base or gain a market share from its competitors. Again, the type of market will influence the strategies used by a business. If the product is aimed at a niche market, for example, then there may be no competitors. On the other hand, a mass-market strategy will require extensive planning to create market share. There are two main ways of achieving competitiveness — cost of production and differentiation of the goods or services.

1. Cost will largely depend on production techniques. The business that can produce a good or service at the lowest possible cost and thus sell at the lowest price has the greatest ability to attract market share.

2. Differentiation is about making a product or service different, unique or better than its rivals — for example, selling a computer with extra service, lessons or added software.

Competitive advantage is discussed in more detail in chapter 13.
Summary

- A variety of support services exist to provide assistance to a business owner who lacks experience. Some of them are free and some are in the form of other businesses that charge for their services.
- A business idea describes the core activities of the business, and the specific features and value of the goods or services it provides.
- A business opportunity is something an entrepreneur can see as an avenue to success.
- Opportunities may arise due to either a ‘gap’ in the market, or an interest or hobby.
- Competition is rivalry among businesses that seek to satisfy a market.
- SME owners must decide how to make a business competitive. This can be done by either reducing the costs of production or providing something not already available.

Revision

1. (a) Recall the professional advisers a business owner should have a good relationship with.
   (b) State the information each one provides.
2. Use the business.gov.au weblink in your eBookPLUS to examine the range of information provided by this website.
3. Jamahl wishes to set up a hot bread shop in his local shopping centre. Identify five government agencies or organisations he could approach for support.
4. Use the BEC Australia weblink in your eBookPLUS to answer the following questions about Business Enterprise Centres (BEC) Australia.
   (a) State the vision and mission of BEC Australia.
   (b) Outline five different services offered by BEC Australia.
5. There are many ways of coming up with an idea for a business. The following table provides some examples. In small groups, propose one suggestion of your own for each example given.

<table>
<thead>
<tr>
<th>Source of idea</th>
<th>Example</th>
<th>Your suggestion</th>
</tr>
</thead>
<tbody>
<tr>
<td>An inspiration</td>
<td>A self-filling printer cartridge</td>
<td></td>
</tr>
<tr>
<td>Listening to people</td>
<td>A skateboard facility</td>
<td></td>
</tr>
<tr>
<td>Noticing a gap in the market</td>
<td>A home gardening service</td>
<td></td>
</tr>
<tr>
<td>Own interests and abilities</td>
<td>A graphic design consultant</td>
<td></td>
</tr>
<tr>
<td>Improving an existing product</td>
<td>A better video store</td>
<td></td>
</tr>
<tr>
<td>New technology</td>
<td>A mobile HDTV screen</td>
<td></td>
</tr>
<tr>
<td>Developing a hobby</td>
<td>Making ceramic pottery</td>
<td></td>
</tr>
<tr>
<td>Combining two existing ideas</td>
<td>Antiques/coffee shop</td>
<td></td>
</tr>
<tr>
<td>Social trends</td>
<td>Home-cooked, prepared meals</td>
<td></td>
</tr>
<tr>
<td>‘Crazy’ ideas</td>
<td>A musical hair dryer</td>
<td></td>
</tr>
</tbody>
</table>

6. Define the term ‘business opportunity’.
7. Summarise two ways of identifying a business opportunity.
8. Choose a business — large, medium or small. Identify its main competitors.
9. Keeping ahead of the competition is essential for long-term business success. Recommend five strategies a café can use to keep ‘on top’ of its competitors.
Extension

1. Arrange for a representative of the local chamber of commerce, or the local traders’ association, or the local BEC to visit your class. Before the visit, prepare a number of questions to ask the representative on issues relevant to both informal and formal support services provided for local business owners. If possible, video record the session (obtain the visitor’s permission in advance). Create a 500-word report on what you learned from the visit.

2. ‘The business idea is the starting point for any new small business.’ Explain this statement.

3. When commencing a new small business, justify which of the following you think might be the most important.
   (a) the money required to commence the business
   (b) the development of the business idea
   (c) the skills of the people who will operate the business.

4. Choose a good or service you could provide/invent that is (to your knowledge) not already available.
   (a) Clarify why you chose this good/service.
   (b) Predict its chance of success.

11.5 Establishment options

There are three ways of establishing a new business:
1. setting up a new business from scratch
2. purchasing an existing business
3. purchasing a franchise.

Choosing between these options is sometimes quite difficult; each has advantages and disadvantages (see the Snapshot on pages 351–2).

BizFACT

Seventy per cent of all new businesses start from scratch, while 26 per cent are purchasers of existing businesses. The remaining 4 per cent are businesses that have either been inherited from a family member, restarted from a previously failed business, or bought by the employees from the owners.

FIGURE 11.14 Many prospective small business owners find it difficult to select an establishment option. Each option has its own advantages and disadvantages, which must be taken into consideration before making a decision. A wrong choice may place the owner in a vulnerable position.
Setting up a new business — starting from scratch

Sometimes conditions are more favourable for starting a new business than for buying an existing operation, for example:

- when a person has created something unique and starts a business to market their innovation or invention
- when a person recognises a gap in the market, where it is clear that customers’ needs are not satisfied by existing businesses
- when the market has grown and existing businesses cannot supply all customers.

If these conditions do not exist, then starting from scratch could be more difficult because existing SMEs will provide considerable competition.

**FIGURE 11.15** Steve Takchi started his business Path to Health from scratch to pursue his dream of getting people moving and enjoying a quality life without pain. He wanted to create a business that is a one stop shop for health and osteopathy that offers personalised healthcare and a holistic approach that considers the complete person (physical, psychological and spiritual) in the management of the problem.
Advantages and disadvantages

Starting from scratch has advantages and disadvantages (see table 11.1).

**TABLE 11.1 The advantages and disadvantages of starting a business from scratch**

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The owner has the freedom to set up the business exactly as they wish.</td>
<td>• There is a high risk and a measure of uncertainty. Without a previous business reputation, it may prove difficult to secure finance.</td>
</tr>
<tr>
<td>• The owner is able to determine the pace of growth and change.</td>
<td>• Time is needed to set up the business, create procedures, develop a customer base, employ and train staff, and develop lines of credit.</td>
</tr>
<tr>
<td>• There is no goodwill for which the owner has to pay.</td>
<td>• If the start-up period is slow, then the business may not generate profits for some time.</td>
</tr>
<tr>
<td>• If funds are limited, it is possible to begin on a smaller scale.</td>
<td></td>
</tr>
</tbody>
</table>

**Buying an existing business**

When an existing business is purchased, the business is already operating and everything associated with the business is included in the purchase — for example:

• stock and equipment
• premises
• existing customer base

When purchasing an existing business, it is essential for the potential purchaser to know why the business is for sale. If the business has been struggling, it may not be a very good purchase. It is also important to examine detailed accounts for at least the previous three years to determine the financial health of the business. The true value of goodwill is one aspect of the financial statements that is often hard to estimate. The seller of the business may overestimate the value of the business’s reputation; therefore, consultation with an accountant is important to confirm the accuracy of the value placed on goodwill by the seller.

**Advantages and disadvantages**

Buying an existing business has a number of advantages and disadvantages, as shown in table 11.2.

**BizWORD**

*Goodwill* is the monetary value attached to the reputation of a particular business.

**BizFACT**

If you are buying an existing business, the financial information about the profitability of that business must be fully investigated. According to the Australian Competition and Consumer Commission, if the vendor is reluctant to disclose the full financial details of the business it is better not to purchase it. Buying a business is just like buying a house — a huge cost is involved and the foundations of both must be sound.

**FIGURE 11.16** Sam Dimartino purchased an existing business because he believed it would be easier than setting up a new business from scratch. The existing suppliers, equipment and customers helped Sam generate instant income.
**BizWORD**

A **franchise** involves buying the rights from another business to distribute its products under its name.

A **franchisor** is an individual or business that grants a franchise.

A **franchisee** is an individual or business that purchases a franchise.

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**TABLE 11.2** The advantages and disadvantages of buying an existing business

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Sales to existing customers will generate instant income.</td>
<td>• The existing image and policies of the business may be difficult to change, especially if the business had a poor reputation.</td>
</tr>
<tr>
<td>• A good business history increases the likelihood of business success.</td>
<td>• The success of the business may have been due to the previous owner’s personality and contacts, so may be lost when the business is sold.</td>
</tr>
<tr>
<td>• A proven track record makes it easier to obtain finance.</td>
<td>• It may be difficult to assess the value of goodwill, with the likelihood that the newcomer will pay more than it is worth.</td>
</tr>
<tr>
<td>• Stock has already been acquired and is ready for sale.</td>
<td>• There may be hidden problems.</td>
</tr>
<tr>
<td>• The seller may offer advice and training.</td>
<td>• Some employees may resent any change to the business operation.</td>
</tr>
<tr>
<td>• Equipment is available for immediate use.</td>
<td></td>
</tr>
<tr>
<td>• Existing employees can provide valuable assistance.</td>
<td></td>
</tr>
</tbody>
</table>

---

**Buying a franchise**

Under a **franchise** agreement a person buys the rights to use the business name and distribute the products or services of an existing business. The business that grants the right to others to use its name and products is known as a **franchisor**, while the business that buys those rights is known as a **franchisee**. The franchisor supplies a known and advertised business name, the required training and staff development, a method of doing business, management skills and materials. The franchisee supplies the startup money and labour, operates the franchise business and agrees to abide by the terms and conditions of the franchise agreement.

People choose to buy a franchise in the hope of avoiding many of the problems of starting a new business. For a set fee, the small business owner receives the benefits of a successful business formula, a well-recognised name and established trademarks. Franchising has a success rate of almost three times that of independent businesses, largely because it involves an established business name backed up by managerial expertise. Franchising is the area of fastest business growth in Australia.

Subway® (sandwiches and salads) is an example of a franchise. Other well-known franchises include McDonald’s, Optus ‘Yes’ stores, Dymocks bookstores, 7 Eleven, Bakers Delight, Domino’s Pizza and The Athlete’s Foot.

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**Advantages and disadvantages**

Buying a franchise has a number of advantages and disadvantages, as shown in Table 11.3.

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**BizFACT**

According to a report of the Franchise Council of Australia in 2012:

- annual sales turnover of the franchising sector is estimated at $131 billion
- the franchising sector comprises over 73,000 business outlets
- there are approximately 1180 franchisors in Australia
- the franchising sector employs more than 400,000 people across the country.

---

**TABLE 11.3** The advantages and disadvantages of buying a franchise

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Immediate benefit is derived from the franchisor’s goodwill because the name is established.</td>
<td>• The franchisor controls the operations, with little scope for franchisee individuality.</td>
</tr>
<tr>
<td>• The franchisor often provides training and management backup.</td>
<td>• Profits must be shared with the franchisor through the payment of ongoing franchise fees.</td>
</tr>
<tr>
<td>• A franchisee can succeed despite having limited experience.</td>
<td>• The franchisor often charges additional service fees for advice.</td>
</tr>
<tr>
<td>• Equipment and premises design are usually established and operational.</td>
<td>• The franchisee is often required to purchase stock from the franchisor and cannot shop around for cheaper supplies.</td>
</tr>
<tr>
<td>• Well-planned advertising often exists.</td>
<td>• Contracts may be biased in favour of the franchisor.</td>
</tr>
<tr>
<td>• Volume buying is possible, often resulting in cheaper stock.</td>
<td>• The franchisee must share any burden of the franchisor’s business mistakes.</td>
</tr>
<tr>
<td>• A business plan and proven business methods already exist.</td>
<td></td>
</tr>
</tbody>
</table>
FIGURE 11.17 A range of franchise business operations

Madhu’s Restaurant — a successful franchise

An interview with Madhu Gaikwad, owner of Madhu’s Restaurant

Madhu, what made you want to own a restaurant?

Ever since ninth grade at school, I wanted to be a chef and run my own restaurant. I was 15 years old when I started working as a kitchen hand in a friend’s restaurant. I worked on a casual basis. This experience gave me a good understanding of the restaurant scene and my passion for fine food.

Do you enjoy your work? Why?

Working as a chef involves hard work and long hours. You are always working quickly and nearly always under pressure. However, the creative satisfaction in producing great food that not only looks good, but tastes good too, makes it worthwhile.

Would you prefer to work for yourself or be a salaried employee?

I prefer working for myself. Not only does this allow me to be creative with my dishes, but it also allows me to generate my own income.

Why did you establish a new business instead of purchasing an existing restaurant?

In the beginning I weighed up the advantages and disadvantages of each option. The main advantages of setting up a new business are that I would have freedom of choice to set up the business just as I wish; there is no goodwill which has to be paid for; and importantly, because my funds were limited, I was able to begin on a smaller scale. The main disadvantage is the high risk of failure because there is no previous business reputation or existing customer base to draw upon. This also makes it more difficult to obtain a loan.

Did you consider purchasing an existing business?

Yes, I almost bought a competitor’s restaurant. The asking price was low due to its poor reputation. Although it was poorly managed, it was in a great location. The

(continued)
‘It is immensely satisfying to know that I am creating something from nothing.’

The main advantage of purchasing this business was that it was already operating and everything associated with the business was included in the purchase. However, the main disadvantage was that the existing image of the business would have been difficult to change. It was just too big a risk.

Do you think you made the right decision?
Yes. Even though it was hard in the beginning, with plenty of minor ‘dramas’, I would make the same decision again. It is immensely satisfying to know that I am creating something from nothing.

Did you consider operating as a franchise?
Not really. I did not want a franchisor to control how I operate my business. Nor did I want to share my profit or pay a fee to trade under their name. I wanted my independence. However, if I lacked experience I would have chosen this option because operating under a well-recognised brand and using a successful business formula would reduce the risk of failure.

Finally, Madhu, how’s business so far?
Well, as you know, I set up Madhu’s Restaurant in 2008. Since then, I have been pleased to see that there is a growing customer base. I am very satisfied with the profits so far. So, eat up and bon appétit!

Snapshot questions
1. According to Madhu, outline the benefits of being self-employed compared with being a salaried employee.
2. Recall why Madhu decided to establish a new business.
3. Identify one advantage of purchasing an existing business.
4. Explain under what circumstances Madhu would consider operating as a franchise.
5. Create a web page for Madhu’s restaurant. Provide a facility for ordering takeaway food online.
6. In pairs, predict what might happen to Madhu’s business over the next two years.

Summary
• Starting a completely new business, purchasing an existing business or purchasing a franchise are the three main ways of going into business.
• The most common reason for setting up a completely new business is the recognition of a gap in the market.
• When purchasing an existing business, it is essential for the potential purchaser to know why the business is for sale.
• People choose to buy a franchise in order to make use of an existing brand and reputation.
• There are advantages and disadvantages for each option.

Revision
1. Recall in what circumstances someone might choose to start a business from scratch.
2. Identify and explain what you consider to be the two most significant advantages and two most significant disadvantages of starting a business from scratch.
3. Identify and explain what you consider to be the two most significant advantages and two most significant disadvantages of purchasing an existing business.
4. (a) Assume you have decided to purchase an existing small business. Select one of the following advertisements and propose a list of questions that you should ask before making a purchase.
(b) Justify which business offers the best prospects. Give reasons for your answer.
5 Consider a small business that you would like to start. **Recommend** which of the three business options would be most appropriate. Give reasons for your answer.

6 **Investigate** why people choose to purchase an established business rather than start from scratch. Compare your answer with other class members.

7 Use the federal government’s business.gov.au weblink in your eBookPLUS to summarise the advice provided for buying an established business.

8 The Red Rooster restaurant franchise mission statement is ‘Be in business for yourself, but not by yourself’. **Explain** what is meant by this statement.

9 **Clarify** why businesses operating as a franchise have a success rate three times that of independent businesses.

10 **Identify** what the franchisor receives in a franchise agreement. **Identify** what the franchisee receives. **Identify** what each party provides.

11 **Determine** one main benefit of franchising for the:
   (a) franchisor
   (b) franchisee.

**Extension**

1 Read the following story and then answer the questions.

   Bianca was bored working for someone else and decided to start her own business. She lives in a small New South Wales country town with a population of approximately 2500. The town has no major shopping centre and no established franchises. Bianca decided to open a café in the town. Her mother provided the funding for the business and gave her what little advice she could.

   After only six months in business, Bianca realised that the business was not profitable. Her debts were increasing and she could see no way out of her problems. She wanted to sell the business but could not find a buyer.

   (a) **Determine** whether it would have been wiser for Bianca to purchase an established business rather than commencing from scratch. Give reasons for your answer.

   (b) If Bianca had conducted some basic market research, **predict** whether she would have opened a franchise instead of an independently owned business.

   (c) **Propose** what Bianca should do. Share your answer with other class members.

2 From the ‘Businesses for sale’ section of a newspaper, find three advertisements for the sale of a corner store, newsagency or coffee shop. **Explain** all the terms used in the advertisements.
3 Select a small business that you patronise regularly and answer the following questions:
   (a) Outline why you use this particular business.
   (b) Identify the strengths and weaknesses of this business.
   (c) If this business were for sale, determine whether you would consider purchasing it. Give reasons for your answer.

4 Use the Franchise Council of Australia weblink in your eBookPLUS to compare three franchise operations that interest you and then answer the following questions:
   (a) Summarise the business's concept.
   (b) Identify the training provided by the franchisor.
   (c) Outline the agreement terms.
   (d) State the level of investment required.
   (e) Describe the personal qualifications required.
   (f) Assess which franchise operation you consider to be the best business proposition. Give reasons for your answer.

5 Create an information brochure on franchises. Include useful facts, and useful organisations and websites that will assist a potential franchise.

11.6 Market considerations

Many business owners are so enthusiastic about starting that they often overlook these three crucial questions:
• What good and/or service will be sold?
• What is the most suitable price for the goods or service?
• What is the most appropriate location for the business?

More than anything else, the success of any business depends on the research and planning done to answer these three fundamental questions, because sales are the life-blood of a business and the source of its income.
Goods and/or services

One of the first decisions potential business owners need to make is to determine what they are going to sell. When starting a business, it is very important that the owners possess the knowledge and experience required regarding their good or service.

Many SME owners display such enthusiasm for their new goods or service that they often fail to consider whether any customers want to purchase it. Without customers, a good or service — even though revolutionary, efficient, record-breaking, exciting and so on — is useless. Businesses fail without a market (customers) for their goods or service; therefore, they must always undertake market analysis.

Market analysis involves collecting, summarising and analysing information about the state of the market, customers, the threats and opportunities that the market presents, and any advantages or disadvantages that the business is likely to have over its competitors.

Using a variety of methods, such as surveys, questionnaires and focus groups, market analysis can provide a wealth of information about customers’ attitudes, perceptions and opinions. It presents a business owner with questions that focus on who will buy the product, for example:

- Who are our customers?
- What do we know about them?
- What is their age and gender?
- Why do they buy our product(s)?
- What do they see as our strengths and weaknesses?
- How can we gain more customers?
- Who are our competitors? How many do we have?
- What do our competitors offer that we do not?
- What are we really selling?
- To whom would we like to sell?

Price

One of the most crucial decisions that any business owner has to make is to determine the prices at which goods and services are provided to customers. This will have a major impact on the success of the business, as prices set too high may drive away potential customers, while prices set too low may make it difficult to achieve a profit.

As discussed in chapter 8, three pricing methods can be used:

1. Cost-based: a pricing method derived from calculating the total cost of producing or purchasing a product and then adding a mark-up for profit.
2. Market-based: a method of setting prices according to the interaction between the levels of supply and demand — whatever the market is prepared to pay.
3. Competition-based: choosing a price that is either below, equal to or above that of the competitors.

BizWORD

Market analysis involves collecting, summarising and analysing information about the state of the market, customers, the threats and opportunities that the market presents, and any advantages or disadvantages that the business is likely to have over its competitors.
Different types of businesses will be suited to different locations, and the business owner must consider a number of factors when determining the most appropriate location for their particular business (refer to chapter 3). A suitable location might be a shopping centre or retail shopping strip, or the business owner may choose an online presence or prefer a home-based business.

Local government zoning determines where some types of businesses can operate. Zoning is designed to keep business activities separate from residential areas and prevent householders being disturbed by businesses operating late at night. The process sets aside commercial and industrial zones and it is in these areas that most SMEs will operate.

Shopping centre complex

The suburban shopping centre complex has been in existence in Australia for less than 50 years. Typical suburban shopping centre complexes have one or more supermarkets and a number of small specialist stores such as hairdressers, clothing stores, pharmacies, cafés, newsagents, and often a post office and bank branches. Larger regional shopping centres, such as Macquarie Centre, Centro Roselands, Westfield Bondi Junction and Warringah Mall often include major department stores and cinemas, as well as the full range of specialist retail outlets.

A well-established business in a busy shopping centre is an excellent option for a prospective SME owner wishing to purchase an existing business, although a new business in an established shopping centre is most likely to be successful if there are no existing competitors.

BizFACT

When selecting a suitable site to locate a new small business, it is crucial to remember real estate agents’ three important words: ‘location, location, location’.

Retail shopping strips

In metropolitan Sydney, shopping strips developed along major arterial roads during the second half of the 19th century. The busiest shopping strips were located near public transport, such as tram routes and suburban railway stations. Parramatta Road is an example of a major road in Sydney with extended shopping strips.
Many shopping strips in the metropolitan area have struggled to compete with the growth of shopping centre complexes offering off-street parking and an air-conditioned environment. Retail shopping strips offer the advantage of high visibility for passing traffic, but many shopping strips suffer from lack of parking, particularly those located on major arterial roads that are clearways during peak hours. Because many shopping centres close in the evenings, shopping strips have become popular locations for restaurants and ‘after hours’ entertainment. Norton Street in Leichardt is a good example of this.

### Online presence

Given the rapid rise in technology, many businesses do not consider their location as important at all. Most SME owners have the use of a computer and access to the internet. This allows for the possibility of conducting business online, so the business is no longer limited to dealing with people who can physically visit its premises. Such online activities can include:

- using email to communicate with customers or suppliers
- using the internet to find information, such as prices, business contact details, and different products and market trends
- setting up a website to provide information about available products and services, or as a means by which customers can order goods online
- using the internet for online banking and payment of bills.

### Online businesses — factors to consider

A good computer, some business acumen and perhaps a spare room in the back of the house are some of the key ingredients you need to start an online business. Many businesses are finding they don’t need a shopfront and have begun operating purely online. But don’t assume that because you’re not paying rent and utilities that an online business is without its costs.

‘Having a purely online business can be cheaper in terms of infrastructure in some cases, but not in all cases,’ says the director of digitalbusinesscoach.com, Mike Sharkey. ‘Product-based businesses still need to consider things like warehousing, dispatch, shipping and hi-tech software. However, service-based businesses, once built, can be run fairly cheaply because the overheads tend to be fixed.’

Sharkey says if you have a small-scale e-commerce site selling something homemade, it can be quite cheap initially, but you need to choose appropriate software.

‘You could spend $10 000 on a website or try to set something up yourself,’ he says. ‘A lot of new businesses do try to create their own store online but often run into problems, and it’s always best to talk to . . . an expert in what you want to try and achieve. Otherwise you stand to lose a lot of money.’


### Snapshot questions

1. **Identify** what a product-based online business needs to take into consideration.
2. **Outline** the potential problems businesses could face when establishing an online business.
Home-based businesses

Many tradespeople and other service providers have traditionally run their businesses from home. Plumbers, electricians, painters and various other service providers do not need a dedicated business location as they provide services in the customer’s own home or business premises. Increasingly, the development of information and communication technologies has allowed home-based businesses to use mobile phones, the internet and computer applications. Although home-based businesses have traditionally been service providers rather than goods retailers, online ordering and payment has allowed for the expansion of home-based retail businesses.

Summary

- The first thing business owners need to determine is what good or service they are going to sell.
- Businesses fail without a market (customers) for their goods or services, so they must always undertake a market analysis.
- A market analysis involves collecting, summarising and analysing information about the market.
- Price can be set by using the cost-based, market-based or competition-based pricing methods.
- One of the key decisions of a prospective small business owner is concerning the actual location of the business.
- Different types of business will be suited to different locations.

Revision

1. **Clarify** the purpose of a market analysis.
2. **State** the methods a SME owner could use to gather information about customers’ attitudes, perceptions and opinions.
3 From the following table, identify the appropriate number (event) and letter (price-setting method).

<table>
<thead>
<tr>
<th>Event</th>
<th>Method of setting prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. A house is sold at auction.</td>
<td>(a) Cost-based</td>
</tr>
<tr>
<td>2. A percentage is added to the cost price of the goods.</td>
<td>(b) Market-based</td>
</tr>
<tr>
<td>3. The butchers all copy the prices of Mighty Meats.</td>
<td>(c) Competition-based</td>
</tr>
</tbody>
</table>

4 Calculate the selling price for a computer using the mark-up supplied.

<table>
<thead>
<tr>
<th>Computer cost price</th>
<th>Mark-up</th>
<th>Selling price</th>
</tr>
</thead>
<tbody>
<tr>
<td>$800</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>$1000</td>
<td>80%</td>
<td></td>
</tr>
<tr>
<td>$950</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

5 Clarify two factors to consider when setting a selling price for the item in each of the following cases:
(a) A small publishing business has developed an idea for a new fashion magazine for 16-year-olds.
(b) John wants to sell his car online.
(c) Troy has won a new mountain bike in a raffle but he doesn’t need it.
(d) Jemma wants to sell her handmade jewellery at markets and online.

6 Explain how local council decisions affect the location of different types of businesses.

7 Outline the advantages shopping centres have over traditional ‘main street’ shopping strips.

8 Summarise some of the main types of online activities SME operators undertake.

9 Demonstrate how an online presence can assist a business owner to operate from home.

10 Identify three types of businesses that can operate as home-based businesses and explain why they are suited to this type of operation.

11 In small groups, propose what factors need to be considered when choosing a location for the following businesses:
(a) fast-food outlet
(b) dental surgery
(c) agricultural machinery supplier
(d) HSC coaching college
(e) hair salon
(f) panel beater.
Choose a spokesperson to share the group’s comments with the rest of the class.

12 Angela is considering purchasing an established sandwich bar that is located on a main street, adjacent to a large industrial estate and near a parking area. Explain to Angela the importance of each of these factors. In terms of a favourable location, recommend whether Angela should purchase this business.

Extension

1 Copy and complete the following table. Propose three examples of items sold under each of the methods of setting prices. Use the internet for your research.

<table>
<thead>
<tr>
<th></th>
<th>Cost-based pricing</th>
<th>Market-based pricing</th>
<th>Competition-based pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Example 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Example 3</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2 ‘Location is a crucial factor for the success of some small businesses but not for others.’ Critically analyse this statement and provide relevant examples.
3. Visit the local shopping centre or mall. Identify the best located shops. Determine why they have the best locations. Arrange to interview the owners of some of these stores and question them about the reasons for their location.

4. Choose a small business that you are familiar with and explain the ways in which this business has advantages or disadvantages in relation to:
   (a) visibility
   (b) cost (in terms of likely premises expenses and transport costs)
   (c) proximity to suppliers
   (d) proximity to customers
   (e) proximity to support services.

11.7 Finance

Finance refers to the funds required to carry out the activities of a business. It is a crucial issue when an entrepreneur is identifying a business opportunity, especially considering that it is often difficult to raise (see the following Snapshot).

M&M Real Estate — financing challenges

Kirsty Dunphey has always been entrepreneurial. She opened her first business at 15 and, in 2002, she was named the national winner of Telstra’s Young Business Woman of the Year Award. She started her own business, M&M Real Estate, in 2001 in Launceston, Tasmania. The business has now evolved into Harcourts Launceston after a joint venture with the real estate giant, Harcourts.

Dunphey says that she always ‘had goals for what I wanted my eventual, fabulous career to be. It had to be fun and exciting, it had to give me the potential to push myself and be really successful, and it had to impact on people’s lives in a positive way.’ It wasn’t always easy though.

No bank would give her funding to open her real estate agency. She says that, ‘originally, trying to get funding for a real estate agency at 21 and to purchase investment properties at a similar age was challenging. I ended up financing my share of the business on a car loan and had to start small with investment properties.’ She began her business operating out of a two-bedroom apartment with her fellow director and no desks, no phone and no computers.

Despite Dunphey’s success, she says that early planning was ‘haphazard’. She doubts, however, that a business plan could have predicted the fast growth that her business experienced, but she still advocates having a business plan. She says, ‘even if it is on the back of an envelope or a full document it is good to have a reference point as you can get swept up in day-to-day stuff’.

Snapshot questions
1. Explain why it was initially difficult for Kirsty Dunphey to find funding for her small business.
2. Outline what she did to solve this problem.
3. Kirsty started her share of the business with a car loan. State the risks that might be associated with doing this.
4. Recommend other financing options available to Kirsty other than using a car loan. Share your answer with the rest of the class.

A number of preliminary factors need to be reviewed before any action can be taken. First, the entrepreneur must consider a series of questions as shown in figure 11.22. These questions allow the entrepreneur to consider the financial concerns of a business opportunity. Second, the entrepreneur needs to determine the most appropriate source of finance.
How much do I need or expect to earn from the business?

How much capital do I need to operate the business?

What financial success have other similar businesses achieved?

How much will it cost to start the business?

From where will I finance capital requirements?

How much debt can the business afford?

What funds do I have available and what will I need to acquire?

Sources of finance

Finance can come from a variety of sources, but two main types of sources are available to a business. The business owner can contribute their own funds (equity or capital), which is an internal source of funds. The business can also obtain loans (debt) from external sources (see figure 11.23). Advantages and disadvantages are associated with each source of finance.

**FIGURE 11.22** Questions to consider when assessing finance for a business

**Sources of finance**

Finance can come from a variety of sources, but two main types of sources are available to a business. The business owner can contribute their own funds (equity or capital), which is an internal source of funds. The business can also obtain loans (debt) from external sources (see figure 11.23). Advantages and disadvantages are associated with each source of finance.

**FIGURE 11.23** The two main sources of finance available to business owners
Debt finance

Debt finance relates to the short-term and long-term borrowing from external sources by a business. The main advantage with debt financing is that the owner does not have to sell any ownership in the business. Also, debt financing has certain taxation advantages. For these two reasons, debt financing is the most popular source of finance used by businesspeople when starting a business.

Once the type of finance has been decided, the next step is to choose the appropriate term or length of time. The two main terms for debt financing are:
- short-term — less than one year
- long-term — greater than one year.

FIGURE 11.24 Financing a business is a little like making a choice in a lolly shop — there are many options from which to choose. A small business needs to match the source of finance with the purpose for which the funds are needed.

Short-term borrowing is money needed to fund the day-to-day workings of the business. For this reason, it is commonly called working capital: current assets (receivables, inventories) less current liabilities (overdrafts, creditors). The main types of short-term finance are overdrafts, commercial bills and factoring.

Long-term borrowing, for a period of more than a year, is usually used to purchase buildings, land, plant and equipment. The main types of long-term finance are mortgages, debentures or unsecured notes.

Equity finance

Equity finance, also called equity capital, refers to the funds contributed by the business owner(s) to start and then expand the business. If the SME is a company, then this contribution is referred to as shareholder’s equity. Equity has an advantage over other sources of finance because it does not have to be repaid unless the owners leave the business. It is cheaper than other sources of finance because there are no interest payments for the business. An owner who contributes the equity to a business retains control over how that finance is used. A disadvantage is that the owner may expect a good return on their investment, but the small amount of finance may generate only low profits and low returns.

Equity finance can also be raised in other ways — for example, by taking on a partner, or another partner, by seeking funds from another investor (who then becomes an owner or shareholder) or by selling off any unproductive asset.
Cost of finance

The cost of finance will depend on the following:
• the type of finance
• the source
• the term.

The type of finance used by a business will influence the cost of capital. Debt financing requires the use of money from an external source, such as a bank, building society or finance company, and the cost is the interest (cost of borrowing money) charged by the institution.

If capital is raised through equity finance, no interest is charged because the entrepreneur and/or partners and shareholders have invested the money. The cost of using this form of capital is the return paid at the end of the financial year if the business makes a profit. This return is called a dividend if the business is a company. The company does not pay a dividend if it does not return a profit.

The cost of equity finance can also be measured in terms of liability. Liability is unlimited if the business is operated as a sole trader or partnership. This means that creditors will sell all business and personal assets to recover the debt. However, liability of a company is limited to just the assets of the company and all funds put in by shareholders. The cost of capital will depend on the term and type of finance used by the business. Table 11.4 outlines examples of the types of loans available to businesses and the cost incurred for each type.

**TABLE 11.4 Some types of debt financing available to businesses**

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
<th>Source</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading bank loans</td>
<td>Available for the purchase of land and buildings for a period of 3–10 years</td>
<td>Major trading banks — e.g. ANZ, Westpac</td>
<td>Standard interest rate cost for fixed period of time</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>Used for short-term finance to assist in the daily operations of a business in times of need</td>
<td>Trading banks</td>
<td>Higher interest rate (not designed for long-term use)</td>
</tr>
<tr>
<td>Personal loans</td>
<td>Secured against the borrower’s own assets</td>
<td>Trading banks, building societies, finance companies</td>
<td>A general rate of interest with banks and building societies; finance companies usually charge a higher rate of interest than banks and building societies, due to the higher risk involved in lending.</td>
</tr>
<tr>
<td>Leasing finance</td>
<td>Allows use of an asset without actual purchase</td>
<td>Trading banks, finance companies</td>
<td>Interest rates that are above those for short- or medium-term loans, but benefit of tax-deductible finance repayments</td>
</tr>
<tr>
<td>Owner’s equity or shareholders’ equity</td>
<td>Money invested by owner/partner or shareholders. Risk of loss of the funds invested if the business fails, but share of profit if the business is successful</td>
<td>Owner of the business or a company shareholder</td>
<td>No interest on the use of these funds, but a return (dividend) on profits to be paid to shareholders</td>
</tr>
</tbody>
</table>

**Summary**

• A business cannot commence without finance to enable it to pursue its activities.
• SME owners must determine how their business will be financed throughout the life of the business.
• Businesses can obtain funds from either internal (equity) or external (debt) sources.
• Debt finance relates to the short-term and long-term borrowing from external sources by a business.
• Debt finance can be short-term e.g. overdrafts and commercial bills, or long-term e.g. debentures or a mortgage.
• Equity is the funds contributed by the owner(s) of a business to start and expand the business.
• The business owner must consider the cost of finance. This will depend on the type of finance, the source and the term.

**Revision**

1 **Account** for the importance of finance in terms of establishing and operating a business.
2 **Distinguish** between equity and debt finance.
3 Prepare a table with two columns to **identify** the advantages and disadvantages of using debt to finance a business.
4 Prepare a table with two columns to **identify** the advantages and disadvantages of using equity to finance a business.
5 **Compare** the following two forms of debt finance by completing the table below.

<table>
<thead>
<tr>
<th>Form of debt</th>
<th>Main features</th>
<th>Advantages/disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• overdraft</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• mortgage</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6 **Recall** the three factors that will impact on the cost of finance.

**Extension**

1 Contact a bank’s loan manager and request a summary of:
   (a) the different types of lending options for small businesses
   (b) methods of repayment on money borrowed.
   **Assess** the most suitable form of finance for a person wanting to establish a computer repair business that is operated from home.
2 In small groups, collect five advertisements offering different types of finance funding for small businesses. Use information from magazines, banks and websites. **Compare** the offers under the headings in the following table. Display your database in the classroom.

<table>
<thead>
<tr>
<th>Source</th>
<th>Interest rate</th>
<th>Borrowing limit</th>
<th>Terms</th>
<th>Main advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

3 **Analyse** why it is important to match the term of a loan to the life of the asset for which the finance was obtained.
11.8 Legal considerations and influence of government on SMEs

Many licences, permits, approvals and authorities must be taken into account by SME owners. All business owners have a legal obligation to observe the statutory regulations when commencing and operating a business. Fulfilling all legal obligations may be frustrating at times, particularly when more than one level of government is involved. However, businesses that do not obey the law risk losing customers and their reputation, being fined, or losing the right to continue trading.

The three levels of government (federal, state and local) all have regulations to which small business owners must adhere. The regulations are imposed primarily to promote fairness, protect consumers and encourage efficiency.

Business name

The Australian Securities and Investments Commission (ASIC) is now responsible for a national business name registration service. Businesses need to register their business name, except when the name is that of the owner and then it is optional. But if something is added to a personal name, such as ‘Pty Ltd’, ‘Motors’, ‘and Associates’ or ‘and Co.’, then the business name must be registered. This is to prohibit anyone else from trading under a similar name. (If two traders want to register the same name, the first application for registration is accepted and the second trader must register a different name.)

Registration of a business name does not protect or establish any specific rights to that name. If the business name is a crucial part of the business’s operation, then it should also be registered as a trademark with the federal agency responsible for intellectual property (IP Australia), which administers the Trade Marks Act 1995 (Cwlth).

FIGURE 11.25 Business names such as this one must be registered.

Weblink

Use the Registering a business name weblink in your eBookPLUS to discover more about registering a business name and the process of registering them in Australia.
Zoning

Local government controls zoning regulations. In other words, they have the authority to restrict where certain businesses can locate. Zoning regulations create areas where land can be used only for particular purposes. These regulations specify the areas in which residential, industrial, recreational or commercial activities may take place. This ensures that activities that do not belong together, such as those associated with factories and residential areas, are kept separate. This function assists the local community in terms of planning.

When establishing a business, the owner must inquire with the local council to determine which zoning regulations will affect their business now and in the future. A manufacturing business that uses heavy equipment and wants to operate a 24-hour shift, for example, would need to locate where it is allowed to operate under zoning regulations. It would not be suitable close to a residential area, mainly because the noise is a problem.

Health regulations

Local government also imposes health regulations under the Public Health Act 2010 (NSW). Each local council supplies businesses (primarily those dealing with food, such as cafés, restaurants, butcher shops and bakeries) with the requirements and standards to meet in order to receive a licence to operate. Some requirements include:

• the temperature for food storage
• kitchen layout
• employee clothing requirements
• time for which food can be kept
• correct food handling.

A health inspector will assess premises regularly and often without warning to ensure the business owner/operator maintains standards. If problems occur, then the business is given a period of time to rectify the situation or they will be closed down.

FIGURE 11.26 Health inspectors check businesses regularly to ensure that they are meeting health standards, particularly food businesses.
NSW Food Authority names and shames 12 eateries

Cockroaches, food past its use-by-date and filthy cooking equipment have been found in the kitchens of some of Sydney's popular eateries.

The NSW Food Authority has ‘named and shamed’ 13 restaurants and food suppliers since December 1 for putting their customers at serious risk of food contamination.

According to the Office of State Revenue, 836 food suppliers have been fined $601,480 for food safety breaches in the six months from July 2011.

At Na Ju Gom Tang in Strathfield, food inspectors found uncovered meat defrosting in a bowl on the floor, cockroaches and general poor hygiene.

Manager Young Hoon, who was fined $1320 in December, said insects had been found after taking pest control measures.

‘When you do pest control, sometimes the insects come out’, he said.

‘They (the inspectors) also had a problem with some storage — there is a toilet near the kitchen and there was some boxes in the corridor.’

Macksville Quality Meats in Macksville was fined $2640 in December for four safety breaches including storing raw meat with ready-to-eat meat, poor hygiene, incomplete monitoring records and poor temperature control.

‘I’m a small business. I got into trouble, I’m very sorry and I’ve fixed it all up. That’s what I’ve got to say’, manager James Wilkes said.

Coolabah Tree manager Sharon Eaton copped an $800 fine in December for repeated cleanliness-related offences.

‘It doesn’t matter what we’ll do, the health inspector passes something one visit and then jumps on something else the next’, she said.

Inspectors slapped repeat offender Jeme’s Fish Market in Ashfield with a $880 fine in January for leaving fish hanging in a yard. A manager could not be reached.

The Liverpool Rd outlet was added to the Food Authority’s name and shame list in 2009 after crabs were found stored in the restaurant’s toilets. Then primary industries minister Ian Macdonald said at the time it was one of the ‘most outrageous cases of food storage’ he had ever heard about.

At Auburn’s Harkola Food Worldwide, inspectors found sucuk, a processed meat, being sold past its use-by date and fined them $1320.

‘It was clearly marked that it was out of date and reduced’, manager Joe Isaac said.

Jarmack Holdings was fined because the food premises of vessel The Pontoon, weren’t clean enough.


Snapshot questions
1. Identify the health regulations that have been breached.
2. Assess the impact the fines and negative publicity would have on the business.

Other regulations

Competition and Consumer Act

The Competition and Consumer Act 2010 (Cwlth) has a function to protect both consumers and business, and applies to virtually all businesses in Australia, including the commercial activities of government. First, it is designed to protect consumers from deceptive practices such as misleading packaging or misrepresentation of the place of production. It also deals with product safety and the conditions and
warranties associated with products. Further, the act aims to regulate certain trade practices that may restrict competition (such as monopolistic power) because they can affect the price and quality of goods for the consumer. Table 11.5 outlines some of the undesirable and misleading practices that are illegal under the Act.

![Figure 11.27](image)

**FIGURE 11.27** Consumers are protected under the Competition and Consumer Act against misleading advertising or false representation on the part of the business. It is misleading to suggest that a product has certain characteristics when it has not.

**TABLE 11.5** Undesirable and misleading practices illegal under the Competition and Consumer Act

<table>
<thead>
<tr>
<th>Illegal practices</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Misleading or deceptive conduct</td>
<td>Advertisements must not use words that are deceptive or claim that a product has some specific quality when it does not. Such actions convey a false impression of the exact nature of the product. Additionally, price reductions or specials must be genuine.</td>
</tr>
<tr>
<td>Unconscionable conduct</td>
<td>This is conduct in business transactions that is unfair or unreasonable and goes against good conscience.</td>
</tr>
<tr>
<td>False or misleading representations regarding goods or services</td>
<td>A false or misleading representation is a statement of fact that is untrue, such as claiming that a motor vehicle has a certain fuel consumption performance when it does not.</td>
</tr>
<tr>
<td>Offering gifts and prizes in connection with the supply of goods and services and then not providing them</td>
<td>It is illegal for a business to offer a prize in connection with the supply of goods and services and not provide them.</td>
</tr>
<tr>
<td>Conduct that may mislead the public</td>
<td>For example, using a brand name similar to a well-known brand, or using an Australian-made logo when the product was made overseas.</td>
</tr>
</tbody>
</table>

Weblink

Use the Australian Consumer Law weblink in your eBookPLUS to explore the Competition and Consumer Act 2010.
Illegal practices | Description
--- | ---
Bait advertising | A business attempts to attract customers by advertising some products at lower prices. When the advertised products quickly run out, customers are directed (or switched) to higher priced items.

Referral selling | This occurs when a business offers a customer a special deal or special price if the customer refers other potential customers to the seller. This is illegal because it may encourage consumers to spend more money than they planned with the expectation that they may recoup some if they encourage others to buy.

Breaches of any of these provisions may result in penalties of up to $1.1 million for companies and $220,000 for individuals. Other actions may include an injunction — that is, a restraint on a person — or the awarding of damages.

Summary
• All business owners have a legal obligation to observe the statutory regulations when commencing and operating a business.
• Of the many laws and regulations that small business owners need to comply with, some important regulations relate to:
  – business name
  – land zoning
  – health regulations.
• The *Competition and Consumer Act 2010* (Cwlth) is a federal government statute that aims to:
  – promote fair trade and competition in the marketplace
  – protect both consumers and businesses from deceptive or misleading practices.

Revision
1 Recall the main objectives of imposing government regulations.
2 State when it is compulsory to register a business name.
3 Outline the purpose of land zoning.
4 Demonstrate how land zoning will influence where specific businesses can locate.
5 Identify the types of health regulations that local councils impose on businesses.
6 Read the section ‘Competition and Consumer Act’ on page 367. Complete the paragraph below by recalling the correct word from the list that follows.

| deceptive | safety | warranties |
| price | Consumer | regulate |
| consumers | misleading | competition |

The *Competition and ___________ Act 2010* (Cwlth) has a function to protect both ___________ and business. First, it is designed to protect consumers from ___________ practices such as ___________ packaging or misrepresentation of the place of production. It also deals with product ___________ and the conditions and ___________ associated with products. Further, the Act aims to ___________ certain trade practices that may restrict ___________ (such as monopolistic power) because they can affect the ___________ and quality of goods for the consumer.
7 Refer to table 11.5 on page 368–9. Outline two practices that are illegal under the Competition and Consumer Act.

8 State the legal penalties or remedies that might apply after a successful prosecution for breaches of restrictive trade practices provisions of the Act.

**Extension**

1 Use the Australian Business Licence and Information Service (ABLIS) weblink in your eBookPLUS to find the NSW Business Licence Information Service’s start-up pack section. Record the types of licences the following businesses would need to begin and operate:
   (a) beauty salon
   (b) electrician
   (c) tour operator.
   Appreciate the importance of having a strict licence system in operation.

2 Imagine you are about to open a pizza restaurant. Investigate the government regulations you would need to satisfy.

3 Evaluate the role of the ACCC. To help you, use the Australian Competition and Consumer Commission weblink in your eBookPLUS.

4 ‘Government regulations are needed to create a fair marketplace for businesses and consumers.’ Evaluate the accuracy of this statement.

**11.9 Human resources**

As outlined in chapter 8, employees are the most valuable resource of any business. Hiring the ‘right’ people at the ‘right’ time, with the ‘right’ skills in the ‘right’ quantity is crucial for business success. Consequently, one of the most important influences in establishing a SME is staffing: the people side of the business.

In the establishment phase, the SME owner must answer one crucial staffing question: How many employees, if any, will be required to operate the business?

If a SME owner decides to hire staff, many sources are available. The source chosen will depend on the size of the business, the type of position available and the nature of the labour force in the business’s particular area. Figure 11.28 outlines the main sources of employees available to a business.

![Figure 11.28 The main sources of employees for a business](image-url)
Once the business is operating and if people are employed, the SME owner must fulfil a number of important human resource requirements that deal with:
- staffing objectives
- specific duties to be performed
- the skill base of existing staff
- a forecast of future staff requirements and skills
- methods the business will use to recruit extra staff
- a form of the organisational chart
- administrative records to be kept to manage the employees.

Of all these requirements the most important are those that deal with the skill level of employees. Skilled employees are highly productive and result in creating wealth for the business.

**Skills**
A business owner should always remember that the overriding objective of recruiting is to attract a pool of qualified applicants — people with the most suitable skills — from which to choose the most appropriate person for a particular job. Skilled employees are more productive and create wealth for the business. This is the same principle that a sports coach uses when selecting a team. To improve the chance of winning, the coach wants those players who possess the highest level of skills.

The skill base of existing employees should also be detailed so that training needs can be identified. If the skills level of employees is not adequate enough for them to fulfil their jobs effectively, then the business owner has two options:
- provide training to improve the skills level of existing employees
- recruit people who have the required skills.

**Costs — wage and non-wage**
A business will only employ someone if the return is greater than the cost. The total cost of an employee is not solely the wage or salary paid. The employer is also responsible for other employee expenses, referred to as **on-costs**, which account for around 30–40 per cent of the total remuneration package (see the following Snapshot).
Staffing a business — on-costs

When employing new staff, there are many other costs that are not always taken into account. The following case study reveals that these hidden costs quickly add up. The on-costs in the table are based on a salary of $50,000.

<table>
<thead>
<tr>
<th>Cost breakdown</th>
<th>Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Superannuation.</strong> The employer must pay 9.5 per cent superannuation of all employees earning more than $450 in a calendar month.</td>
<td>4,750</td>
</tr>
<tr>
<td>2. <strong>Annual leave.</strong> Normally 4 weeks per year. This means that the employer must pay an additional 17.5 per cent annual leave loading for four weeks annual leave.</td>
<td>673</td>
</tr>
<tr>
<td>3. <strong>Public holidays.</strong> There are about 10 public holidays in Australia each year. This is 3.85 per cent (2/52).</td>
<td>1,953</td>
</tr>
<tr>
<td>4. <strong>Sick leave.</strong> Most awards provide for 10 days each year. This is another 3.85 per cent.</td>
<td>1,953</td>
</tr>
<tr>
<td>5. <strong>Workers’ compensation insurance.</strong> The rate charged varies broadly depending on the risk of the industry. In some instances it can be 15 per cent. For this example a rate of 5 per cent will be used.</td>
<td>2,500</td>
</tr>
<tr>
<td>6. <strong>Payroll tax.</strong> This state government tax is levied once an employer’s annual payroll (including superannuation) exceeds a certain amount. In New South Wales the threshold is $750,000 and the rate is 5.45 per cent.</td>
<td>2,725</td>
</tr>
<tr>
<td>7. <strong>Recruitment.</strong> The average cost of recruiting the base-grade employee is about $5,000. This includes the cost of recruiting, lost production and training of the new employee. For this example, assume the employee stays for 2 years.</td>
<td>2,500</td>
</tr>
</tbody>
</table>

**Total of on-costs** | 17,054

The total of the on-cost for this ‘average’ employee is $17,054. Businesses are responsible for these costs and must budget accordingly. Therefore, based on this case study, the total cost of employing someone on a base salary of $50,000 is $67,110.

The above table only deals with the most common on-costs for the ‘average’ employee. For some employees, especially senior executives, other specialised on-costs can include fringe benefit tax, car allowance, housing subsidy, travel and meal allowance, bonus fee and association membership fees.

**Snapshot questions**

1. Calculate the percentage on-costs represent of the base salary.
2. Explain why on-costs are sometimes referred to as ‘hidden costs’.

The main on-costs include:
- work health and safety requirements
- long service leave
- sick leave
- superannuation
- holiday pay
• study leave
• maternity and paternity leave
• workers’ compensation
• leave loading.

Two examples of these on-costs (non-wage costs) are superannuation and leave loading.

**Superannuation**

Under the federal Superannuation Guarantee scheme, all employers must make provision for employees’ superannuation. **Superannuation** (otherwise known as super) requires all employers to make a financial contribution to a fund that employees can access when they retire. The main aim of superannuation is to give employees a sum of money that can be used:

- for their retirement
- if they become an invalid
- by the beneficiaries upon a person’s death.

In some circumstances they can access the money if they leave a job, although tax disincentives apply. Employers are not required to provide for the superannuation of employees earning less than $450 per month or for employees aged under 18 years old and working 30 hours or fewer per week.

The employer’s main obligation is to make a financial contribution — presently 9.5 per cent of an employee’s earnings for their ordinary hours of work — to their employees’ superannuation account.

As with taxation, employers are required to keep records of all superannuation-related transactions, including payments contributed, payroll and employee records, and the level of entitlement of each employee. Employees are allowed access to all documentation, especially when leaving a workplace.

**Annual leave loading**

An extra amount — presently 17.5 per cent — is added to an employees’ holiday pay. The amount is calculated on the four weeks annual leave to which each fulltime, permanent employee is entitled. It was introduced at a time when workers’
wages were low and most worked more than a 40-hour week. Unions negotiated a percentage loading for workers so that the average family could afford to go away for a holiday (in addition to paying their regular rent or house repayments).

**Summary**
- One of the most important influences when establishing a SME is staffing.
- If a SME owner decides to hire staff, many sources are available.
- The overriding recruiting objective is to attract a pool of qualified applicants with the most suitable skills.
- Skilled employees are more productive and create wealth for a business.
- A business will employ someone only if the return is greater than the cost.
- On-costs are payments for non-wage benefits, including long service leave, workers’ compensation and annual leave loading.

**Revision**
1. Explain why hiring the ‘right’ employee is so important for a business.
2. Identify three sources of external employee recruitment.
3. ‘Skilled employees are more productive and create wealth for the business.’ Discuss.
4. Recall two options a business owner has if the skills level of employees is not adequate enough for them to fulfil their jobs effectively.
5. Unscramble the following on-costs and then construct a sentence to explain their meaning.
   (a) ypa dyohlia
   (b) eelav gaoldni
   (c) nnuesnrtaiu
6. Explain why on-costs are also referred to as non-wage costs.
7. Outline what the obligation of employers is towards employees in relation to superannuation.
8. Discuss the likely impact of abolishing leave loading from the perspective of (i) an employer and (ii) an employee.

**Extension**
1. Use the Smartmanager weblink in your eBookPLUS to construct a list of what you consider to be the three most important do’s and three most important don’ts for people conducting an interview. You could also enter ‘interviewing applicants’ in your search engine to find other websites that offer hints for employers when conducting an interview.
2. Competent employees are important for the success of any business. Imagine you need to employ a new staff member in your boutique store. You choose an inexperienced salesperson. Propose three strategies you could use to train the employee.

**11.10 Taxation**

**Taxation** is the compulsory payment of a proportion of earnings to the government. Taxation is an important issue when a person is considering all aspects of opening a business.

**Federal and state taxes**

Many different federal and state taxes apply to different businesses, and it is important that a person starting a business becomes familiar with all appropriate tax requirements. The main taxes that affect a business (see table 11.6) are imposed by the federal and state governments.
TABLE 11.6 Major taxes that apply to businesses

<table>
<thead>
<tr>
<th>Tax</th>
<th>Levied by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax — pay-as-you-go (PAYG)</td>
<td>Federal government</td>
</tr>
<tr>
<td>• Imposed on the employee</td>
<td></td>
</tr>
<tr>
<td>• Taken from the employee's salary or wage directly</td>
<td></td>
</tr>
<tr>
<td>• Lodged with the tax department by the business</td>
<td></td>
</tr>
<tr>
<td>• Detailed in a group certificate that the employee receives at the end of the financial year</td>
<td></td>
</tr>
<tr>
<td>• Taxed at progressive tax rates — the more you earn, the higher your rate of tax.</td>
<td></td>
</tr>
<tr>
<td>Fringe benefits tax (FBT)</td>
<td>Federal government</td>
</tr>
<tr>
<td>• Tax on the provision of a benefit to an employee — such as cars for private use, low-interest loans, entertainment expenses, and housing and accommodation — in place of salary or wage</td>
<td></td>
</tr>
<tr>
<td>• Paid by the employer at a rate of 46.5 per cent of the value of the benefit provided.</td>
<td></td>
</tr>
<tr>
<td>Goods and services tax (GST)</td>
<td>Federal government</td>
</tr>
<tr>
<td>• A broad-based tax of 10 per cent on the supply of most goods and services consumed in Australia</td>
<td></td>
</tr>
<tr>
<td>• See page 376 for a detailed explanation</td>
<td></td>
</tr>
<tr>
<td>Company tax</td>
<td>Federal government</td>
</tr>
<tr>
<td>• Paid on the earnings of a company and calculated on the company's taxable income (which is income left after allowable deductions are calculated)</td>
<td></td>
</tr>
<tr>
<td>• Currently calculated at 30 per cent of taxable income</td>
<td></td>
</tr>
<tr>
<td>Capital gains tax</td>
<td>Federal government</td>
</tr>
<tr>
<td>• Calculated on the profit made on the sale of assets acquired after 19 September 1985, including the sale of a business or properties bought and resold within 12 months</td>
<td></td>
</tr>
<tr>
<td>Stamp duty</td>
<td>New South Wales government</td>
</tr>
<tr>
<td>• A tax levied on the transfer of property (e.g. businesses, real estate and shares)</td>
<td></td>
</tr>
<tr>
<td>Land tax</td>
<td>New South Wales government</td>
</tr>
<tr>
<td>• A tax on land owned by individuals or businesses over a certain value (in 2013 it was $412,000 or more)</td>
<td></td>
</tr>
<tr>
<td>• Land used for primary production or an individual's primary residence are exempt from land tax</td>
<td></td>
</tr>
<tr>
<td>Payroll tax</td>
<td>New South Wales government</td>
</tr>
<tr>
<td>• Payable on wages paid by an employer to their employees on payrolls that exceed $750,000 at a rate of 5.45 per cent (2013)</td>
<td></td>
</tr>
</tbody>
</table>

All businesses must pay their taxes if they wish to continue to operate as a legitimate business. Small to medium enterprise owners should structure their records and finances in such a way that they have the necessary information and money to efficiently manage their taxation obligations. Apart from the moral and ethical considerations, tax avoidance normally results in an Australian Taxation Office (ATO) investigation and the possibility of a fine or prison sentence.

Different taxes apply to different businesses, so a person operating a SME must become familiar with all appropriate tax requirements (see the following Snapshot). Businesses pay taxes to their federal and state governments on the basis of what they earn, what they own and even what they purchase. One of the most important tax obligations is the goods and services tax (GST).
SNAPSHOT

Under tax law, a person operating a business must keep records that record and explain all transactions. These records include any documents that are relevant for the purpose of working out the person’s income and expenditure. The person must keep his or her records in writing in the English language or, if not in a written form (for example, in an electronic form such as a computer system), in a form that is readily accessible and convertible into writing in English.

Operating a business — tax law

Any books of accounts, records or documents relating to the preparation of an income tax return must be retained for a period of at least five years, either on paper or electronically. If a business owner does not keep the right tax records, they can incur penalties.

Business records that must be kept include:
- records of all sales transactions
- records of all business expenses
- lists of creditors or debtors
- records of depreciating assets
- capital gains tax records
- records relating to employees and contractors e.g. tax file numbers, wages or payments made, superannuation contributions etc.

Fringe benefit tax legislation requires records to be kept for five years.

Other statutory provisions, such as corporate law, require a company to retain records for seven years after completion of the transaction to which they relate.

Snapshot questions
1. Identify the records a businessperson must keep.
2. Outline how these records must be kept.
3. State how long these records must be kept.

Goods and services tax (GST)

The goods and services tax (GST) is a broad-based tax of 10 per cent on the supply of most goods and services consumed in Australia. One of the stated purposes for the introduction of the GST was to make it more difficult for businesses and individuals operating in the ‘cash economy’ to avoid tax. The GST had a major impact on many aspects of business operations because businesses became responsible for collecting the tax on behalf of the government.

The GST is paid at each step in the supply chain, with businesses charging GST as part of the price of the goods and services they supply. Any business with an annual turnover of $75,000 or more operating within Australia must register for the GST. The business is then entitled to claim input tax credits from the ATO for any GST included in the price of inputs that the business purchases. This means the consumer bears the cost of the GST, not the business providing the good or service. It is the responsibility of the business, however, to pay to the ATO the amount of GST collected from the consumer.

The GST requires all registered businesses to prepare a set of accounts — the business activity statement (BAS) — at regular reporting intervals, either monthly or quarterly. The key to successfully managing GST reporting and associated ‘paperwork’, therefore, is to be organised, especially in terms of the input tax credit. Failure to claim for these credits will result in them becoming a cost to the business.
The furniture manufacturer, who is registered for GST, is entitled to an input tax credit...

SNAPSHOT

The GST system — how it works

<table>
<thead>
<tr>
<th>Timber merchant sells timber for $110 including $10 GST</th>
<th>Business activity statement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GST on sales</td>
</tr>
<tr>
<td></td>
<td>$10</td>
</tr>
<tr>
<td></td>
<td>less input tax credit</td>
</tr>
<tr>
<td></td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>GST to pay</td>
</tr>
<tr>
<td></td>
<td>$10 $10 GST paid by timber merchant to ATO</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Furniture manufacturer sells table for $220 including $20 GST</th>
<th>Business activity statement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GST on sales</td>
</tr>
<tr>
<td></td>
<td>$20</td>
</tr>
<tr>
<td></td>
<td>less input tax credit</td>
</tr>
<tr>
<td></td>
<td>$10</td>
</tr>
<tr>
<td></td>
<td>GST to pay</td>
</tr>
<tr>
<td></td>
<td>$10 $10 GST paid by manufacturer to ATO</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Retailer sells table for $330 including $30 GST</th>
<th>Business activity statement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GST on sales</td>
</tr>
<tr>
<td></td>
<td>$30</td>
</tr>
<tr>
<td></td>
<td>less input tax credit</td>
</tr>
<tr>
<td></td>
<td>$20</td>
</tr>
<tr>
<td></td>
<td>GST to pay</td>
</tr>
<tr>
<td></td>
<td>$10 $10 GST paid by retailer to ATO</td>
</tr>
</tbody>
</table>

Consumer pays $330 (including $30 GST to the retailer) | $30 total GST paid

GST is paid at each step in the supply chain. GST-registered businesses must include GST in the price of goods and services they supply or sell. If you’re registered for GST, you can claim back the GST included in the price of your business purchases as input tax credits.

Registered businesses collect GST from sales to their customers, then claim back the GST on business purchases as input tax credits. The cost of GST, therefore, flows along the supply chain and is finally included in the price paid by the end consumer.

Consumers cannot claim input tax credits, so while the liability for paying the GST rests with GST-registered businesses and organisations, the economic cost is borne by the end customer. This can be seen clearly in the example above of the manufacture and sale of a piece of furniture.

The example above shows how three businesses, each registered for GST, charge and pay the GST. The timber merchant sells timber to a furniture manufacturer for $110, including $10 GST. The manufacturer uses the timber to make a table, which he sells to a furniture retailer for $220, including $20 GST. The retailer then sells the table to a consumer for $330, including $30 GST.

The timber merchant pays $10 GST to the ATO. The furniture manufacturer, who is registered for GST, is entitled to an input tax credit for the $10 GST, which is included in the price paid to the timber merchant. The manufacturer will offset that $10 against the $20 collected on the sale of the table to the furniture retailer and pay $10 GST to the ATO.

The furniture retailer, who is registered for GST, is entitled to an input tax credit for the $20 GST included in the price paid to the furniture manufacturer. The retailer will offset that $20 against the $30 GST collected on the sale of the table to the consumer and pay $10 GST to the ATO.

The consumer who buys the table pays the GST, because consumers cannot register for GST and cannot claim input tax credits.

Snapshot questions
1. State the total GST paid in this example.
2. Explain how this amount was calculated.
3. Identify who can claim an input tax credit.
4. Outline why the consumer pays the GST.

BizFACT

While the federal government elected in 2013 has ruled out increasing the GST in its first term of office, some economic commentators argue that expanding the base to cover more goods such as fresh food, health and education or increasing the percentage may be necessary in the future to fund Australia’s federal and state expenditure.
The Australian Business Number (ABN)

As part of the tax reforms and the GST in 2000, the Australian government introduced the Australian Business Number (ABN). The ABN is a single identifying number that a business uses when dealing with government departments and agencies. The ABN also allows the business to participate in the GST system, because input tax credits can be claimed only if a supplier has an ABN. If a business does not have an ABN, tax at the rate of 46.5 per cent can be withheld. This is known as withholding tax and can be avoided by quoting an ABN on invoices for the supply of a good or service.

Local government rates and charges

Although they are often considered of lesser importance compared to the numerous state and federal taxes, local government rates and charges must be considered and budgeted for. Rates — a system of property taxation usually based on the value of land — is the main local government charge a business will face. The three main areas in which fees or charges are levied are:
• water and sewerage
• waste management services
• development and building approval fees
• inspectors’ fees
• parking permits
• use of public property.

The income generated from these taxes is used to provide better facilities for the local community. Sometimes a local council will offer exemptions or reductions in the rates and charges to encourage people to establish businesses within the council area.

Summary

• Taxation is the compulsory payment of a proportion of earnings to the government.
• Businesses are responsible for checking their obligations concerning income tax (PAYG), fringe benefits tax, goods and services tax, company tax, capital gains tax, stamp duty, land tax and payroll tax.
• Goods and services tax (GST) is a 10 per cent value added tax imposed on most goods and services.
• The customer pays GST when buying goods and services, which is passed on to the business that in turn passes it on to the Australian Taxation Office (ATO).
• GST collection and payments to the ATO are recorded on the business activity statement (BAS), which is also the means by which a business can claim input tax credits.
• The Australian Business Number (ABN) is a single identifying number that a business uses when dealing with government departments and agencies.
• Property rates is the main local government charge a business will face.

Revision

1 Distinguish between income tax — pay-as-you-go (PAYG) — and company tax.
2 Recall an employer’s obligations in relation to the stamp duty tax system.
3 Distinguish between fringe benefits tax and capital gains tax.
4 State the business owner’s requirements in relation to structuring financial records for taxation purposes.
5 **Explain** the operation of each of the following state taxes:
   (a) payroll tax
   (b) land tax.

6 Denise runs a real estate agency, which is registered as a proprietary company. She employs eight permanent staff and three casuals and paid a total of $870,000 in wages in the last financial year. The business provides five employees with a car each to assist them to visit properties as well as for their own personal use. Denise regularly uses her business contacts to buy cheap properties, renovate them and sell at a profit. Her business owns its own premises, which are currently valued at over $1 million. **Identify** and **explain** each of the Commonwealth and state taxation obligations of Denise’s business.

7 **State** what the following acronyms represent.
   (a) GST
   (b) BAS
   (c) ABN

8 **Define** the term ‘goods and services tax (GST)’.

9 **Explain** the importance of a BAS.

10 **Describe** the effect of the system of input tax credits on businesses and consumers.

11 An electrical goods manufacturer sold a dozen refrigerators to an electrical retailer for $880 each, which included $80 GST per refrigerator. The electrical retailer then sold each of the refrigerators to its customers for $1320 each, including GST.
   (a) **Calculate** the amount of GST paid by each customer.
   (b) **Identify** who, in this example, can claim input tax credits.
   (c) **Calculate** the amount claimed as an input tax credit for each refrigerator by the electrical retailer.
   (d) **Calculate** how much GST the electrical manufacturer would be required to pay to the ATO.
   (e) **Calculate** how much GST the electrical retailer would be required to pay to the ATO.

12 **Recall** why it is important for a business to apply for an ABN.

13 **Identify** the main local government rates and charges.

**Extension**

1 In small groups, **critically analyse** the following statement: ‘In today’s commercial world, tax avoidance happens. The only problem is being caught.’ Choose a spokesperson to share the group’s comments with the rest of the class.

2 In small groups, arrange an interview with a local accountant. **Create** either a two-page written or five-minute oral report. Use a word-processing package for the written report or a multimedia application for the oral report. You might wish to develop your report under the following headings:
   (a) types and rates of tax payable by a small business
   (b) electronic recording systems for tax records
   (c) completion of the business activity statement
   (d) penalties for non-payment or avoidance.

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