

PHELAN | RICHARDSON

JACARANDA

ECONOMICS AND BUSINESS ALIVE

AUSTRALIAN CURRICULUM | THIRD EDITION



learn on
www.jacplus.com.au

jacaranda
A Wiley Brand

JACARANDA
ECONOMICS AND
BUSINESS ALIVE
AUSTRALIAN CURRICULUM | THIRD EDITION



JACARANDA
ECONOMICS AND
BUSINESS ALIVE 8
AUSTRALIAN CURRICULUM | THIRD EDITION

SIMON PHELAN

MATTHEW RICHARDSON

CONTRIBUTING AUTHOR

Helen Rabenda

REVIEWED BY

Courtney Rubie, Wiradjuri woman

Rachel Wallis, Wiradjuri woman



jacaranda
A Wiley Brand

Third edition published 2023 by
John Wiley & Sons Australia, Ltd
Level 4, 600 Bourke Street, Melbourne, Vic 3000

First edition published 2012
Second edition published 2018

Typeset in 10.5/13 pt TimesLTStd

© John Wiley & Sons Australia, Ltd 2023

The moral rights of the authors have been asserted.

ISBN: 978-1-394-22477-7

Reproduction and communication for educational purposes

The Australian *Copyright Act 1968* (the Act) allows a maximum of one chapter or 10% of the pages of this work, whichever is the greater, to be reproduced and/or communicated by any educational institution for its educational purposes provided that the educational institution (or the body that administers it) has given a remuneration notice to Copyright Agency Limited (CAL).

Reproduction and communication for other purposes

Except as permitted under the Act (for example, a fair dealing for the purposes of study, research, criticism or review), no part of this book may be reproduced, stored in a retrieval system, communicated or transmitted in any form or by any means without prior written permission. All inquiries should be made to the publisher.

Trademarks

Jacaranda, the JacPLUS logo, the learnON, assessON and studyON logos, Wiley and the Wiley logo, and any related trade dress are trademarks or registered trademarks of John Wiley & Sons Inc. and/or its affiliates in the United States, Australia and in other countries, and may not be used without written permission. All other trademarks are the property of their respective owners.

Front cover images: Adobe Stock/Hurca! | Adobe Stock/Vadym | Adobe Stock/zhu | Adobe Stock/Vitaliy | Adobe Stock/backup_studio | Shutterstock/Roman Samborskyi

Illustrated by various artists, diacriTech and Wiley
Composition Services

Typeset in India by diacriTech



A catalogue record for this
book is available from the
National Library of Australia

The Publishers of this series acknowledge and pay their respects to Aboriginal Peoples and Torres Strait Islander Peoples as the traditional custodians of the land on which this resource was produced.

This suite of resources may include references to (including names, images, footage or voices of) people of Aboriginal and/or Torres Strait Islander heritage who are deceased. These images and references have been included to help Australian students from all cultural backgrounds develop a better understanding of Aboriginal and Torres Strait Islander Peoples' history, culture and lived experience.

It is strongly recommended that teachers examine resources on topics related to Aboriginal and/or Torres Strait Islander Cultures and Peoples to assess their suitability for their own specific class and school context. It is also recommended that teachers know and follow the guidelines laid down by the relevant educational authorities and local Elders or community advisors regarding content about all First Nations Peoples.

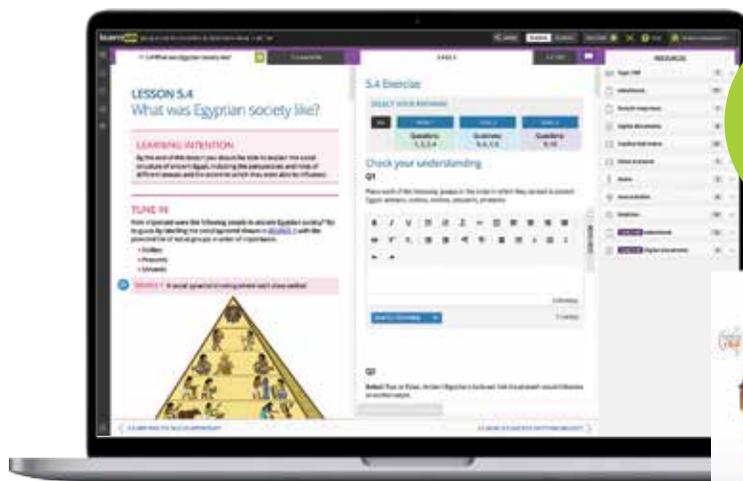
All activities in this resource have been written with the safety of both teacher and student in mind. Some, however, involve physical activity or the use of equipment or tools. **All due care should be taken when performing such activities.** To the maximum extent permitted by law, the author and publisher disclaim all responsibility and liability for any injury or loss that may be sustained when completing activities described in this resource.

The Publisher acknowledges ongoing discussions related to gender-based population data. At the time of publishing, there was insufficient data available to allow for the meaningful analysis of trends and patterns to broaden our discussion of demographics beyond male and female gender identification.

Contents

About this resource.....	vii
Acknowledgements	xiv
Understanding cognitive verbs.....	1
1 Economics and Business concepts and skills	2
1.1 Overview.....	3
1.2 Concepts in Economics and Business.....	4
1.3 Skills in Economics and Business.....	11
1.4 SkillBuilder: Conducting research into prices and markets	online only
1.5 SkillBuilder: Interpreting and explaining supply and demand graphs	online only
1.6 SkillBuilder: Evaluating an opportunity with a cost–benefit analysis	online only
1.7 SkillBuilder: Writing a pitch for a new product / business idea	online only
1.8 Review.....	14
2 Markets: Consumers, businesses and government	16
2.1 Overview.....	17
2.2 Who are the participants in the market system?.....	18
2.3 How do markets operate?.....	22
2.4 What are key economic questions for businesses?.....	31
2.5 How is the government involved in the market?.....	37
2.6 How does Australia’s taxation system work?.....	44
2.7 INQUIRY: How would you tax the Australian public?.....	50
2.8 Review.....	52
3 Achieving economic goals	56
3.1 Overview.....	57
3.2 What are short-term personal financial goals?.....	58
3.3 What are long-term personal financial goals?.....	62
3.4 What is business finance?.....	68
3.5 How do First Nations Australian communities participate in markets?.....	74
3.6 What factors influence business opportunities?.....	78
3.7 How is the workplace changing?.....	85
3.8 INQUIRY: Financial and business decision-making.....	97
3.9 Review.....	99
Glossary.....	104
Index.....	106

About this resource



NEW FOR

AUSTRALIAN CURRICULUM V9.0



JACARANDA

ECONOMICS AND BUSINESS ALIVE 8

AUSTRALIAN CURRICULUM
THIRD EDITION

Developed by teachers for students

Tried, tested and trusted. Every lesson in the new *Jacaranda Civics and Citizenship Alive* series has been carefully designed to support teachers and help students evoke curiosity through inquiry-based learning while developing key skills.

Because both *what* and *how* students learn matter



Learning is personal

Whether students need a challenge or a helping hand, you'll find what you need to create engaging lessons.

Whether in class or at home, students can access carefully scaffolded lessons with in-depth skills development while engaging with multi-modal content designed to spark curiosity. Automatically marked, differentiated question sets are all supported by detailed sample responses — so students can get unstuck and progress!



Learning is effortful

Learning happens when students push themselves. With learnON, Australia's most powerful online learning platform, students can challenge themselves, build confidence and ultimately achieve success.



Learning is rewarding

Through real-time results data, students can track and monitor their own progress and easily identify areas of strength and weakness.

And for teachers, Learning Analytics provide valuable insights to support student growth and drive informed intervention strategies.

Learn online with Australia's most

Everything you need for each of your lessons in one simple view

- Trusted, curriculum-aligned content
- Engaging, rich multimedia
- All the teaching-support resources you need
- Deep insights into progress
- Immediate feedback for students
- Create custom assignments in just a few clicks.

Practical teaching advice and ideas for each lesson provided in teachON

Teaching videos explain key ideas and analyse sources

Reading content and rich media including embedded videos, interactivities and audio files.

The screenshot displays the learnON website interface for a lesson titled '5.4 What was Egyptian society like?'. The page includes a navigation bar with the 'learnON' logo and the text 'Jacaranda Economics & Business Alive 7 AC 3e'. The main content area features the lesson title, a 'LEARNING INTENTION' section, a 'TUNE IN' section, and a 'SOURCE 1' section containing a social pyramid diagram. The social pyramid is a triangle divided into five horizontal layers, each with an illustration of a different social class: the top layer shows a pharaoh, the second layer shows a scribe, the third layer shows peasants, the fourth layer shows servants, and the bottom layer shows a family with a cow. To the right of the main content, there is a sidebar with '5.4 Exercises', a 'SELECT YOUR' dropdown menu, and a 'Check your' section with questions Q1 and Q2. The bottom of the page shows a navigation arrow and the text '5.3 WHY WAS THE NILE SO IMPORTANT?'. A decorative pattern of purple dots is visible in the bottom left corner of the page.

powerful learning tool, learnON

The image shows a screenshot of the learnON software interface on a laptop. The interface is divided into several sections. At the top, there is a navigation bar with 'SHARE', 'Teacher', 'Student', 'No Class', 'Help', and a user profile 'Lindsey Abeyasekera'. Below this, there are tabs for '5.4 Ex 1' and '5.4 TBQ'. The main content area is titled 'PATHWAY' and shows 'LEVEL 1' (Questions: 1, 2, 3, 4), 'LEVEL 2' (Questions: 5, 6, 7, 8), and 'LEVEL 3' (Questions: 9, 10). Below the levels, there is a section titled 'Understanding' with a paragraph of text: 'Following groups in the order in which they ranked in ancient Egypt: scribes, peasants, pharaohs'. A text entry field is visible with '0 Word(s)' and '1 mark(s)'. On the right side, there is a 'RESOURCES' panel with a list of items and their counts: Topic PDF (1), eWorkbook (15), Sample responses (1), Digital documents (5), Teacher-led videos (10), Video eLessons (1), Audio (3), Interactivities (6), Weblinks (10), TEACHER eWorkbook (12), and TEACHER Digital documents (4). Callout boxes with green lines point to various features: 'Differentiated question sets' points to the level tabs; 'Teacher and student views' points to the 'Teacher' and 'Student' buttons; 'Textbook questions' points to the '5.4 TBQ' tab; 'eWorkbook' points to the 'eWorkbook' resource; 'Answers and sample responses' points to 'Sample responses'; 'Digital documents' points to 'Digital documents'; 'Video eLessons' points to 'Video eLessons'; 'Interactivities' points to 'Interactivities'; 'Extra teaching-support resources' points to the 'TEACHER' resources; and 'Interactive questions with immediate feedback' points to the text entry field.

Differentiated question sets

Teacher and student views

Textbook questions

eWorkbook

Answers and sample responses

Digital documents

Video eLessons

Interactivities

Extra teaching-support resources

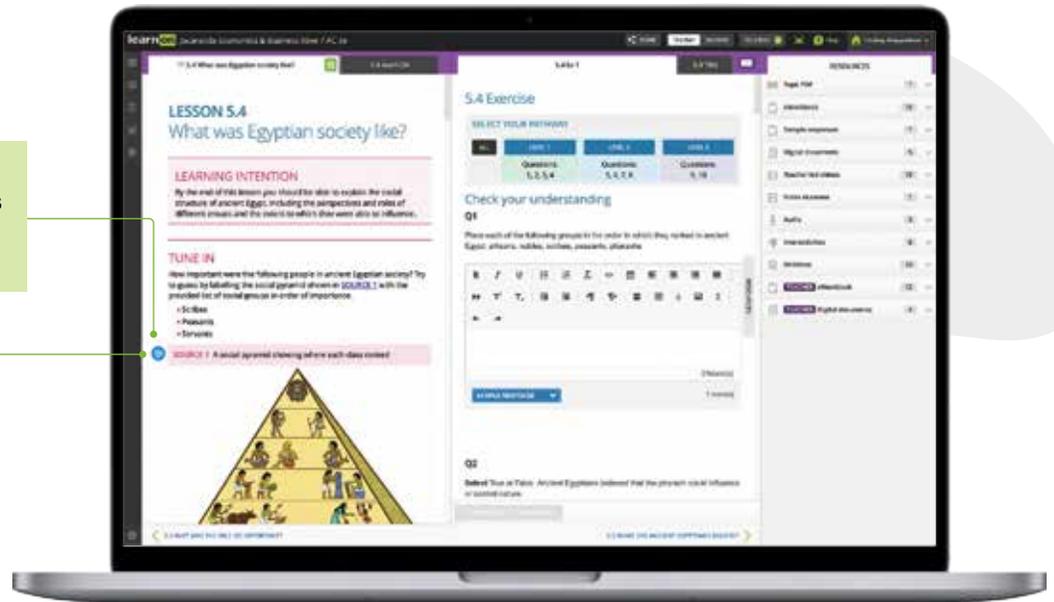
Interactive questions with immediate feedback

Get the most from your online resources

Online, these new editions are the complete package

Trusted Jacaranda theory, plus tools to support teaching and make learning more engaging, personalised and visible.

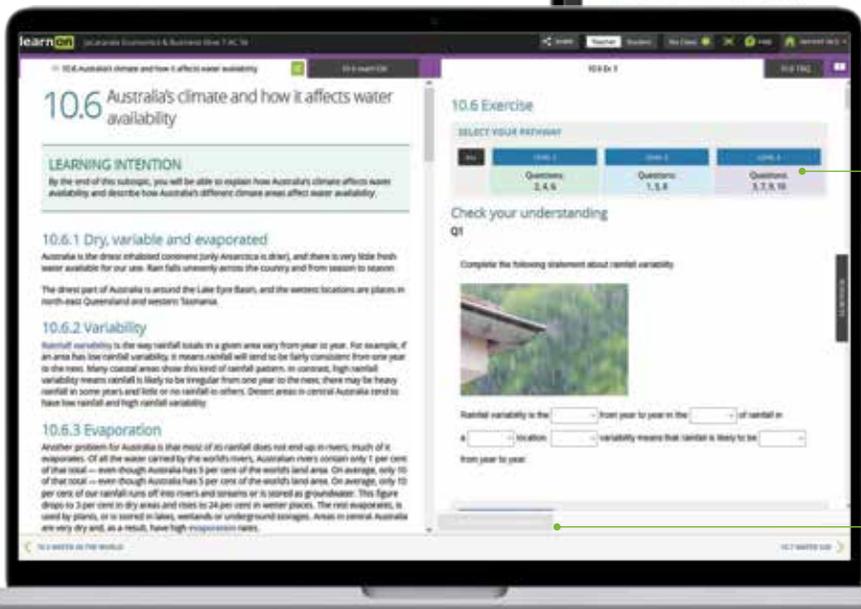
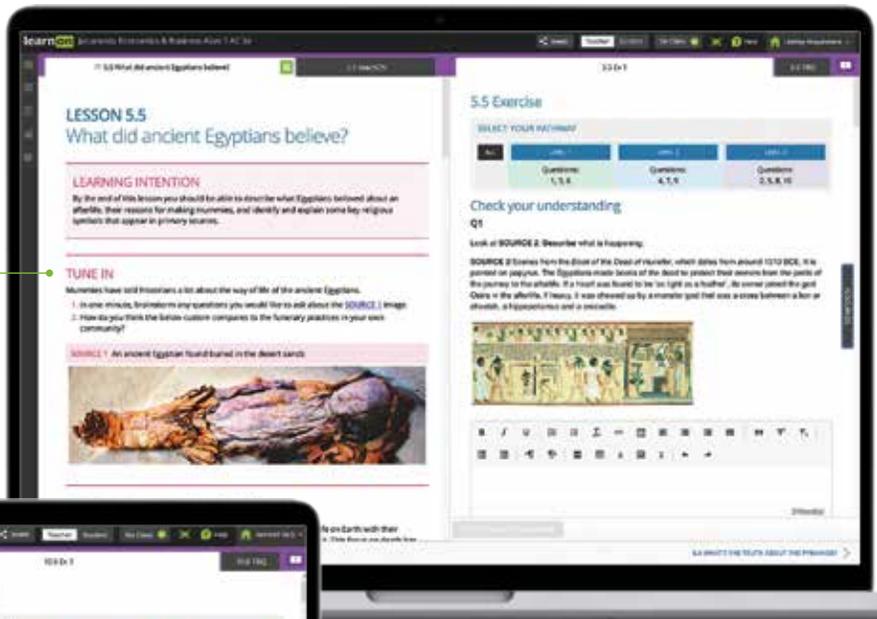
Embedded interactivities and videos enable students to explore concepts and learn deeply by 'doing'.



New teaching videos are designed to help students learn concepts by having a 'teacher at home', and are flexible enough to be used for pre- and post-learning, flipped classrooms, class discussions, remediation and more.

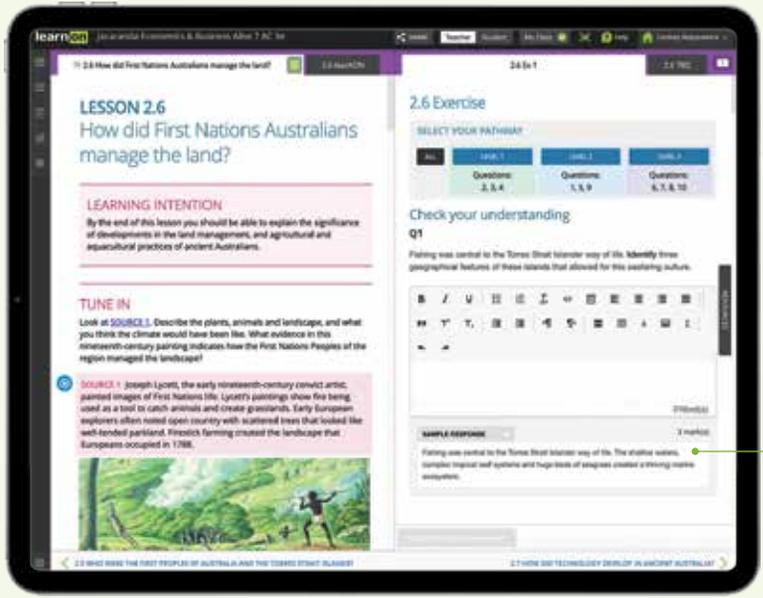
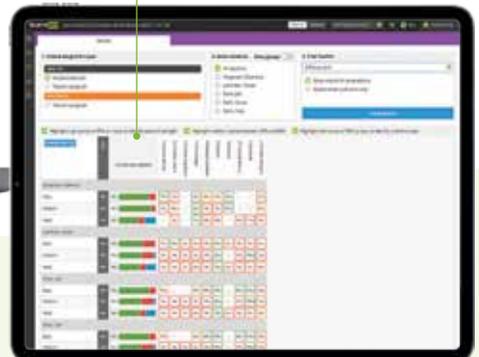


Brand new! Tune in activities to spark interest and kick off every lesson with discussion and source analysis



Three differentiated question sets, with immediate feedback in every lesson, enable students to challenge themselves at their own level.

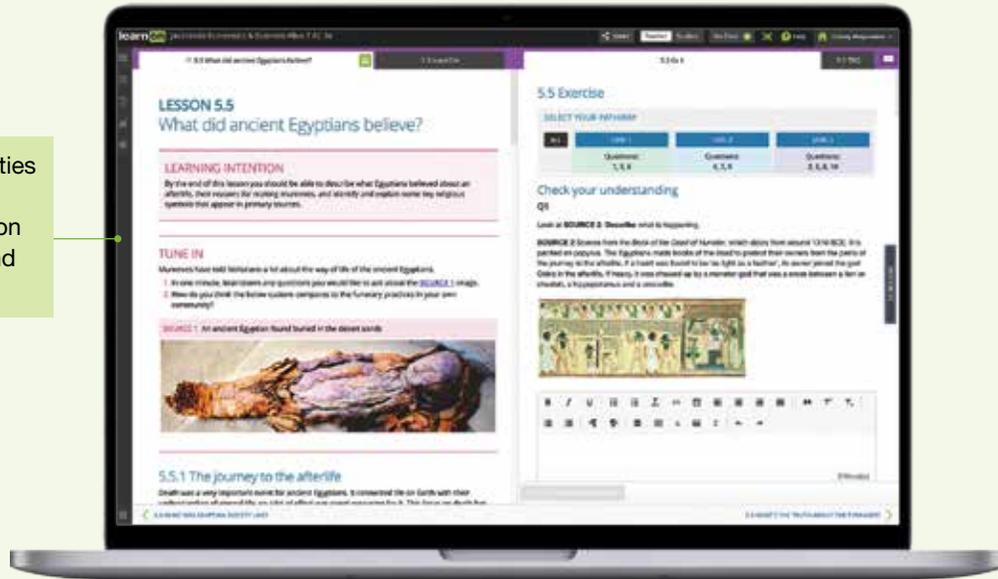
Instant reports give students visibility into progress and performance.



Every question has immediate, feedback to help students overcome misconceptions as they occur and get unstuck as they study independently – in class and at home.

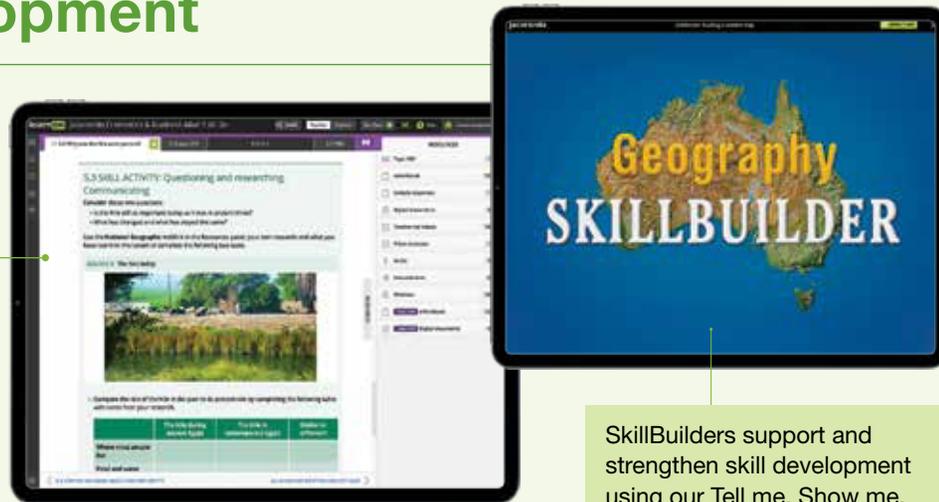
TUNE IN lesson starters

New Tune In activities spark interest and kick off every lesson with discussion and source analysis.



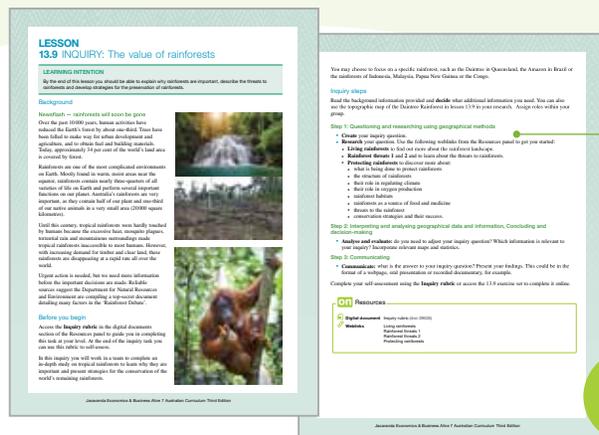
Skill development

New skill activities provide opportunities to develop and build crucial Economics and Business skills using research, collaboration and analysis.



SkillBuilders support and strengthen skill development using our Tell me, Show me, Let me do it approach.

Inquiry projects



New Inquiry lessons use project-based learning and a clear skill structure for a deep dive into every topic while practising the curriculum-specific skills.

A wealth of teacher resources

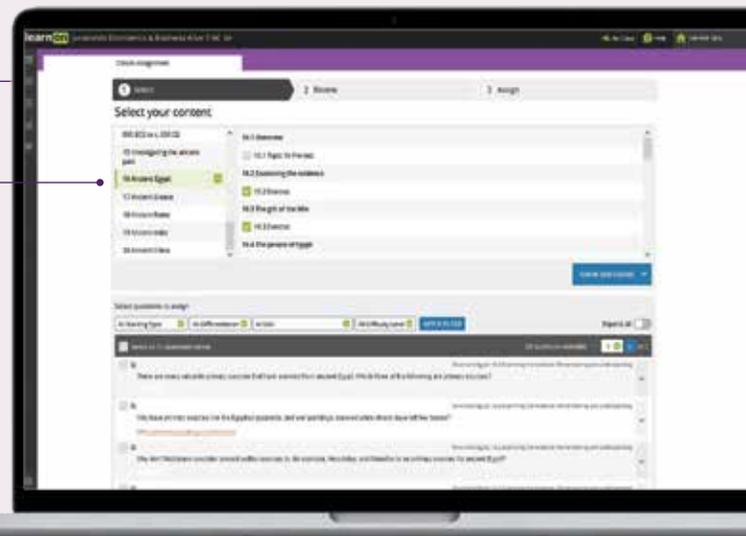


Enhanced teaching-support resources for every lesson, including:

- work programs and curriculum grids
- practical teaching advice
- three levels of differentiated teaching programs
- quarantined topic tests (with solutions)

Customise and assign

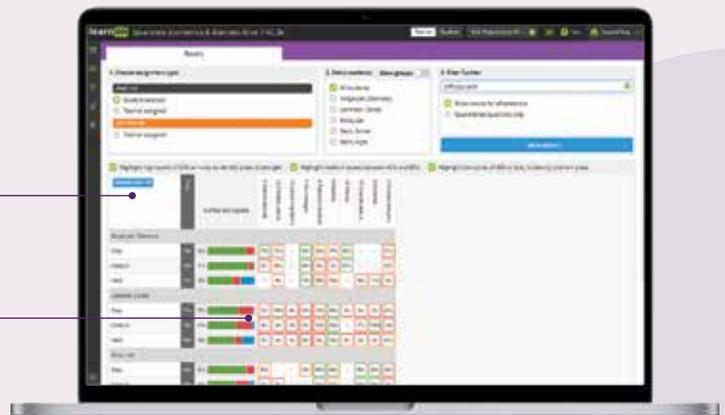
An inbuilt testmaker enables you to create custom assignments and tests from the complete bank of thousands of questions for immediate, spaced and mixed practice.



Reports and results

Data analytics and instant reports provide data-driven insights into progress and performance within each lesson and across the entire course.

Show students (and their parents or carers) their own assessment data in fine detail. You can filter their results to identify areas of strength and weakness.



Acknowledgements

The authors and publisher would like to thank the following copyright holders, organisations and individuals for their assistance and for permission to reproduce copyright material in this book.

© Australian Curriculum, Assessment and Reporting Authority (ACARA) 2010 to present, unless otherwise indicated. This material was downloaded from the Australian Curriculum website (www.australiancurriculum.edu.au) (Website) (accessed 13 May 2022) and was not modified. The material is licensed under CC BY 4.0 (<https://creativecommons.org/licenses/by/4.0>). Version updates are tracked in the ‘Curriculum version history’ section on the ‘About the Australian Curriculum’ page (<http://australiancurriculum.edu.au/about-the-australian-curriculum/>) of the Australian Curriculum website.

ACARA does not endorse any product that uses the Australian Curriculum or make any representations as to the quality of such products. Any product that uses material published on this website should not be taken to be affiliated with ACARA or have the sponsorship or approval of ACARA. It is up to each person to make their own assessment of the product, taking into account matters including, but not limited to, the version number and the degree to which the materials align with the content descriptions and achievement standards (where relevant). Where there is a claim of alignment, it is important to check that the materials align with the content descriptions and achievement standards (endorsed by all education Ministers), not the elaborations (examples provided by ACARA).

Images

• © martin berry/Alamy Stock Photo: 3, 35 • © Fotokostic/Shutterstock Bannafarsai_Stock/Shutterstock xieyuliang/Shutterstock fizkes/Shutterstock: 6 • © defotoberg/Shutterstock: 7 • © KC Hunter/Alamy Stock Photo: 8 • © buffaloboy/Shutterstock: 9 • © Jackson Stock Photography/Shutterstock: 10 (top) • © Natee Meepian/Shutterstock: 10 (bottom), 91 • © Benny Marty/Shutterstock: 17 • © PeachyPhoto/Shutterstock: 18 (top) • © Jazzmany/Shutterstock: 18 (bottom) • © OPOLJA/Shutterstock: 19 • © bibiphoto/Shutterstock: 20 • © Sunflowerey/Shutterstock: 21 • © petervw/Adobe Stock Photo: 22 • © Postmodern Studio/Alamy Stock Photo: 24 • © egilshay/Shutterstock: 25 (top) • © Rawpixel.com/Shutterstock: 25 (bottom), 86 (top) • © TK Kurikawa/Shutterstock Passion Images/Shutterstock TK Kurikawa/Shutterstock Virginia Young/Newspix: 26 • © NIKCOA/Shutterstock: 27 • © Vladyslav Starozhylov/Shutterstock: 29 • © akamakish/Shutterstock: 31 • © PERO studio/Shutterstock: 32 • © Chris Nagahama/Unsplash: 33 • © Rainer Plendl/Shutterstock: 34 (top) • © sippakorn/Shutterstock: 34 (bottom) • © guruXOX/Shutterstock: 36 • © Daria Nipot/Shutterstock: 37 • © Halfpoint/Shutterstock: 38 (top) • © scyther5/Shutterstock: 38 (bottom) • © Rido/Shutterstock: 39 • © Photodisc: 40 (top) • © Nils Versemann/Shutterstock: 40 (left) • © Image Supply/Shutterstock: 40 (right) • © Nickolay Khoroshkov/Shutterstock: 41 (top) • © Pavel L Photo and Video/Shutterstock: 41 (bottom) • © wong sze yuen/Shutterstock: 42 • © relief/Adobe Stock Photo: 44 • © Travelling.About/Shutterstock: 46 • © BearFotos/Shutterstock: 48 • © Martin Ollman/Getty Images: 50 • © l i g h t p o e t/Shutterstock: 57 • © Dmytro Zinkevych/Shutterstock: 58 • © Jessie Casson/Getty Images: 59 • © charnsitr/Shutterstock: 61 • © TH2I Shutter Rich/Shutterstock: 62 • © Hongqi Zhang/Alamy Stock Photo: 63 • © Shutterstock: 64 • © Gorodenkoff/Shutterstock: 65 • © Mix3r/Shutterstock: 66 (left) • © apghedia/Shutterstock: 66 (center) • © olesia_g/Shutterstock: 66 (top) • © Roman Beresnev/Shutterstock: 66 (left) • © Aleutie/Shutterstock: 66 (top) • © IGORdeyka/Shutterstock: 66 (bottom) • © Roman Samborskyi/Shutterstock: 68 • © Sahara Prince/Shutterstock: 69 • © Rob Walls/Alamy Stock Photo: 74 • © Lisa Maree Williams/Getty Images: 75 • © Mark Metcalfe/Getty Images: 76 • © pikselstock/Shutterstock: 78 • © Arhimedes/Shutterstock: 80 • © Quinn Rooney/Getty Images: 81 (top) • © HollyHarry/Shutterstock: 81 (bottom) • © Tero Vesalainen/Shutterstock: 82 • © Gorgev/Shutterstock: 83 (top) • © KUNGKAS CAN COOK: 83 (bottom) • © Victorian Collections: 85 • © IndianFaces/Shutterstock: 86 (bottom) • © fizkes/Shutterstock: 88 • © Jacob Lund/Shutterstock: 93 • © Sundry Photography/Shutterstock: 94 • © Andrey_Popov/Shutterstock: 97

Every effort has been made to trace the ownership of copyright material. Information that will enable the publisher to rectify any error or omission in subsequent reprints will be welcome. In such cases, please contact the Permissions Section of John Wiley & Sons Australia, Ltd.

Understanding cognitive verbs

Cognitive verbs in the Australian Curriculum

The Australian Curriculum aims to develop students' disciplinary knowledge, skills, understanding and general capabilities across the curriculum. Students are also expected to progressively develop their thinking skills.

In the Australian Curriculum, cognitive verbs are used as signposts for this depth of thinking. Cognitive verbs signify different types of thinking and are already used in the classroom by many teachers and students.

Questions within Jacaranda resources use these cognitive verbs to support students in cognitive verb 'thinking'. The following list describes the cognitive verbs that are frequently used in Years 7 and 8.

Cognitive verb	Description
analyse	considering something in detail, finding meaning or relationships and identifying patterns. In an analysis you may reorganise ideas and find similarities and differences.
apply	using knowledge and understanding in order to solve a problem or complete an activity. This may involve applying a familiar concept to an unfamiliar situation.
compare	recognising how things are similar and dissimilar. Concepts or items are generally grouped before a comparison is made.
decide	selecting from available options. This may involve considering criteria on which to base your selection.
describe	giving an account of a situation, event, pattern or process. A description may require a sequence or order.
develop	bringing something to a more advanced state. Processing and understanding are required in order to develop an idea or opinion.
evaluate	making a judgement using a set of criteria. This may include considering strengths and limitations of something in order to make a judgement on a preferred option.
examine	considering the information given and recognising key features. This sometimes requires making a decision.
explain	making an idea, concept or relationship between two things clear by giving in-depth information. Explanations may include details of who, what, when, where, why and how.
identify	recognising and showing a particular part or feature of something. This might also include showing what or who something or someone is.
interpret	gaining meaning from text, graphs, data or other visuals. An interpretation includes stating what something might mean.
select	choosing the most suitable option from a number of alternatives. This might require some consideration of context.

Source: Adapted from the QCAA Cognitive Verbs.

1 Economics and Business concepts and skills

LESSON SEQUENCE

1.1 Overview	3
1.2 Concepts in Economics and Business	4
1.3 Skills in Economics and Business	11
1.4 SkillBuilder: Conducting research into prices and markets	online only
1.5 SkillBuilder: Interpreting and explaining supply and demand graphs	online only
1.6 SkillBuilder: Evaluating an opportunity with a cost-benefit analysis	online only
1.7 SkillBuilder: Writing a pitch for a new product / business idea	online only
1.8 Review	14



LESSON

1.1 Overview

Hey students! Bring these pages to life online



Watch videos



Engage with interactivities



Answer questions and check results

Find all this and MORE in jacPLUS



1.1.1 Introduction to the world of Economics and Business

The **economy** can seem like a big concept, but we are all involved in it every day. Have you purchased food today? Have you used electricity, caught public transport or been driven in a car? Do you have a bank account, or have you sent a text to a friend? If you answered yes to even one of these questions, you have been involved in the world of economics and business. When we buy goods and services, deposit money in a bank account or obtain a casual job, we are all contributing to the economy.

The focus of learning in Year 8 is the topic of Australian markets. You will identify how markets influence how resources are used to produce certain goods and services. You will investigate ways that businesses see opportunities in markets and respond to the work environment. You will learn about the importance of Australia's taxation system and its effect on decision-making. You will also consider why individuals and/or businesses budget and plan. Studying economics and business provides you with valuable knowledge for making decisions in everyday life and understanding the world around you. In this topic, you will develop the skills of questioning and research, interpreting and analysing, evaluating, concluding and decision-making and communicating.

economy a system established to determine what to produce, how to produce and to whom production will be distributed

FIGURE 1 The world of Economics and Business affects many everyday decisions we make.



Resources



eWorkbook

Customisable worksheets for this topic (ewbk-10788)



Video eLesson

Economics and Business concepts and skills (eles-6038)

LESSON

1.2 Concepts in Economics and Business

LEARNING INTENTION

By the end of this lesson you will be able to explain the Economics and Business key concepts: resource allocation and decision-making, the business environment, entrepreneurship, work and work futures and consumer and financial literacy.

The world of Economics

Economics studies people and the choices they make. It investigates how limited resources are used to satisfy our unlimited needs and wants. Economists consider how to improve the living conditions of people in their everyday lives. The world of economics is everywhere: it is occurring right now all around you, happening day and night, going on today and continuing tomorrow. The economic environment is always changing. This means that it is an exciting world, full of surprises and opportunities.

The world of Business

Businesses are at the core of our society. You buy from different types of businesses every day, and interact with business entrepreneurs or people who are employed by a business. You may have your own idea for a business venture or perhaps you have operated your own 'business' mowing lawns, baby sitting or running a market stall.

The Economics and Business concepts can help us to make sense of the world. By using these concepts you can identify questions, guide your investigations or assist decision-making about the world you live in. You can also use them to try to imagine a different world. The five key concepts are: resource allocation and decision-making, the business environment, entrepreneurship, work and work futures, and consumer and financial literacy.

economics a social science (study of human behaviour) that analyses the decisions made by individuals, businesses and governments about how limited resources are used to satisfy society's unlimited needs and wants

business any activity conducted by an individual or individuals to produce and sell goods and services to make a profit

FIGURE 1 The five key concepts in Economics and Business help make sense of the world.



1.2.1 Resource allocation and decision-making

As you learned in Year 7, **economic scarcity** is the concept of people having unlimited **needs** and **wants**, but only having limited resources available to satisfy them. As individuals, nations and as a planet, we only have a certain amount of resources available to us. We call this the basic economic problem and it always exists, in all world economies.

Needs are items that people must have in order to survive, such as food, water and clothing. Wants are a wish or desire for something that will make life more enjoyable for a person and are not necessary for survival. In order to make good choices with their available resources, people must know the difference between needs and wants.

However, the difference between a need and a want is sometimes not clear. Generally, most of us would say that needs include shelter, health care and access to good hygiene facilities. You might say that a car, computer, internet and mobile phone are wants. However, many people would suggest that these are needs.

To satisfy our needs and wants, businesses use resources to produce goods and services. There are four main types of economic resources: land, labour, capital and enterprise. These types of resources can be seen in **FIGURE 3**.

FIGURE 2 The basic economic problem is scarcity, where we have unlimited needs and wants, but limited resources to satisfy them all - this creates an unbalance.

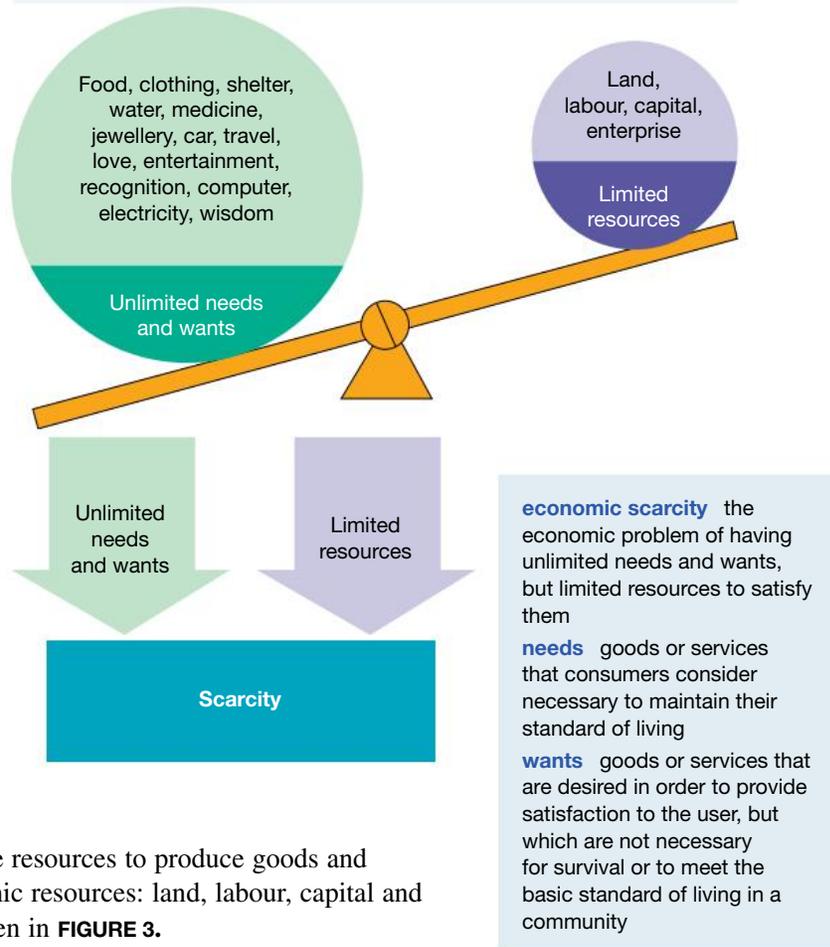
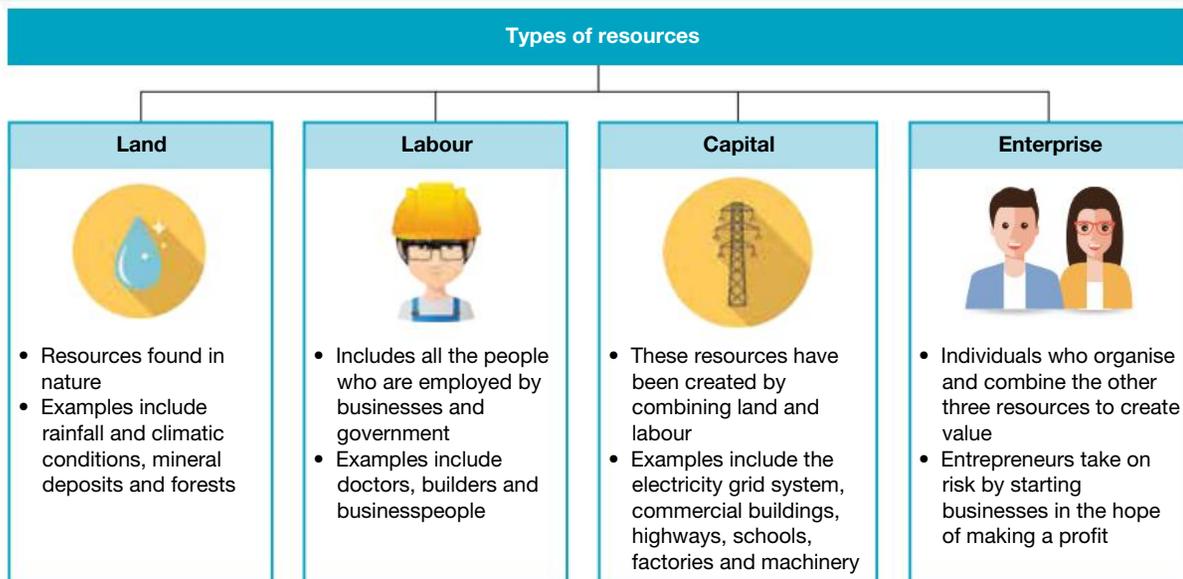
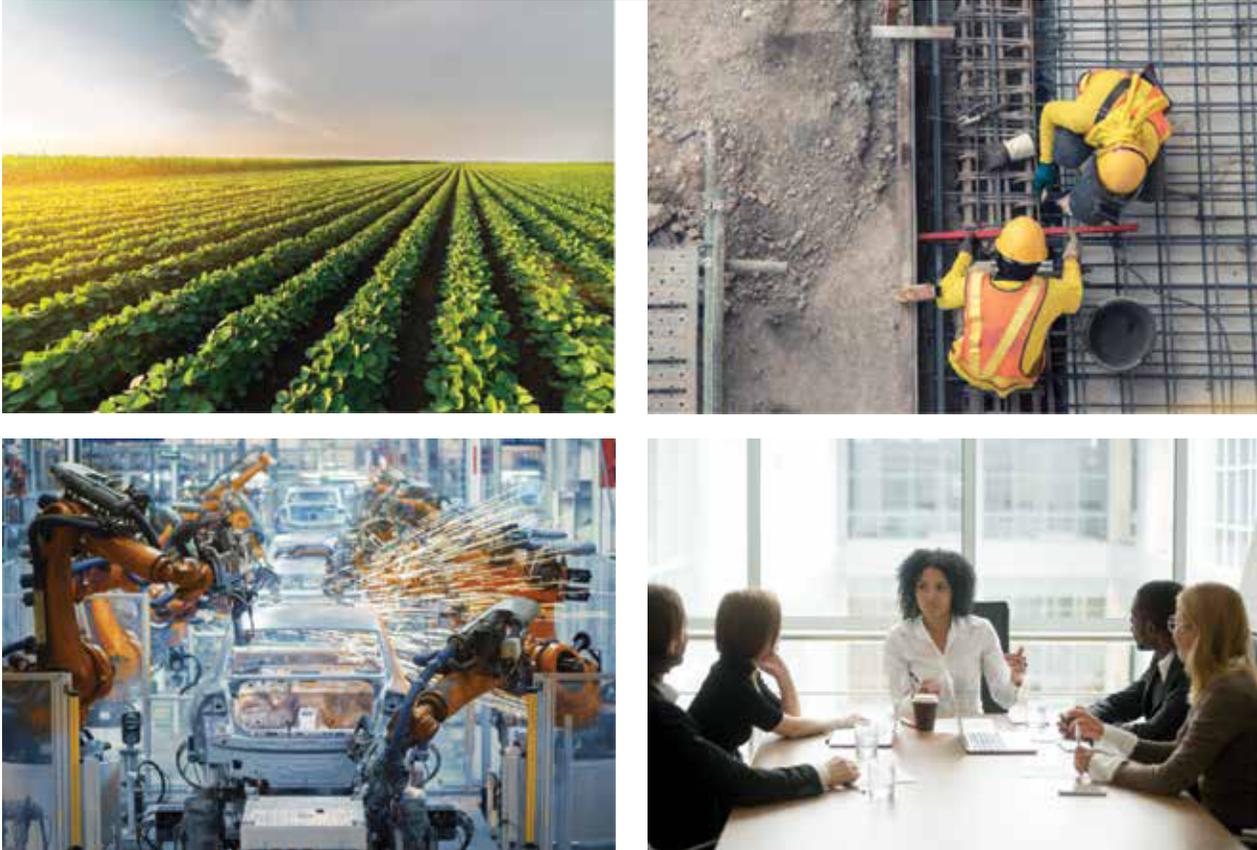


FIGURE 3 There are four main types of economic resources: land, labour, capital and enterprise.



To produce goods and services, resources usually need to be combined. For example, to bake a loaf of sourdough bread, we need flour, water and salt (land resources), an oven (capital resource) and a baker (labour resource). Unfortunately, as we have seen, the resources available to us are limited. We can only produce a certain amount of goods and services from these resources. We are not able to satisfy the unlimited needs and wants of society. Because of economic scarcity, we must choose some things which means giving up other things.

FIGURE 4 Businesses use economic resources to produce the goods and services that society wants and needs.

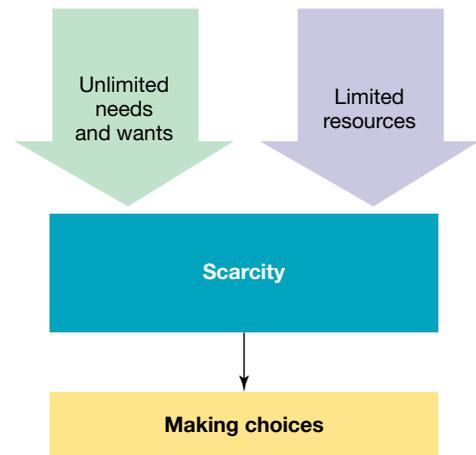


Economic scarcity means that we cannot produce an unlimited amount of everything, and neither can we buy an unlimited amount of everything either. So, everyone is forced to make choices.

In economics, **opportunity cost** describes the relationship between scarcity and making choices. This is the alternative that is given up when making a choice. It is the sacrifice you make when you choose one thing over another. Every choice we make involves an opportunity cost.

For example, say Ayesha finds herself with enough money to buy either a new book or a pair of earrings. She does not have the money for both. After much thought, she decides to put the money towards the book. The opportunity cost of doing this are the earrings that she was not able to buy.

Opportunity cost is the best alternative given up when making a choice. Consumers, business and the government all need to



opportunity cost the next best alternative given up whenever a choice is made

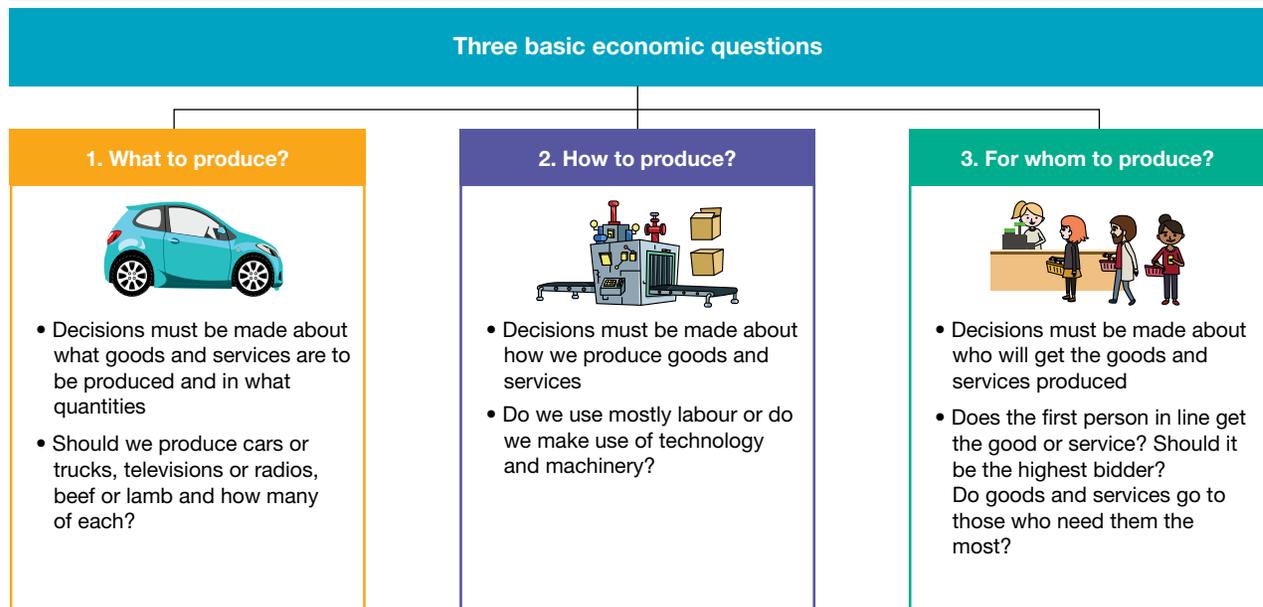
consider opportunity cost when they make choices. Consumers constantly have to make choices when they purchase goods and services. They must also make choices about how they will work and how they will spend their leisure time. Businesses need to make choices about what goods to produce and how to satisfy the needs of their customers. Governments also make choices about how to best manage society and the economy.

All economies must decide how they will use their scarce economic resources to satisfy their unlimited needs and wants. Making decisions about how we will use resources is known as **resource allocation**. Our society has developed an **economic system** to make choices that will solve the basic economic problem.

FIGURE 5 The cost of buying a video game is not just the price paid, but also the opportunity cost of not being able to spend the money on something else.



FIGURE 6 The three basic economic questions



An economic system is the way we organise the production and distribution of our goods and services. All economic systems must answer three basic economic questions:

- What to produce?
- How to produce?
- For whom to produce?

For example, a farmer must decide what to grow on her available land. Does she grow apples or avocados? Then she must decide how to produce the crops. Does she grow organic crops, use hi-tech machinery or hire workers to harvest the fruit? And who will she sell her fruit to? A supermarket chain, direct to consumers at a farmers' market or to cafes and restaurants?

resource allocation relates to decisions about how scarce resources are distributed among producers, and which types of goods and services will be produced to satisfy wants and needs

economic system a way of organising the production and distribution of the nation's goods, services and incomes

These questions are summarised in **FIGURE 7**.

FIGURE 7 Australia's economic system answers the three economic questions through the market.

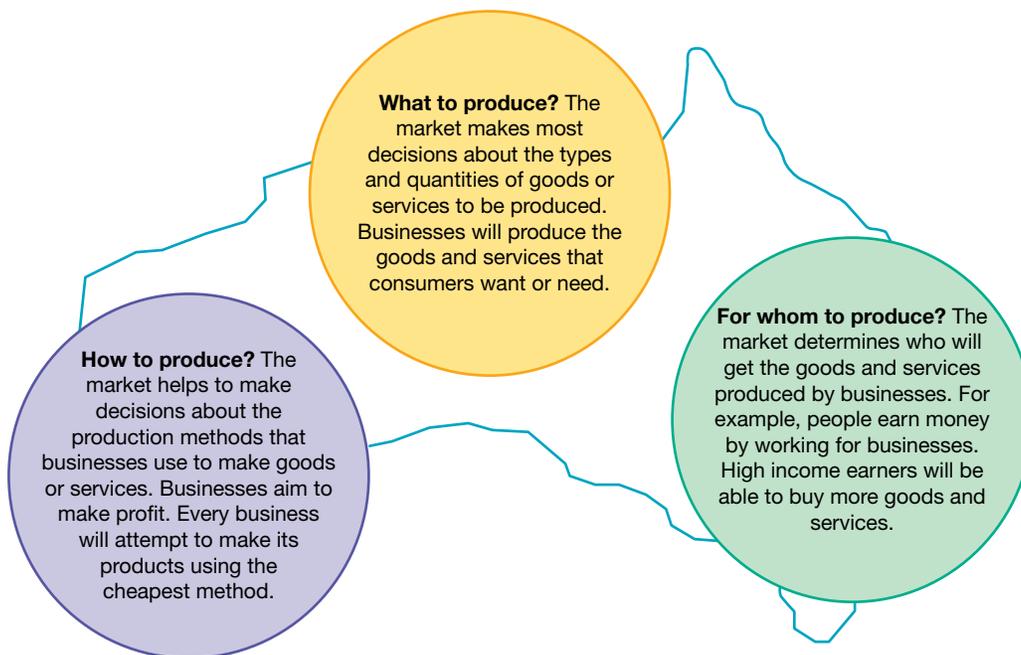


FIGURE 8 In traditional marketplaces, such as the Yandina Markets in Queensland, buyers and sellers negotiate prices for goods.



The economic system used in Australia is called a **market capitalist economy**. A market economy works a bit like a traditional **market** stall — there are buyers and sellers.

The price of goods and services is negotiated between the buyers and sellers, and if a seller can obtain a higher price for a good or service then scarce economic resources are redirected to produce more of that item. Markets aren't always in physical places. There are lots of different types of markets where buyers and sellers come together. For example, the Yandina Markets in Queensland is in a physical place. eBay and Amazon are both virtual markets. Other examples of markets include the labour market, property and stock markets.

Sometimes the market allocates resources inefficiently. For example, lower income earners may not be able to afford the goods or services that they need. In these cases, governments need to intervene in the economy to reduce these problems. They can do this by providing services such as health care, housing and education to lower income earners.

market capitalist economy an economic system that relies on the market to allocate resources based on the actions of consumers and producers, and where resources are generally owned by private individuals and businesses

market the place where goods, services or resources are exchanged between buyers and sellers

1.2.2 The business environment

As you learned in Year 7, different types of businesses exist within different markets and they exist for many different reasons. Many businesses are able to identify needs, and new opportunities in established markets to guide them towards the development of specific services or products to address new opportunities, for example, affordable electric cars.

Businesses are also increasingly using new technologies to develop more efficient products and production processes. These technological advances also have an impact on the ways that people work. In this topic we will consider the jobs available, and how the workforce in Australia has changed over time due to factors in the business environment, including the global economy and rapid communication changes.

FIGURE 9 Businesses are able to identify specific opportunities and develop products to meet these.



1.2.3 Entrepreneurship

In Year 7 you may remember that we learnt about the **entrepreneur**, this is someone who starts up their own business, or pursues a new idea. Entrepreneurs bring a special kind of knowledge and skill to their business, and they have their own defining characteristics which includes being able to spot opportunities, negotiate with stakeholders and stay within the law and regulations.

entrepreneur a person who sets up a business or businesses, taking on financial risks in the hope of profit

In this topic we will investigate First Nations Australian businesses and entrepreneurs, who establish partnerships or cooperatives to provide goods and services, such as farming, fashion, design or tourism. First Nations Australian communities have their own approaches to marketing, employment and social contribution and their reasons for setting up a business may differ from those of other entrepreneurs.

FIGURE 10 A First Nations Australian business offers a native plant food tasting plate derived from the local environment.



1.2.4 Work and futures

The world of work can be quite complicated when we consider the importance of Australia's system of taxation and how this system affects decision-making by individuals and businesses.

In this topic we will explore the tax obligations that working Australians have and the reasons for paying taxes. You will be able to answer questions such as 'When should I apply for a **tax file number**?' and 'How do I lodge a tax return?'

The collection of taxes is an essential part of our economy and ensures that the government can support individuals and communities within our wider society.

FIGURE 11 Understanding the tax system in Australia is important and may influence an individual's decision-making about spending.



tax file number a unique number issued by the Australian Taxation Office to each taxpaying entity — i.e., an individual, company, superannuation fund, partnership, or trust

1.2.5 Consumer and financial literacy

We are all consumers within our economy, and in Year 7 we were introduced to some of the rights and responsibilities that come with being a consumer.

In this topic we will focus on **financial literacy**. This means being able to take effective decisions regarding the use and management of money. In today's world of increasingly complex financial decisions, financial literacy may be considered a vital skill for all consumers. We will investigate short- and long-term personal financial objectives, and how these can be achieved; for example, through developing a budget and having a savings plan.

You will also learn how businesses manage their finances and how financial records, such as income statements, balance sheets, budgets and cash flow statements, inform business decision-making

LESSON

1.3 Skills in Economics and Business

1.3.1 What skills will you build this year?

This year, you will continue to build your ability to use the four broad categories of skills in Economics and Business. The summaries below are to remind you of these four key skills.

1. **Questioning and researching** involves locating relevant and detailed information and/or data from a range of appropriate sources. In Year 8 Economics and Business, this includes developing key questions using economic and business terms such as 'How is the price of goods and services determined?'
2. **Interpreting and analysing** involves interpreting information to identify the main features or ideas, then examining the information closely to determine how the parts relate to the whole. In Year 8 Economics and Business, this includes interpreting data displayed in tables and graphs to identify trends and answer questions such as 'For a 10-year period, what is the trend in the percentage of people over 60 paying income tax?'
3. **Evaluating, concluding and decision-making** means examining your interpretations of information to draw evidence-based conclusions. It requires taking into account ambiguities and multiple perspectives in a source and proposing potential responses to contemporary challenges or issues. In Year 8 Economics and Business, this includes identifying the potential costs and benefits of a decision, for example, doing casual work involves identifying benefits, such as money earned, and costs, such as less certainty about work hours each week.
4. **Communicating** your ideas means presenting information in a range of formats to suit the intended audience and purpose. This includes essays, oral presentations, debates, tables and cartoons. **Reflecting** on your skills is also an important part of the process. In Year 8 Economics and Business, this includes learning how to write a business pitch for a new product or a new business idea.

1.3.2 SkillBuilders in the topic

In addition to these broad skills, there is a range of essential practical skills that you will learn as you study Economics and Business. The SkillBuilder topics will tell you about the skill, show you how to apply the skill and let you practise the skill with tasks related to the topics covered in this subject.

financial literacy the ability to make informed judgments and to take effective decisions regarding the use and management of money

The SkillBuilders you will use in Year 8 are:

- Conducting research into prices and markets
- Interpreting and explaining supply and demand graphs
- Evaluating an opportunity with a cost–benefit analysis
- Writing a pitch for a new product / business idea

LESSON

1.4 SkillBuilder: Conducting research into prices and markets

online only

What are prices and markets?

While studying Economics and Business you will develop the skill of asking questions. Asking questions will help you to complete research (discovering or verifying knowledge about something). Questioning relates to posing statements that require answers. You usually ask questions about what is known and what is not known in order to improve your knowledge. Research is important because it allows us to find out what is unknown and contributes to filling in gaps in our knowledge.

Select your learnON format to access:

- an overview of the skill and its application (Tell me)
- a step-by-step process to explain the skill (Show me)
- an activity for you to practise the skill (Let me do it).

LESSON

1.5 SkillBuilder: Interpreting and explaining supply and demand graphs

online only

Where are supply and demand graphs?

Interpreting and analysing is another skill that you will develop while studying Economics and Business. This skill involves interpreting information to identify the main features or ideas. You then examine the information closely to determine how the parts relate to the whole. One way in which you might analyse in economics and business is by interpreting and explaining information in tables and graphs.

Select your learnON format to access:

- an overview of the skill and its application (Tell me)
- a step-by-step process to explain the skill (Show me)
- an activity for you to practise the skill (Let me do it).

LESSON

1.6 SkillBuilder: Evaluating an opportunity with a cost–benefit analysis

online only

What is a cost–benefit analysis?

Evaluating means to propose explanations for events or issues and to make overall judgements based on the evidence. This is a skill that you might develop in economics and business by looking at the benefits or advantages of something and then examining the costs or disadvantages of something.

This is known as a cost–benefit analysis. The principle behind a cost–benefit analysis is that you should only decide to act on an alternative if the benefit from taking it is greater than the cost.

Select your learnON format to access:

- an overview of the skill and its application (Tell me)
- a step-by-step process to explain the skill (Show me)
- an activity for you to practise the skill (Let me do it).

LESSON

1.7 SkillBuilder: Writing a pitch for a new product / business idea

online only

What is writing a pitch?

When you use the skill of communicating in Economics and Business, you will be presenting your findings or representing information using an appropriate format to suit a particular audience. You will also need to use terminology that is used by economists and businesspeople. For example, when writing a case study on a business, you would be expected to use business terminology and write as if your audience are people who are interested in studying businesses.

A pitch is a speech or presentation given by a prospective business owner where they attempt to persuade an audience (often a group of investors) to see that their idea for a product or a business is a good one. With a good pitch, the business owner would hope that the investors would choose to invest in the new product or business idea.

Select your learnON format to access:

- an overview of the skill and its application (Tell me)
- a step-by-step process to explain the skill (Show me)
- an activity for you to practise the skill (Let me do it).

LESSON

1.8 Review

Hey students! Now that it's time to revise this topic, go online to:



Review your results



Watch teacher-led videos



Practise questions with immediate feedback

Find all this and MORE in jacPLUS



1.8.1 Key knowledge summary

Use this dot point summary to review the content covered in this topic.

1.2 Concepts in Economics and Business

- Resource allocation and decision-making involves the idea of 'scarcity'. Economic scarcity is the 'basic economic problem' — this involves society having limited resources available to satisfy unlimited needs and wants.
- There are four main types of economic resources: land, labour, capital and enterprise.
- All economies must make decisions about how resources will be allocated among producers and what types of goods and services will be produced. Economies must answer the three economic questions: What to produce?, How to produce? and For whom to produce?
- Australia is a market capitalist economy — this means that most answers to the three economic questions are made by the market (where buyers and sellers negotiate prices for goods and services).
- Governments may need to intervene in the economy to reduce inefficiencies.
- Businesses exist to identify needs, niches and gaps in established markets and they use technology to guide the development of specific services or products.
- Businesses need to respond and adapt to the changing nature of work.
- First Nations Australian entrepreneurs develop specific opportunities within the market and their communities.
- Australia's tax system affects the decision-making of individuals and businesses.
- Individuals and businesses can plan and budget to achieve their short- and long-term objectives.

1.3 Skills in Economics and Business

- Questioning and researching involves posing statements that require answers, particularly in regards to what is known and what is not known in order to improve your knowledge. Research is important because it allows us to find out what is unknown and contributes to filling in gaps in our knowledge.
- Interpreting and analysing involves interpreting information to identify the main features or ideas, then examining the information closely to determine how the parts relate to the whole.
- Evaluating, concluding and decision-making involves proposing explanations for events or issues and making overall judgements based on the evidence.
- Communicating and reflecting involves presenting findings or representing information using an appropriate format to suit a particular audience. The appropriate use of economics terminology and business terminology is very important.

1.8.2 Key terms

business any activity conducted by an individual or individuals to produce and sell goods and services to make a profit
economic scarcity the economic problem of having unlimited needs and wants, but limited resources to satisfy them
economic system a way of organising the production and distribution of the nation's goods, services and incomes
economics a social science (study of human behaviour) that analyses the decisions made by individuals, businesses and governments about how limited resources are used to satisfy society's unlimited needs and wants

economy a system established to determine what to produce, how to produce and to whom production will be distributed
entrepreneur a person who sets up a business or businesses, taking on financial risks in the hope of profit
financial literacy the ability to make informed judgments and to take effective decisions regarding the use and management of money

market the place where goods, services or resources are exchanged between buyers and sellers

market capitalist economy an economic system that relies on the market to allocate resources based on the actions of consumers and producers, and where resources are generally owned by private individuals and businesses

needs goods or services that consumers consider necessary to maintain their standard of living

opportunity cost the next best alternative given up whenever a choice is made

resource allocation relates to decisions about how scarce resources are distributed among producers, and which types of goods and services will be produced to satisfy wants and needs

tax file number a unique number issued by the Australian Taxation Office to each taxpaying entity — i.e., an individual, company, superannuation fund, partnership, or trust

wants goods or services that are desired in order to provide satisfaction to the user, but which are not necessary for survival or to meet the basic standard of living in a community

on Resources

 **eWorkbooks** Customisable worksheets for this topic (ewbk-10788)
Reflection (ewbk-10790)

 **Interactivity** Economics and Business concepts and skills crossword (int-9039)

Hey teachers! Create custom assignments for this topic



Create and assign
unique tests and exams



Access quarantined
tests and assessments



Track your
students' results



Find all this and MORE in jacPLUS



LESSON

1.4 SkillBuilder: Conducting research into prices and markets

LEARNING INTENTION

By the end of this lesson you will be able to approach researching prices and markets.

1.4.1 Tell me

While studying economics and business you will develop the skill of asking questions. Asking questions will help you to complete your research (discovering or verifying knowledge about something). Questioning relates to posing statements that require answers. You usually ask questions about what is known and what is not known in order to improve your knowledge. Research is important because it allows us to find out what is unknown and contributes to filling in gaps in our knowledge.

The following steps are a useful guide to the process of writing questions and carrying out research:

- Develop a series of specific questions that will help guide your research in the appropriate direction, and help you determine the information you need.
- Locate appropriate sources of that information.
- Record relevant information from a range of sources.
- Present the information in an appropriate form.

1.4.2 Show me

Imagine you have been asked to investigate ethical and socially responsible behaviour in a market of your choice in Australia.

Your first step is to clearly identify the key task. This could be expressed as:

Prepare a report on how two businesses in an Australian market of your choice utilise ethical and socially responsible practices.

You should choose a market and then two businesses within this market. There are many markets you could choose from, including retail markets, labour markets, financial markets and stock markets. Let's assume that you choose the retail market. You might choose two supermarkets from Aldi, Coles, Woolworths and IGA.

It is now necessary to break the task down into a series of more specific questions. These could include:

1. What ethical practices has the business adopted?
2. What policies does the business have in relation to ethical and socially responsible practices?
3. Where does the business source its products from?

FIGURE 1 Asking questions helps you to learn about the world around you.



4. How does the business treat its employees and customers?
5. What does the business do to protect the environment?
6. How does the business involve itself in the community?
7. How can the business improve in its ethical and socially responsible practices?

The next step is to locate your sources. Most well-known businesses today have websites that include information on corporate responsibility and sustainability. For example, Coles' website includes information on how it provides an inclusive work environment for staff, how it works with suppliers, its community involvement, and how it protects the environment. By entering the name of the business you are researching, and the search term 'sustainability' in a search engine, you will be presented with useful sources. It would be a good idea to search for Australian sources.

Keep your questions beside you as you navigate through the sites and conduct your research, and note the location of material that provides answers. You can select and print some text, and then highlight those sentences or paragraphs that provide answers to your questions. Sometimes a complete answer to a question may be found in several places in a piece of text. Be sure to highlight all relevant text, and indicate with a number which question the information answers.

When you are satisfied you have found the answers to all the questions, you need to write the answers in order, making sure you use your own words as much as possible. You can then use the answers to present your information in the required form. This may be an oral report to the rest of the class, an essay to be marked by your teacher, a PowerPoint presentation, or any other format that is appropriate.

1.4.3 Let me do it

1.4 ACTIVITY

Using the process in section 1.4.2 as a model, devise a series of questions and carry out the research to produce a report on the following key question:

Prepare a report on why some consumers are prepared to pay a higher price for a product while other consumers would not buy the product even if the price was low. Explain what this tells you about the relationship between price and customer tastes and preferences.

FIGURE 2 Some people won't buy a certain product, even if the price has been lowered. Can you think of any reasons for this?



LESSON

1.5 SkillBuilder: Interpreting and explaining supply and demand graphs

LEARNING INTENTION

By the end of this lesson you should be able to accurately interpret and explain the data displayed in supply and demand graphs.

1.5.1 Tell me

Analysing is another skill that you will develop while studying economics and business. This skill involves interpreting information to identify the main features or ideas. You then examine the information closely to determine how the parts relate to the whole. One way in which you might analyse in economics and business is by interpreting and explaining information in tables and graphs.

In section 1.2.3 we explored the idea that the market answers most of the economic questions. Prices in a market are usually determined through interaction between buyers and sellers. Typically, the buyers want to pay as low a price as possible while the sellers want to charge as high a price as possible. From these different preferences, the market will usually arrive at a price that is acceptable to both buyers and sellers. We can interpret and explain how this works through the use of simple tables and graphs.

1.5.2 Show me

Imagine a fruit and vegetable market such as the Fremantle Markets. These markets have a number of different businesses all competing against each other, allowing buyers to browse the different stalls and compare prices and quality. We assume that sellers want to sell their product for the best, and highest price possible so that they can make a good profit. Buyers however want to buy at the best, and lowest price possible.

The tables below show us a numerical view of the sellers preferences and the buyers preferences in relation to potatoes for sale at a market. Sellers, would prefer to supply and hopefully sell more potatoes at a higher price per kg. This is the opposite for buyers, who will buy more potatoes at a lower price per kg.

FIGURE 1 There are multiple fruit and vegetable shops at the Fremantle Markets. Can you think of any factors that could influence a customer's decision on where to shop?



TABLE 1 Seller's preferences

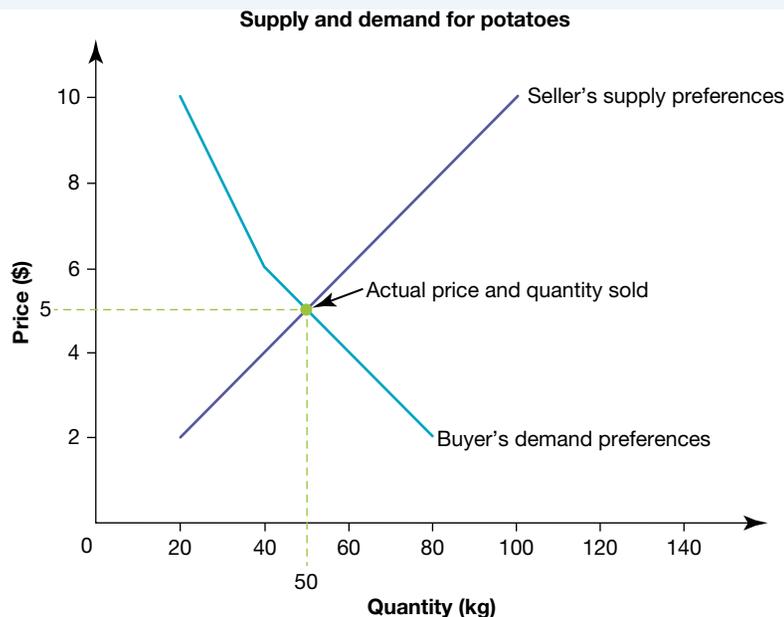
Price per kg	Quantity supplied
\$2	30 kg
\$5	100 kg
\$7	150 kg
\$10	200 kg

TABLE 2 Buyer's preferences

Price per kg	Quantity purchased
\$10	10 kg
\$8	40 kg
\$6	80 kg
\$4	120 kg
\$2	160 kg

FIGURE 2 is a graphical representation of **TABLES 1** and **2** and it too shows us the same concept. This is that if sellers can get a higher price they will supply more, and if buyers can pay a lower price they will buy more. In reality, buyers and sellers meet somewhere in the middle and settle upon an agreed price. This is shown by the 'actual price and quantity sold'. This price, where both buyers and sellers are happy, is also known as equilibrium.

FIGURE 2 Supply and demand graph for potatoes



1.5.3 Let me do it

1.5 ACTIVITY

Practise your skills by completing the following activity.

In the same fruit and vegetable market, tomatoes are also subject to similar buyer and seller preferences.

Sellers agree on the following:

- If they could charge \$14/kg, they would happily supply 200 kg of tomatoes for sale each day.
- If they could only charge \$8/kg, they would only provide 100 kg for sale a day.
- If they could only charge \$3/kg, they would only supply 10 kg for sale a day.

Buyers generally agree on the following:

- If tomatoes cost \$14/kg, buyers would demand a total of 20 kg on any given day.
- If the price dropped to \$10/kg, buyers might be prepared to purchase 70 kg a day.
- If the price fell to \$8/kg, buyers might purchase 100 kg a day.
- If the price fell to \$2/kg, buyers might purchase 180 kg a day.

1. Construct a table showing the different quantities sellers would be prepared to supply at each price level.
2. Construct a table showing the quantities that consumers would demand at each price level.
3. Comment on what you see occurring in regard to prices, demand and supply in the tables. Explain what you think will be the equilibrium price and quantity for tomatoes.
4. Enter the data from these tables onto a graph that shows both sellers' supply preferences and buyers' demand preferences.
5. What is the equilibrium price and quantity for tomatoes (in other words, what is the price per kilogram at which buyers and sellers preferences would be matched, and what quantity would be sold at that price)?

LESSON

1.6 SkillBuilder: Evaluating an opportunity with a cost–benefit analysis

LEARNING INTENTION

By the end of this lesson you will be able to use a cost–benefit analysis to effectively evaluate a business opportunity.

1.6.1 Tell me

Evaluating means to propose explanations for events or issues and to make overall judgements based on the evidence. This is a skill that you might develop in economics and business by looking at the benefits or advantages of something and then examining the costs or disadvantages of something.

A cost–benefit analysis is a detailed examination of the strengths and weaknesses of different alternatives in order to see whether the benefits outweigh the costs. The principle behind a cost–benefit analysis is that you should only decide to act on an alternative if the benefit from taking it is greater than the cost.

A cost–benefit analysis helps to determine if an option will be a good decision or investment. It is also useful for comparing alternatives or projects, as well as estimating the resources needed to complete the alternative or project.

A good cost–benefit analysis:

- identifies opportunities
- proposes alternative ways to take advantage of these opportunities
- calculates the costs and benefits
- compares the costs and benefits to determine if the benefits outweigh the costs
- makes a decision about the best alternative to recommend.

1.6.2 Show me

We can apply the five elements of a good cost–benefit analysis to a case study, to see how this works in practice.

CASE STUDY: Orlando's opportunity

Step 1: Identify opportunities in the market

Orlando is the general manager of a large soft-drink manufacturer. He and his team are looking at the market to identify opportunities.

The manufacturer has spent a great deal of time looking closely at its business and the local market it sells to. By asking a wide range of questions they have determined there are two business strategies that could meet the changing needs of the soft-drink market.

FIGURE 1 A cost–benefit analysis involves weighing up the pros and cons of a decision. You are doing it everyday without even realising. Can you think of any examples?



Olando's team believes that there is an unmet need in the Australian market for low-sugar alternatives to cola flavours. There are currently some products available, but customer feedback suggests some frustration with the lack of widespread access to these options. These options also suffer from poor quality.

Step 2: Propose alternative ways to take advantage of these opportunities

The company thinks that there are two possible alternatives. One alternative is that they can introduce a new range of low-sugar soft drinks based on the unmet need. The other alternative is to select suitable products that other companies are selling overseas and offer these, or copies of these, to local customers. This would involve buying the rights to distribute these soft drinks.

Step 3: Calculate the costs and benefits of each alternative

Olando's team conducts a cost-benefit analysis of the alternatives proposed. This means that they add up all the costs and all the benefits of each alternative, and then they compare them to decide if the benefits outweigh the costs. A summary of the costs and benefits of each alternative can be seen in TABLES 1 and 2.



TABLE 1 A summary of costs and benefits for a new range of low-sugar soft drinks

	Costs	Benefits
Monetary	Total (including raw materials, factory overheads, transportation, packaging, research and development, salaries): \$20 million	Total (including sales): \$30 million
Non-monetary	Extra workload for staff	New research and development that could benefit the business in the future A positive image built up among existing and potential customers

TABLE 2 Summary of costs and benefits for selling or imitating overseas products

	Costs	Benefits
Monetary	Total (including raw materials, factory overheads, transportation, packaging, salaries): \$15 million	Total (including sales): \$20 million
Non-monetary	Staff dissatisfaction with using ideas from overseas Customer dissatisfaction with using products designed for overseas markets	Research and development team will be free to look at other products

Step 4: Compare the costs and benefits to determine if the benefits outweigh the costs

The team calculates that the benefits outweigh the costs when analysing the first alternative, introducing a new range of low-sugar soft drinks. The monetary costs are \$20 million, while the monetary benefits are \$30 million.

This means that the monetary benefits outweigh the monetary costs by \$10 million. They also consider that the non-monetary benefits considerably outweigh the non-monetary costs.

When analysing the second alternative, selecting or imitating overseas products and selling these to local customers, Orlando's team calculates that the monetary benefits outweigh the monetary costs by \$5 million. The team feels that, even though the non-monetary costs of this alternative are high, the non-monetary benefits still outweigh the non-monetary costs.

Step 5: Choose the best alternative

Orlando's team determines that the best alternative is the first one, introducing a new range of low-sugar soft drinks. This is because they believe that the benefits of this alternative far outweigh the costs when compared with the second alternative.

1.6.3 Let me do it

1.6 ACTIVITY

You can now carry out this five step process to complete a cost-benefit analysis using the Uncle Bill's case study. Complete the activities that follow to practise this skill.

CASE STUDY: Uncle Bill's

Uncle Bill's is a global manufacturer of cereal products and snacks. Its marketing department has recommended that the business should respond to opportunities in the Australian market to produce products that meet different dietary needs, including low-salt, yeast-free and gluten-free products. It has proposed two alternatives. The first alternative is to introduce a new range of gluten-free cereals. The second alternative is to modify existing products already being used in other markets and sell these in the Australian market.

Bridie is the Australian regional manager for Uncle Bill's. She has asked you to be part of the team that will undertake a cost-benefit analysis of the alternatives proposed. Bridie has provided the team with a breakdown of the costs and benefits of each alternative (see TABLES 3 and 4).

TABLE 3 A breakdown of costs and benefits for Uncle Bill's: Alternative 1 — new gluten-free products

	Costs	Benefits
Monetary	Raw materials (ingredients): \$12 million Factory overheads — salaries, insurance, power, repairs and maintenance: \$8 million Transportation: \$1 million Packaging/labelling: \$2 million Selling/distribution: \$3 million Research and development — salaries, other overheads: \$4 million	Improve market share by 5% Sales of \$50 million
Non-monetary	Extra workload for staff	New research and development that could benefit the business in the future Building a positive image among existing and potential customers Empower staff (as they are involved in the development of the new product) and improve corporate culture

TABLE 4 A breakdown of costs and benefits for Uncle Bill's: Alternative 2 – modification of existing products

	Costs	Benefits
Monetary	Raw materials (ingredients): \$12 million Factory overheads – Salaries, insurance, power, repairs and maintenance: \$8 million Transportation: \$1 million Packaging/labelling: \$2 million Selling/distribution: \$3 million	Improve market share by 4% Sales of \$40 million
Non-monetary	Some staff may be dissatisfied with using ideas from other countries when local ideas could have been used Loss of customers who may be dissatisfied with products that are designed for overseas markets	Research and development team will be free to look at other products

Construct your cost–benefit analysis by completing the following steps:

Step 1: Identify the opportunities for Uncle Bill's.

Step 2: Identify the alternatives that have been proposed to take advantage of these opportunities.

Step 3: Add up the costs and benefits of each alternative. Write down the total costs and benefits for alternative 1 and the total costs and benefits for alternative 2.

Step 4: Compare the costs and benefits for each alternative. Do the benefits outweigh the costs for one alternative or both? In your opinion, which alternative has more benefits than costs?

Step 5: Make a decision about which alternative to recommend.

Complete the following questions.

1. How did you decide which alternative to recommend?
2. Compare your decisions to the decisions made by other people in your class. How do the decisions differ? Can you explain the variation in decisions?
3. What aspect of completing a cost–benefit analysis did you find relatively easy and what did you find more challenging?
4. Reading the Orlando's opportunity case study, identify the opportunities in the market for Orlando's soft-drink manufacturer.
5. How did Orlando's company respond to opportunities in the Australian market?

LESSON

1.7 SkillBuilder: Writing a pitch for a new product/ business idea

LEARNING INTENTION

By the end of this lesson you will be able to prepare, research, structure and write a pitch for a new product or business idea.

1.7.1 Tell me

When you use the skill of communicating and reflecting in economics and business, you will be presenting your findings or representing information using an appropriate format to suit a particular audience. You will also need to use terminology that is used by economists and businesspeople. For example, when writing a case study on a business, you would be expected to use business terminology and write as if your audience are people who are interested in studying businesses.

A pitch is a speech or presentation given by a prospective business owner where they attempt to persuade an audience (often a group of investors) to see that their idea for a product or a business is a good one. With a good pitch, the business owner would hope that the investors would choose to invest in the new product or business idea.

FIGURE 1 A business pitch is sometimes called an ‘elevator pitch’ because the listener should be able to understand the idea or concept in a short amount of time.



1.7.2 Show me

Elements of a good business pitch

A good business pitch has the following features:

- an introductory statement that will grab attention
- a clearly defined problem the business owner is solving
- an explanation about what the new product is or what the business idea is about
- an outline about why the new product/business idea is unique and/or better than the competition
- it is easy to understand
- it is well-presented.

CASE STUDY: Inventing self-service machines

The man who invented the self-service checkout system, Dr Howard Schneider, was laughed at when he first pitched his machine to a supermarket chain in the 1980s. Back then, the idea of replacing humans with an object seemed ridiculous. Today, we can see how much the world has changed.

The rollout of self-checkout systems is steadily increasing in Australia, even though some shoppers find them frustrating and difficult to use. Messages about unexpected items in the bagging area or the inability to locate pomegranates in the fruit category can lead to frustration and irritability and thus also customer dissatisfaction. Other people love the new invention because it provides convenience when they just 'pop in' for a few items. However, the machines are yet to provide a complete win for the stores, because they must still 'staff' the self-checkout areas to provide help with working the systems and in an attempt to combat theft. Nevertheless, newer modules are already being built with increased scanning accuracy.



1.7.3 Let me do it

1.7 ACTIVITY

Have a go at writing your own pitch for a new product or business idea. Your task is to plan a unique business using the parameters provided below and then prepare a business pitch. You will be able to work by yourself or with a group. Your teacher will determine the maximum and minimum group sizes.

Your first step is to develop a new product or business idea. Some suggestions are:

- a new style of shoe incorporating state-of-the-art technology
- a healthy snack-food option
- a new technology for creating energy
- a new type of home service
- a unique social media website or app.

Use the following points to guide your preparation for your pitch:

- the name of the new product or the name of the business and what products it will sell
- business logo
- description of what the business will do
- type of business ownership
- location of business
- target market information — who your customer is and why they need your new product or business
- a list and explanation of the qualities you possess and that your partner/s may possess that will make your new product or business a success
- what your competitive advantage is.

The pitch should be delivered as a written report but could also be given as an oral presentation.

2 Markets: Consumers, businesses and government

LESSON SEQUENCE

2.1 Overview	17
2.2 Who are the participants in the market system?	18
2.3 How do markets operate?	22
2.4 What are key economic questions for businesses?	31
2.5 How is the government involved in the market?	37
2.6 How does Australia's taxation system work?	44
2.7 INQUIRY: How would you tax the Australian public?	50
2.8 Review	52



LESSON

2.1 Overview

Hey students! Bring these pages to life online



Watch videos



Engage with interactivities



Answer questions and check results

Find all this and MORE in jacPLUS



How do markets operate, what do they influence, and what influences them?

2.1.1 The Australian economy

The Australian economy is the total of all activities undertaken for the purpose of producing, distributing and consuming the goods and services we require to satisfy our needs and wants.

As consumers, we all hope to earn the income necessary to purchase our needs and many of our wants. We would like to be treated fairly when dealing with businesses and we would like to know our rights, but we should recognise that some business owners and employees fail the fairness test when it comes to serving their customers. This is where we need the government to provide a legal and justice system so that buying and selling occurs within a set of rules that is fair to all participants.

In this topic, we will examine Australia's economic system, the activities of producing, distributing and consuming goods and services, how markets make decisions regarding the allocation of resources and why governments are needed in an economy.

FIGURE 1 In Australia we live in a market economy. This means that the quantity and price of goods and services is determined by supply and demand.



Resources



eWorkbook

Customisable worksheets for this topic (ewbk-13439)



Video eLesson

Development of the market economy (eles-1811)

LESSON

2.2 Who are the participants in the market system?

LEARNING INTENTION

By the end of this lesson you should be able to explain the identities and roles of the different people/groups that operate within our market economy.

TUNE IN

Imagine you are stranded on a deserted island.

1. What do you need to survive?
2. How will you obtain the items you need?
3. How important would it be to be able to contact your fellow survivors?
4. Discuss why it is important that we are connected to others in our economy.

FIGURE 1 What would you need to survive?



2.2.1 Buyers and sellers

Markets refer to places where buyers (consumers) and sellers (producers) meet and exchange goods and services. Producers provide the goods and services and consumers purchase them. We can think of a market in a physical setting, such as when we enter a shop and pay for goods and services. The exchange is immediate, we pay money to receive the goods and services. Markets do not have to have a physical location, online shopping and streaming subscriptions for example are virtual places where buyers and sellers 'meet' and exchange goods and services.

Consumers and producers are at the centre of Australia's market system. All of us are consumers, and those of us who are employed are also producers. We satisfy our needs and wants by working to earn money, and then buying goods and services from businesses that produce those goods and services. When we are working, we are providing our **labour** to contribute to the process of producing goods or services for other consumers to buy. When we are spending our money, we are consumers, purchasing goods and services that others have produced, in order to satisfy our needs and wants.

The total of all consumers in the economy is sometimes called the **household sector**. The total of all producers is sometimes known as the *business sector*.

We can examine the relationship between the business sector and the household sector by looking at **FIGURE 3**. It shows the flow of goods and services, and the flow of money between households and businesses. It also demonstrates how labour

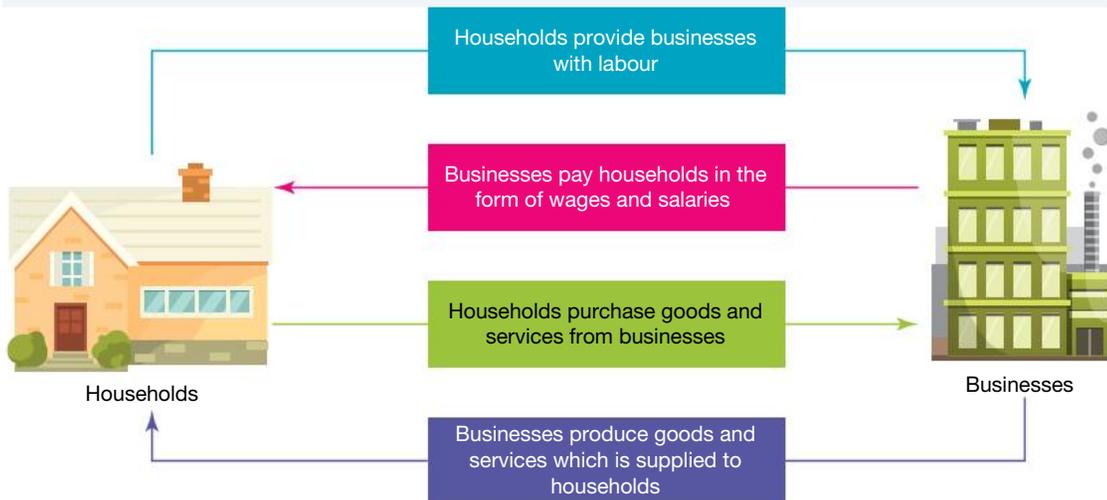
FIGURE 2 People who are employed are considered to be producers (sellers).



labour the human skills and effort required to produce goods and services

household sector a term used by economists to refer to the total of all consumers in the economy

FIGURE 3 Model showing the flow of money, goods and services between households and businesses



is exchanged for money, and how that money is used to purchase goods and services. This tells us about the financial relationship between consumers and producers in our market system.

The decisions made by the household sector in terms of what goods and services they purchase inform the business sector as to what goods and services to produce. Knowing what goods and services to produce determines which limited resources are allocated to the production of goods and services.

2.2.2 The financial sector

Do you spend every cent you receive in pocket money or in return for any work you do, or do you set some aside as savings? While most people of your age don't save much, many others in the economy do put aside some of their income as savings. This money is usually deposited in a bank or similar **financial institution**.

Banks and other financial institutions receive deposits, and use this money to lend out to others who need to borrow money. Most businesses will borrow money, particularly when they need to expand the business. This may involve buying new equipment, or even moving to bigger premises. Money spent in this way is known as **investment**. Financial institutions collect the savings of thousands of depositors, and then have large sums available for businesses to invest in growth.

These financial institutions make up what we sometimes call the *financial sector* of the economy. They perform an important role in our market system because they allow businesses to borrow money in order to expand their operations. As businesses grow, they are able to employ more people, who in turn have more money to spend on goods and services.

FIGURE 4 Financial institutions are able to direct savings into investment in the growth of businesses.



financial institution any organisation that takes deposits from those with surplus funds, and makes those funds available to borrowers

investment the direction of money into the purchase of equipment or premises for the establishment of a new business, or the expansion of an existing business

DISCUSS

Are you a saver or are you a spender? Would you like to be able to save more money? What advantages do people who save their money have over those who spend their money?

Banks and other financial institutions also play an important role in providing credit for households. When consumers make large purchases, such as a house or a car, it is usually easier to borrow the money to pay for these than to save up for years to pay cash for them. When purchasing a house or land, most people take out a **mortgage loan**. This enables them to borrow to pay for the property, and pay back the loan over a relatively long period of time. The housing market depends on the amount of money available for mortgage loans. If more people are able to buy houses, more new houses are built, creating more jobs in the construction industry.

2.2.3 The government sector

Another element involved in the market system is the government. In Australia this refers to the federal government based in Canberra, state and territory governments based in capital cities, and local councils. As well as spending money on consumption and investing in savings, households and businesses pay money to the government in the form of taxes and rates, and receive particular types of goods and services back from the government. A detailed examination of the role of government can be found in lesson 2.5. Government plays an important role in the market system for a number of reasons:

- The level of taxation taken by government can affect the amount of money consumers have available to spend on goods and services. High levels of taxation can mean that consumers spend less, businesses cannot grow as quickly, and cannot employ as many people.
- Money collected in taxes can be spent on providing welfare payments. These payments, in the form of pensions and unemployment benefits, allow many people to purchase more as consumers, providing more income to businesses and creating more jobs as businesses grow.
- Government also provides services such as schools and hospitals, which are paid for from taxes collected from both households and businesses.
- When the government spends money on building roads, schools and hospitals, it is providing money to the businesses that do the actual building, helping those businesses to grow and employ more people.

FIGURE 5 When a government pays businesses to construct roads it helps those businesses to grow and employ more people.



mortgage loan a loan advanced to allow a person to buy a house or other property, with the property itself as security for the loan. This means the bank or other lender can take possession of the property if the borrower fails to make the regular payments.

export a good or services sold by local businesses to overseas consumers

import a goods or services purchased by local consumers from overseas businesses

2.2.4 The overseas sector

Australia is an open economy, which means we trade goods and services with other countries. Australian businesses **export** goods and services to both consumers and producers in other countries. Australian consumers buy many products that have been manufactured in other parts of the world and **imported** into this country.

International trade can affect our market system in a number of ways:

- Australia has a relatively small population, so if overseas consumers are willing to buy the goods and services we produce, this can help our local businesses to grow and employ more people.
- There are some products that we are unable to produce with the same efficiency as can be achieved in other countries. A lot of the highly sophisticated machinery used in factories is imported, helping the factory to produce goods more cheaply.
- Imported goods are sometimes cheaper than locally produced goods, which can make it difficult for local producers to compete with the imported products. This can lead to local producers going out of business. The motor vehicle manufacturing industry is an example of an industry that has closed its Australian operations due to lower priced imported products. A local industry or large business closing, will mean job losses. However, consumers will benefit from being able to buy cheaper priced imported cars.

FIGURE 6 Australia imports from and exports to many other countries.



2.2 SKILL ACTIVITY: Questioning and researching

Trade is an important part of our lives and an important component of the economy. When we consider trade we likely have ideas about who we trade with and what we trade. Remember, much of Australia's trade takes place with overseas countries.

1. **Conduct** a survey of the class, asking students to write down:
 - a. The top 5 countries we export (sell) to
 - b. The top 5 countries we import (buy) from
 - c. The top 5 items we export (sell)
 - d. The top 5 items we import (buy)
2. Use the **DFAT** weblink in the resources panel to view the actual data regarding Australia's trade.
3. **Compare** your survey results with the actual results and write a short report **summarising** your findings.

on Resources

 **Weblink** DFAT

2.2 Exercise

learn on

2.2 Exercise

Learning pathways

■ LEVEL 1

1, 2, 3

■ LEVEL 2

4, 5, 6, 7

■ LEVEL 3

8, 9, 10

These questions are even better in jacPLUS!

- Receive immediate feedback
- Access sample responses
- Track results and progress



Find all this and MORE in jacPLUS 

Check your understanding

1. A person can be both a producer and a consumer. True or false?
2. Taxes are considered a leakage from our economic system. True or false?

3. **Define** the following terms:
 - a. market
 - b. labour
 - c. household sector.
4. **Outline** one means by which governments can influence markets.
5. **Outline** how the financial sector can influence markets.

Apply your understanding

Communicating

6. **Explain** how it is possible for a person to be both a producer and a consumer.
7. **Explain** the difference between imports and exports.

Evaluating, concluding and decision-making

8. **Predict** the impact that each of the following might have on the level of goods and services sold by Australian businesses.
 - a. Households decide to save a larger proportion of their income.
 - b. Financial institutions make it easier for consumers to acquire credit cards.
 - c. Governments decide to increase the level of taxation for households.
 - d. Governments increase the level of welfare payments.
 - e. There is a large increase in the availability of cheaper imported goods.

Communicating

9. Taxes and government spending are linked. **Explain** this relationship.
10. Exports and imports involve the overseas sector and trade. **Explain** why Australia needs to trade.

LESSON

2.3 How do markets operate?

LEARNING INTENTION

By the end of this lesson you should be able to explain how each good, service or employee is part of a specific market as well as the broader market economy.

TUNE IN

Some stores such as supermarkets or department stores offer a wide range of goods. Whereas some stores specialise in a specific good or service, such as a shoe store, butcher or cosmetics store.

1. Why do you think people may choose to shop at a specialist store?
2. What benefits are there for using this type of store?
3. Can you think of any possible disadvantages of shopping at a specialist store like this rather than a supermarket?

FIGURE 1 What do you think of when you see the following image?



2.3.1 What is a market?

A market exists in any situation where buyers and sellers come together to exchange goods and services for money. A market can exist in a single physical location, it can be spread across a number of locations, or can have no physical trading location at all, such as online retailing. It is the act of buying and selling, not the actual location, that creates the market. We will now look at a number of different markets that exist within the Australian economy: retail markets, labour markets, financial markets and stock markets.

2.3.2 Different types of markets

Retail markets

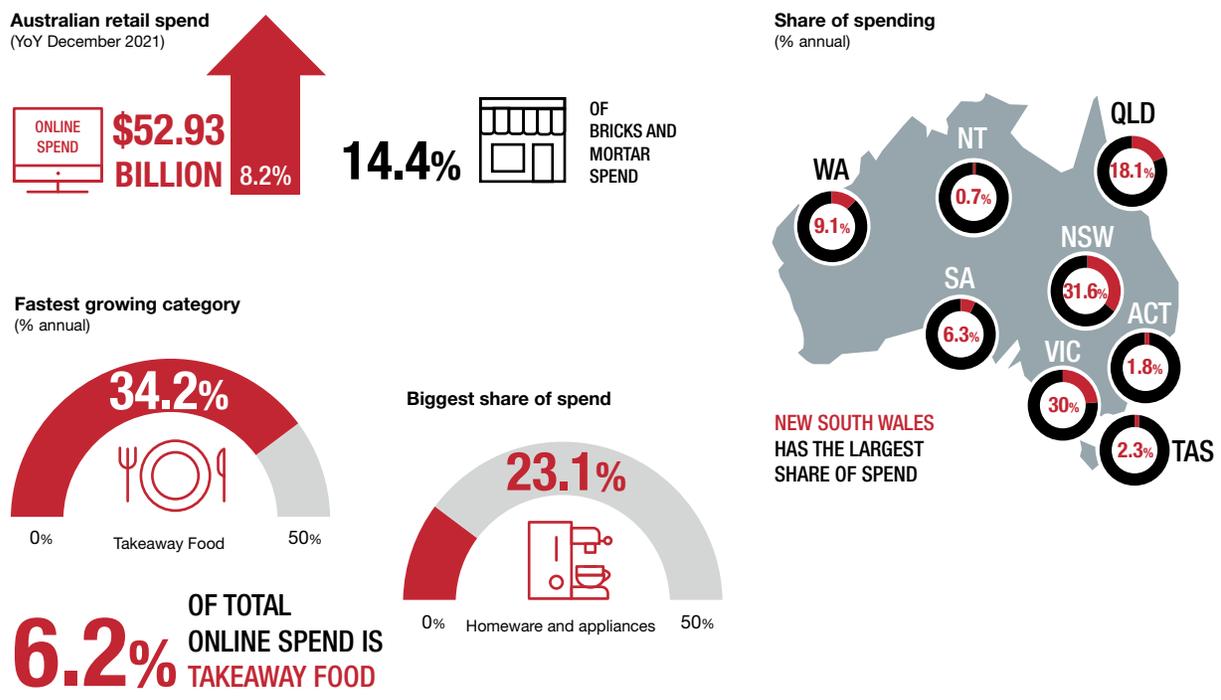
We are all very familiar with retail markets. These are the markets that allow us to buy most of our goods and services. They include:

- shopping areas in the central business districts (CBDs) of our large capital cities
- huge suburban shopping malls such as Carillon City in Perth, Westfield Parramatta in western Sydney and Chadstone in Melbourne
- local shopping centres with a supermarket and a number of specialty stores
- shopping strips located along major roads and near public transport hubs
- the groups of shops gathered in the main streets of country towns and regional centres
- online shopping websites, online streaming services and subscriptions.

Online shopping has continued to grow in importance. In 2016, it accounted for 7 per cent of all household spending, valued at \$20.8 billion. In 2021, after two years of the COVID-19 pandemic and related state lockdowns, that figure had grown to 14.4 per cent of all spending, valued at \$52.9 billion.

FIGURE 2 Online shopping continues to grow each year.

AT A GLANCE



Labour markets

At any given time, there are people looking for a job. Some of them are unemployed and want to find work, while some of them already have a job but want to work for a new company or do different work. At the same time, many businesses are looking to employ people to work for them. Prospective employees are hoping to sell their labour to employers. Those employers wish to buy the skills and effort of suitable employees. This combination of buyers and sellers of labour constitutes the labour market.

Like many other markets, the labour market does not operate in a particular physical location. The labour market relies on a variety of means of communication between the sellers of labour (potential employees) and the buyers of labour (employers). These allow employers to advertise vacancies in their businesses, and potential employees to find out about job opportunities. The operation of the labour market can involve the following:

- The simple placement of a sign in a shop or café window indicating that the owner has a job vacancy
- Newspaper advertisements for job vacancies. This method has declined significantly in recent years, with relatively few vacancies advertised this way today.
- Online 'jobs boards' such as SEEK, Indeed and Australian JobSearch. These are the fastest growing source of job advertisements, updated every day. Employers pay a fee to advertise their vacancies, and jobseekers can apply online for the vacancies advertised.
- Any person receiving **unemployment benefits** from the government is usually required to take an active role in looking for work. The government pays independent agencies to assist unemployed people to find work. Many of these are run by community organisations and a list of these, including Matchworks and the Salvation Army, can be found on the Australian JobSearch website.

The price the employer pays as a buyer of labour is known as a wage or salary. Wages and salaries are quite highly regulated in Australia. There is a **minimum wage** that must be paid to all employees over the age of 21 years. It is adjusted every year to account for rises in the **cost of living**. At July 1st, 2021 this was set at \$20.33 per hour, or \$772.60 (before tax) for a standard working week.

Financial markets

Just as there are a number of markets for goods and services throughout the economy, there is also an important market for money. While households earn money in the form of wages and salaries, they will often choose to borrow money to buy larger items such as cars or houses. Businesses do the same, they will often borrow large amounts of money so that they can expand. Borrowing money comes at a price and financial institutions will charge borrowers a per cent 'fee' known as interest.

FIGURE 3 Online job boards such as SEEK are the fastest growing source of job advertisements.



unemployment benefit a welfare payment by government to people who are unemployed and looking for work. Such payments in Australia are generally known as the Newstart Allowance.

minimum wage the legally binding minimum that must be paid to any employee over the age of 21 years

cost of living the level of prices paid by consumers for goods and services

The functions of money

Money performs four very important functions in our market system:

1. **Medium of exchange** — Money allows us to exchange goods and services using a common means of exchange we all accept. Employees exchange their labour for money, and all businesses accept money in exchange for the goods and services they supply.
2. **Measure of value** — We use money to put a price on the goods and services we exchange. The price is a measure of what we believe the goods or services to be worth, when compared with other goods and services.
3. **Store of value** — We are able to save our money to spend at a later date.
4. **Standard of deferred payments** — Using money allows us to purchase goods and services on credit, with both buyer and seller knowing how much has to be paid at a later date.

The working of financial markets

Just as all goods and services have a price, so too does money. The price of having access to money that actually belongs to someone else is known as **interest**. When you deposit your money in a bank account, the bank will pay you interest on your savings. This is usually based on a percentage figure. If you deposit \$100 in your account and the bank is paying 3 per cent per annum (per year), the bank will pay you three dollars in interest after a year. Interest is often calculated monthly or even daily, so that if you withdraw your money before the year is up, you will be paid a lesser amount to cover the time the bank had the use of your money. Banks then lend out the money that they have deposited with them to other consumers or to businesses. They will usually charge a higher rate of interest to borrowers than they pay to their depositors. This is how they make a profit.

Financial markets operate like any other market, with sellers wanting to charge the highest price they can for their goods and services, and buyers wanting to pay the lowest price they can. If you are selling the use of your money (i.e. you are a depositor), you want to get the best price (interest earnings) you can for allowing someone else to use that money. If you are buying the use of someone else's money (i.e. you are a borrower), you want to pay the lowest price (interest payments) you can.

FIGURE 4 Money performs important functions in our economy.



FIGURE 5 Stockbrokers buy and sell shares on behalf of their clients.



interest a charge made for the use of money that has been deposited or borrowed

Share market

Like other markets, the stock market (also called the share market) is simply a relationship between buyers and sellers. In this case it is shares in companies that are bought and sold. A share is a unit of ownership in a company. Large companies divide their ownership into millions of shares, which can be bought and sold through the stock market, known in Australia as the Australian Securities Exchange (ASX). The ASX was formed in 1987 by merging the six capital-city stock exchanges. Today the ASX is based in Sydney, but also has offices in Perth and Melbourne.

There are more than 2000 companies listed on the ASX. These include large retailers such as Woolworths and Wesfarmers (owners of Coles), the four big banks (ANZ, CBA, NAB and Westpac) and large mining companies such as BHP Group Limited and Rio Tinto. The value of shares can go up and down, depending on the demand for those shares. When a company reports that it has had a successful year, many people may want to buy shares in that company. If there are more people wanting to buy than to sell, the price tends to rise. If the company appears to not be performing well, there may be more shareholders wanting to sell their shares than there are buyers, so the price is likely to go down.

As the price of a company's shares goes up or down, so too does the value of a shareholder's investment. The value of most shares tends to rise over time, even though the prices can fluctuate daily. People who hold shares for long periods (generally more than 10 years) benefit from **capital growth**. Owning shares means you can also benefit when the company makes a profit, as profits can be distributed to shareholders as **dividends** or in extra shares.

FIGURE 6 Buying shares listed on the ASX enables you to become a shareholder in a variety of different businesses.



The buying and selling of shares is usually handled by stockbrokers. These are licensed agents who have access to the ASX, and who conduct share transactions on behalf of the general public in exchange for a small fee. Most stockbrokers will recommend that their clients buy shares in a variety of different companies. If you only buy shares in one company and that company experiences problems, the value of your shares can drop and you lose money. Buying shares in a number of different companies reduces your risk, as you have a better chance of having some shares that will perform well.

However, as with retail, it is possible for individuals to buy shares in companies themselves, online, by creating their own account, usually through their bank. Commsec and ANZ Etrade are examples of online trading platforms that allow consumers to buy shares if they have an account with that bank and have a minimum amount of money available — usually \$600.

2.3.3 The market mechanism

As we have learnt, the market is a place for buyers and sellers to meet and exchange goods and services.

In simple terms buyers (consumers) demand goods and services and sellers (businesses) supply them.

capital growth an increase in the value of shares or property over time

dividends company profits paid to shareholders, either in cash or as more shares

The interaction of buyers and sellers can be shown on a diagram, which also shows us how price is agreed upon. This is sometimes called the market mechanism because it is showing how the market works.

Two key features of the market mechanism are demand and supply.

2.3.4 Demand

Demand is the quantity of a product that consumers are willing to purchase at a particular price at a given point in time. As prices increase, demand for that good or service decreases. If the price decreases, the demand for that good or service increases.

So, if we think of blueberries, the cheaper they are, the more people will want to buy them. However, the more expensive they are, the fewer blueberries people will want to buy.

Plotting the information on a graph gives us the demand curve for blueberries (see **FIGURE 7**).

As we can see when blueberries are at a lower price of \$4 there will be many buyers and many blueberry punnets sold. At a higher price of \$8, there will be fewer blueberry punnets sold.



FIGURE 7 Demand curve for blueberries

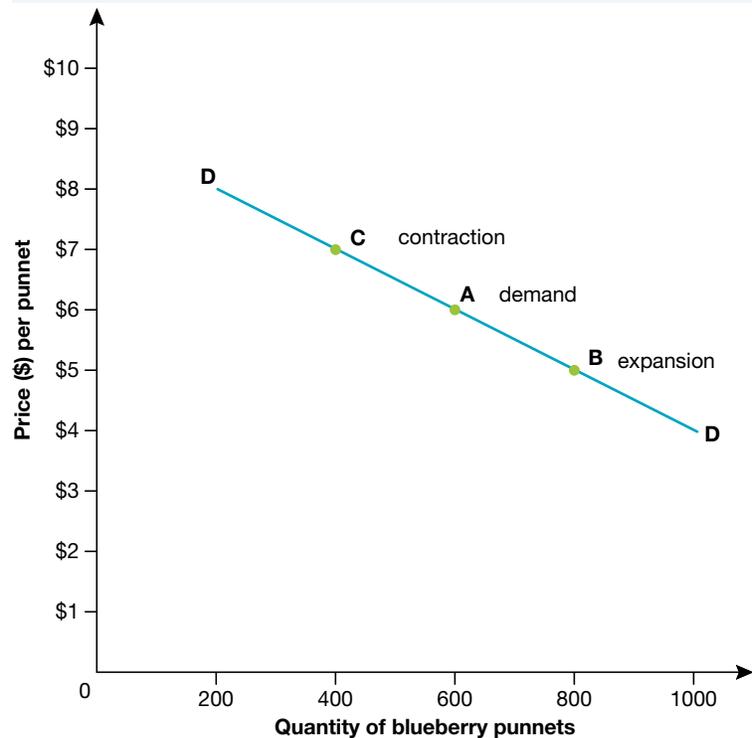


FIGURE 8 The demand for blueberries is impacted by the price



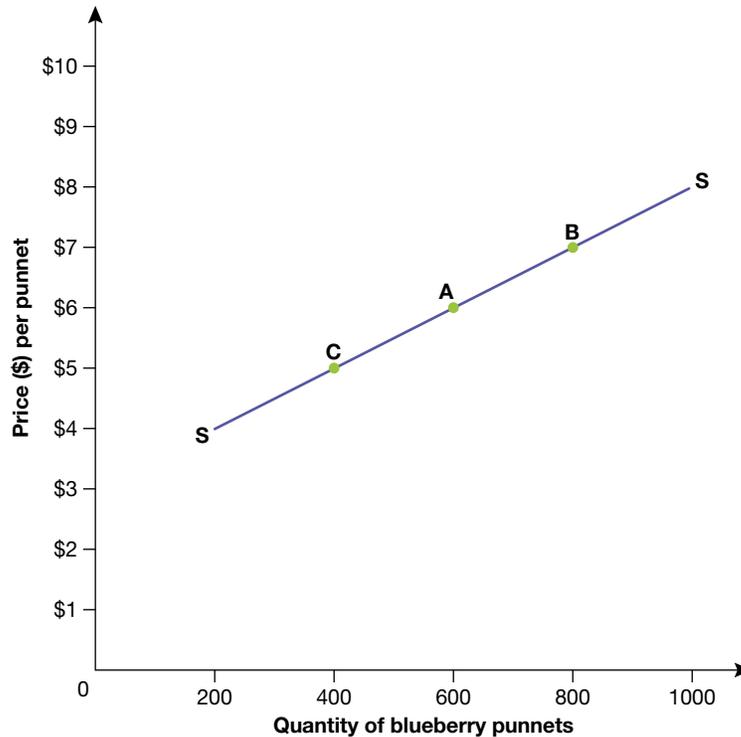
2.3.5 Supply

Supply refers to the quantity of a good or service that businesses are willing and able to offer for sale at a given price, at a given point in time. For blueberries, fruit farms are the businesses who are growing the blueberries. As prices for a good or service increase, the quantity supplied will increase. If the price decreases, the supply of that good or service will decrease.

This relationship can be illustrated using a supply schedule or table. Plotting this information on a graph gives us the supply curve for blueberries (see **FIGURE 8**).

tlvd-10644

FIGURE 9 Supply curve for blueberries



As we can see from the graph, blueberry suppliers will wish to supply fewer blueberry punnets at a low price of \$4. Instead they would prefer to supply more blueberries at a higher price, this will earn them higher profits!

2.3.6 The price mechanism

Once the supply and demand for a good or service has been established, it is possible to plot them both on a graph. The point at which the demand and supply curve intersect is called **market equilibrium**. This is the point at which buyers and sellers agree on a price and exchange the good or service for money.

The **price mechanism** refers to the forces of demand and supply in determining the price and quantity of a good or service.

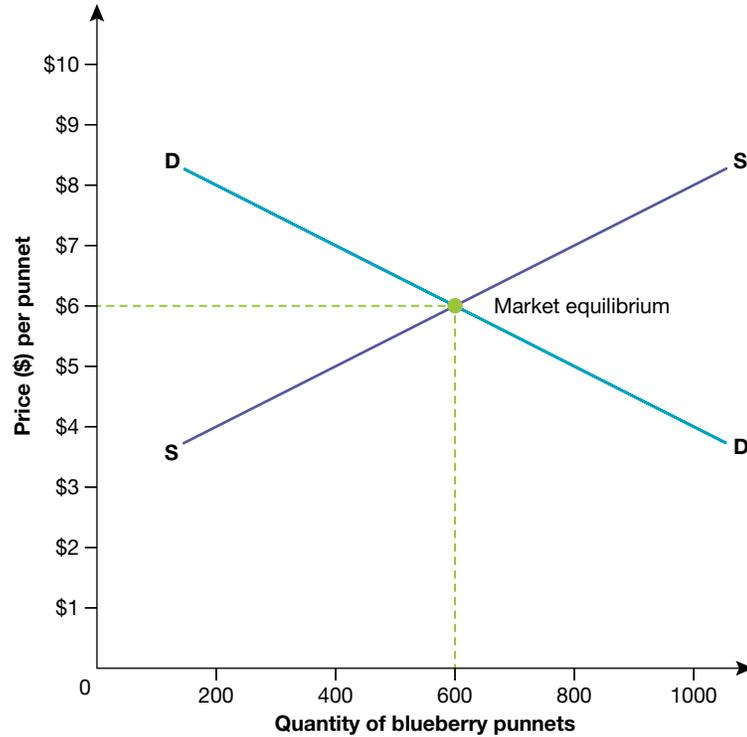
We can see on the graph that the equilibrium price for blueberries is \$6 a punnet and the equilibrium quantity for blueberries is 600 punnets (see **FIGURE 10**).

market equilibrium the point at which the demand and supply curves intersect

price mechanism the interaction of the forces of demand and supply that determines the price of a good or service



tlvd-10693

FIGURE 10 Graph showing the market equilibrium for blueberries**on** Resources

Video eLesson Share market basics (eles-0256)

Weblinks
 Australian JobSearch
 Fair Work
 ASX
 Jindabyne Holiday Park
 Petrol price

2.3 SKILL ACTIVITY: Analysis, evaluation and interpretation

Petrol prices often rise and fall a number of times during the week and the price is affected by a number of factors.

Use the **Petrol price** weblink in the Resources panel to find the price of petrol in your postcode area.

- 1. Chart** the prices shown.
- 2. Propose** reasons why the prices may vary in a relatively small region (your postcode area).
- 3. Explain** how consumers may use the information from the website to inform their purchases of petrol.
- 4. Explain** why consumers may not always use this information to inform their purchases of petrol.

FIGURE 11 The changing price of petrol is a constant issue for consumers.

2.3 Exercise

Learning pathways

LEVEL 1

1, 2, 3, 5

LEVEL 2

4, 6, 8

LEVEL 3

7, 9, 10

These questions are even better in jacPLUS!

- Receive immediate feedback
- Access sample responses
- Track results and progress



Find all this and MORE in jacPLUS

Check your understanding

1. **Identify** the term that describes the point where demand and supply intersect.
 - A. Price mechanism
 - B. Equilibrium point
 - C. Market equilibrium
 - D. Demand curve
2. What does ASX stand for?
 - A. The Australian Stock Exchange
 - B. The Australian Securities Exchange
 - C. The Authority for Stock Exchange
 - D. The Australian Securities Commission
3. Generally, as the price for a good or service increases, the quantity that a business is willing to supply will **decrease / increase / remain the same**. On the other hand, if the price for a good or service decreases, the quantity that a business is willing to supply will **decrease / increase / remain the same**.
4. **State** the four functions of money.
5. **State** three types of markets.

Apply your understanding

Communicating

6. **Explain** what is meant by 'markets' and provide reasons why markets don't need to have a physical presence.
7. **Explain** the relationship between the labour market and the retail market.

Interpreting and analysing

8. a. **Construct** the following demand and supply curves for the hypothetical product:

Price	Quantity demanded	Quantity supplied
\$100	300	500
\$80	350	450
\$60	400	400
\$40	450	350
\$20	500	300

- b. **State** the equilibrium price and quantity traded.

Communicating

9. a. **Identify** two factors that can cause an increase in demand for apples.
b. **Explain** the effect of the increase in demand for apples on the equilibrium price and quantity.
10. a. **Identify** two factors that can cause a decrease in supply of apples.
b. **Explain** the effect of the decrease in supply of apples on the equilibrium price and quantity.

LESSON

2.4 What are key economic questions for businesses?

LEARNING INTENTION

By the end of this lesson you should be able to describe the role and importance of prices in an economy and identify the three key questions an economy tries to answer.

TUNE IN

We have all seen signs like this. Some of us may have been tempted by them and bought something at a sale or because it was 'on sale'.

Why do businesses offer sales or discounts to customers? Consider this question and then discuss the following:

1. Besides an increase in profits, why do you think a business might put products on sale?
2. How does the number of competitors or sellers in a market influence other sellers to sell products at discounted prices?

FIGURE 1 Stores use bold sale signs to attract customers



2.4.1 Market forces

A key factor in any market is the price charged for the goods and services sold in that market. Sellers will generally decide how much they wish to charge for the goods or services they are supplying, but they cannot do this in isolation. They must take into account the price that consumers are willing to pay. If there are a large number of sellers in any market, prices will tend to be lower because these sellers have to compete with each other to attract customers. When prices are influenced by the interaction between buyers and sellers, they are said to be influenced by market forces. These market forces can also affect what goods and services producers choose to supply and the methods they choose to produce them. Market forces can also determine who the ultimate buyers of these goods and services will be.

2.4.2 Influencing prices

The prices paid for goods and services can be influenced by both sellers and buyers. Sellers can adopt a number of strategies to determine prices, including:

- applying a retail price recommended by the manufacturer of the goods being sold. Although it is illegal for a manufacturer to enforce such a price, it can provide a useful guide for the seller.
- following the prices set by other sellers in the same market. This may involve matching those prices, or setting a slightly lower price to attempt to attract more customers.
- adding a **percentage mark-up** to the cost of the goods to the business. The seller may calculate a sale price by adding a fixed percentage to the price that they paid for the goods.

percentage mark-up a fixed percentage increase to the price paid by a business for goods, to determine the selling price of those goods

The selling price needs to be enough to help cover all the business expenses, and also provide a profit.

Whatever method a seller uses, it is a general rule in all markets that sellers will attempt to charge as high a price as possible, while buyers will look for the lowest price they can find. A seller who attempts to charge too high a price will find that buyers will not buy from their business. The seller must cover the business's expenses and make a reasonable profit, but cannot afford to charge too high a price if competitors are selling the same product at a lower price. A buyer who expects to pay too low a price may find that there are no sellers willing to sell at that rate, so has to be realistic about what constitutes a fair price.

FIGURE 2 Sellers must set a price that will not turn customers away.



2.4.3 The key economic questions

The aim of any economy is to provide goods and services to consumers in as efficient a manner as possible. We would expect consumers to buy goods and services that will satisfy their needs and wants, and that producers will want to make a profit by selling them those goods and services. In order for both consumers and producers to be satisfied, the economy has to answer three basic questions:

1. What to produce? — What goods and services should be produced, and in what quantities?
2. How to produce? — What methods should be used to provide those goods and services?
3. For whom to produce? — To whom should those goods and services be distributed?

Because the Australian economy operates largely as a market system, we would expect the interaction between buyers and sellers in a variety of different markets to answer these questions.

What to produce?

How does our market system help producers to decide exactly what goods and services to supply, and in what quantities to supply them? Up to a point, the market system operates largely by trial and error. A producer may make certain goods or services available to consumers and hope that these will satisfy the needs and wants of those consumers. If the goods or services fail to sell, the producer will probably go out of business. In Australia more than 60 per cent of small businesses close within their first three years, while one in three fail in their first year. This means that a lot of potential producers are entering the marketplace, but not selling the goods or services necessary to satisfy the needs and wants of consumers.

The market largely determines which businesses are likely to be successful. Some factors that can influence markets include:

- **Established habits and experience** — Producers know from people's existing behaviour that there will always be a demand for certain types of goods or services. Families need to buy food on a regular basis, so a supermarket in a new suburb may well be successful. In any new shopping centre, businesses such as cafés and hairdressers will probably meet a demand from consumers if there are no similar businesses nearby. If a second or third café or hairdressing salon is established in the same shopping centre, the success of these businesses will depend on whether the level of demand from consumers is sufficient for all of them to survive. If not, one or more will close. The operation of the market for those goods and services will determine how many similar businesses can survive in the same marketplace.

- **Changing tastes and preferences** — An example of this is the market for Australian-made cars. For many years, family sedans and wagons such as the Holden Commodore and Ford Falcon were Australia’s best-selling cars. Car manufacturing was so successful that other manufacturers such as Toyota also set up factories in Australia. Over time, consumers’ preferences have changed, and smaller imported cars and larger SUVs have become more popular. This led to a decline in car manufacturing in Australia. As a result, Holden, Toyota and Ford all ceased motor vehicle production in Australia in 2017.
- **Marketing and advertising** — Any business introducing a new product or service into the market needs to ensure that consumers are aware of its availability. For many years, businesses have used television, newspaper and radio advertising to persuade consumers to buy their goods and services. In addition, online advertising has increased dramatically, and today an online presence is essential for almost all businesses.
- **Technological change** — As a society we have become very enthusiastic about new technology. Whenever a new model iPhone is released, consumers queue up outside their nearest Apple store to be one of the first to buy it. Consumers monitor new developments in technology, and many will quickly replace outdated products with newer models. Producers can be quite confident that improvements in technology will quickly attract buyers to new goods and services.

FIGURE 3 Improvements in technology soon attract consumers.



How to produce?

Producing goods and services generally involves a combination of labour, equipment and raw materials. These are known as **inputs**, and any production process will involve different types and combinations of these three inputs. A factory producing frozen vegetables will be set up with different types of equipment, such as freezers to keep the vegetables cold, machines to chop them, and machines to pack and seal them in plastic packaging. The same factory will employ workers to control those machines, and perhaps carry out some other tasks, such as managing the whole process. The raw materials are the vegetables that are processed.

inputs those things that contribute to the production process

At different times, the managers of the factory will have to make decisions about the best methods to produce their final product, and the operation of the market can influence these decisions. Competition from rival frozen food companies will mean that the business will wish to keep its costs as low as possible. If efficient new equipment becomes available, it may be worth changing the methods of production to take advantage of this new machinery.

Automated production lines and robotics-based equipment are technologies that have improved factory production. In most cases, automation enables a factory to employ fewer workers, saving wage costs and allowing the prices of products to be kept at a level where they can compete in the marketplace. When one business in a particular market is able to cut costs by changing its methods of production, other businesses in the same market will usually make changes also, to remain competitive.

FIGURE 4 The use of robotics has changed the way manufacturers produce goods.



For whom to produce?

The economy answers one final question and that is 'for whom to produce?' This means that a business owner or government must think about who they will make their goods and services for. In other words, they will think about who their market is.

As an example, a car manufacturer may decide to produce expensive luxury cars only. This type of business will sell to people who have large enough household incomes to be able to afford this type of car. People who have normal or average household incomes may be excluded from buying this type of good.

It is worth remembering that household incomes come from a range of sources, including wages, government welfare, returns on investment and even winnings! The amount of income that you have to spend is sometimes called your **disposable income**.

It is also worth knowing that whatever your income, the market and the businesses within it will provide for all different income levels. This is why we see businesses offering cheaper alternatives. Staying with our example of cars, there are businesses who sell average priced vehicles such as Toyota and businesses who might sell cars at a lower price. In this way, the market provides for most of us.

FIGURE 5 Luxury motor vehicles cost much more to produce, but the manufacturers are not attempting to sell to the mass market.



disposable income the amount of money that households have available for spending and saving after income taxes have been accounted for

2.4.4 Market forces and the allocation of resources.

How do businesses determine what goods and services they will produce? Businesses seek to maximise their profits and so will look for markets or opportunities to increase their sales and profits. These markets and opportunities can arise from a variety of circumstances:

- Overseas issues — the war in Ukraine in 2022 disrupted the supply of resources such as gas. Gas became a scarce commodity and gas (and other fuel) prices rose in Australia. To avoid paying higher gas prices, alternatives such as solar panels for electricity became a more viable option and presented opportunities for businesses.
- Changes in the values of society have seen a number of car manufacturers commit to moving all their resources to the production of electric cars rather than petrol-driven vehicles. This move recognises our growing concern for the environment.
- Weather conditions in Australia during 2021 and 2022 saw some produce prices rise and some items become scarce (KFC announced in 2022 they were substituting cabbage for lettuce in some burgers due to a shortage of lettuce). This provides an opportunity for farmers to grow these crops to take advantage of higher prices.

Other businesses are able to take advantage of the type of product they sell:

- Staples, such as bread and milk are everyday items and consumers purchase these items, if not daily, then multiple times per week. The constant demand for these items guarantees relatively low prices and consistent supply.
- The brand recognition attached to some products, such as Ferrari, allow those products to be sold at a premium price. Ferrari uses better materials and engineering, so it is their premium quality that allows them to be sold for a premium price. A better example of brand recognition would be Nike or Adidas, that sell because of the logo, not because the quality of their products is so superior to others.

Businesses are also able to identify gaps or niches in markets. Consider local shopping centres — new businesses may open up because there may be perceived to be a gap in the market — a need not being met or a service not being provided. This type of gap could be used to explain the increase in food delivery services such as Door Dash or Uber eats.

Where businesses find opportunities, resources will be pulled or drawn to that opportunity.

FIGURE 6 Fuel prices rose due to the Ukraine war



2.4 SKILL ACTIVITY: Analysis, evaluation and interpretation

In a fruit and vegetable market, sellers change their prices regularly. The sellers naturally like to sell their bananas at a higher price.

- Suggest** one reason why the sellers of bananas would like to sell them at a higher price.
- Suggest** one reason why the sellers may reduce the price of the bananas.
- Concerning price, what is the main priority for the business and what is the main priority for the consumer?
- Your response to c helps to explain the two forces of supply and demand, and how the market settles on a price. **Explain** the concept of how the market determines the prices of goods and services.



2.4 Exercise

learn **on**

2.4 Exercise

Learning pathways

■ LEVEL 1
1, 3

■ LEVEL 2
4, 5, 7, 9

■ LEVEL 3
6, 8, 10

These questions are even better in jacPLUS!

- Receive immediate feedback
- Access sample responses
- Track results and progress



Find all this and MORE in jacPLUS

Check your understanding

- What is 'disposable income'?
 - The difference between the wholesale and retail price
 - The amount of money an individual earns per year
 - The amount of money a household has to spend
 - The amount of money an individual earns per week
- The decreased use of technology in production techniques is one of the key ways in which businesses keep their production costs low. True or false?
- Identify** the three different types of inputs that go into any production process.
 - Money, equipment and raw materials
 - Labour, equipment and raw materials
 - Labour, money and water
 - Money, water and electricity
- Explain** two factors that could influence which goods and services businesses decide to produce.
- Recall** two methods a business might use to determine the prices for the goods or services it sells.

Apply your understanding

Communicating

6. **Explain** how markets can influence to whom different goods and services are distributed.
7. **Explain** the meanings of the three economic questions.
8. **Describe** two methods that can impact how businesses produce goods.
9. **Explain** why luxury goods, such as expensive cars, are still popular despite there being many other cheaper options available.

Interpreting and analysing

10. Imagine you own a homemade ice-cream shop in a coastal town. **Predict** what will happen to buyer preferences in the following scenarios:
 - a. The market price of cream rises, raising the cost of producing ice cream.
 - b. A new ice cream shop opens a couple of doors down.
 - c. Your town experiences an unusually cold summer.

LESSON

2.5 How is the government involved in the market?

LEARNING INTENTION

By the end of this lesson you should be able to describe the different roles played by the government in the economy.

TUNE IN

We have probably all heard of some or all of the following government agencies:

- Reserve Bank of Australia
- Australia Taxation Office
- Medicare
- Centrelink.

They are official government bodies that assist consumers and businesses manage their interaction in the economy.

1. Brainstorm what you think are the main functions of each of these institutions.
2. Discuss why we need these institutions.

FIGURE 1 Centrelink and Medicare are two important Australian government agencies.

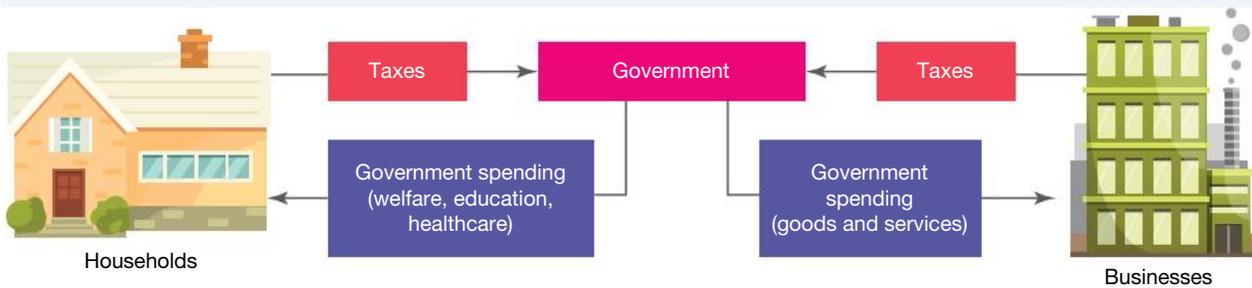


2.5.1 Role of the government

The involvement of government in our market system is illustrated by **FIGURE 2**. We can see that both households and businesses pay taxes to government.

Some of this money comes back to households in the form of welfare payments such as pensions, or as services such as education and healthcare. Some of it is spent on buying goods and services from businesses, or paying businesses to build roads, schools or hospitals.

FIGURE 2 Model showing the role of the government in the flow of money, goods and services between households and businesses



2.5.2 Welfare

The government provides financial and other support to disadvantaged members of the community. The aged pension supports those who are beyond retirement age and no longer working. Unemployment benefits are designed to support those who cannot find work. The National Disability Insurance Scheme (NDIS) provides people with a permanent and significant disability with money to access support and services.

Not only are welfare payments designed to provide fairness and support to those who need help, but the payments can also have a positive economic effect on markets. Those receiving welfare are likely to spend most of their money and so their spending adds to the circular flow of income throughout the economy. Businesses gain revenue from selling additional goods and services. This, in turn, allows them to employ more people, who also spend their money buying goods and services.

FIGURE 3 Welfare payments help those who are not able to earn an income.



2.5.3 Provision of infrastructure

Government has a major responsibility for providing the **infrastructure** for the country. This includes roads, railways and ports, and has traditionally included other means of communication, as well as energy supplies. Roads and railways are essential if goods are to be transported from place of manufacture to the shops where they are sold. Ports are not only required to allow for the import and export of goods in and out of Australia, but also for the transport of goods within Australia. Tasmania relies on shipping across Bass Strait to bring goods from mainland Australia, and to transport goods produced within the state to consumers in other states.

FIGURE 4 Government provides infrastructure to enable markets to function more efficiently.



infrastructure the facilities, services and installations needed for a society to function, such as transportation and communications systems, water and power lines

The government provides a postal service that supports correspondence between businesses, as well as the delivery of goods through a parcel delivery service. The telephone service was originally provided by government before Telstra was **privatised** and other providers were allowed to enter the market for telephone services. Even today, the national broadband network is an important infrastructure project being funded by the government. Markets cannot operate without efficient systems of communication between consumers and businesses.

Traditionally, energy supplies such as electricity and gas have also been provided by government. These are not only essential for the domestic uses we are all accustomed to, but also for the functioning of businesses. In some states of Australia, electricity and gas supplies have been privatised and are now run by businesses rather than by the government. Even where this has occurred, the original infrastructure was usually built by the government before being sold to the business sector.

DISCUSS

Privatisation of essential industries, such as electricity and gas supplies, can lead to increased prices as the companies that provide these services seek to make larger profits. Do you think these essentials should be sold for profit?

2.5.4 Economic management

Our government is responsible for making sure that Australia's economy performs well. This means that our economy should grow, or produce more, in order to satisfy our growing population and its needs and wants.

The government can help an economy grow. It does this by spending money in the economy and buying things such as new schools or roads. This is beneficial, not just for the end user, but also because it creates jobs. We need to employ people to build schools and roads! An important element to this is that these people will earn an income and spend it in their local communities. This in turn supports local businesses and encourages them to supply goods and services.

Governments plan their spending in a yearly **budget**. The budget tries to keep our economy in a stable position, having a balance between supporting growth and avoiding the negative impacts of it.

privatise to sell a government-owned provider of goods or services to private investors
budget estimates of all government income to be raised by taxes and other charges, and the planned spending of that income, within any given year

FIGURE 5 Governments will use a variety of statistics to assist with decision-making.

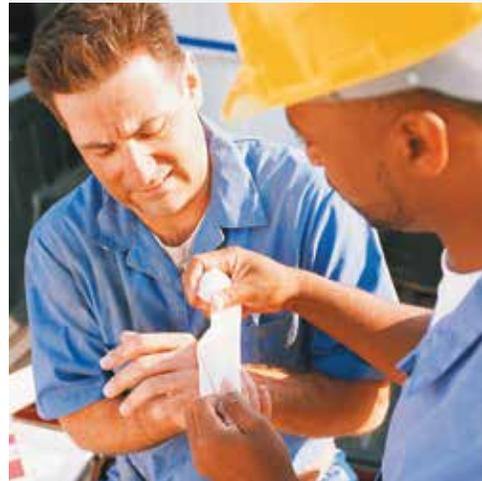


2.5.5 Wages and employee relations

As we have discussed, there is a market for labour in which workers offer their skills and experience for sale to businesses and businesses buy that labour by paying wages and salaries. In order to ensure that the labour market functions fairly, it is regulated by laws passed by governments. The major law dealing with wages and working conditions in Australia is the Fair Work Act, a federal government law.

State governments provide regulations to ensure safe workplaces through Occupational Health and Safety laws. Both federal and state governments have also sought to prevent discrimination in the workplace by passing laws supporting equal employment opportunity. These make it illegal to discriminate against someone in any workplace on the basis of gender, race, age or ethnicity. Victoria also has laws to deal with bullying in the workplace.

FIGURE 6 Occupational Health and Safety laws are designed to prevent injuries at work.



2.5.6 Provision of goods and services

Governments can also become involved in the marketplace as actual suppliers of goods and services. For example, every state and territory government provides an education system. In addition, state governments provide hospitals and other health services. Although other organisations also provide many of these services, such as private schools and private hospitals, most people consider it a responsibility of government to ensure that everyone has access to education and health services. Ambulance services and firefighting and emergency services are similarly considered to be the responsibility of state governments.

Public transport systems also are mostly provided by state governments, and those public transport systems that are provided by non-government businesses usually receive large amounts of money from the government to assist in their running. Public transport does not make a profit, so no business would want to run it without such funding. Further, without this government assistance, for public transport to be profitable fares would have to be so expensive that many people could not afford to use it. Public transport is recognised as an essential service, so governments either provide it themselves or pay businesses to provide it at a reasonable price.

FIGURE 7 It is a responsibility of governments to provide hospitals and health services.



2.5.7 Planning and the environment

State governments and local councils have powers to control the type of buildings and other developments that are built within their borders. Governments establish building standards to ensure that all buildings are structurally sound, and not likely to fall down or cause a hazard in any other way. Anyone wishing to build a house or other structure on vacant land must gain a building approval. This is to ensure that the building conforms with certain standards. Councils and the state government can also determine whether or not a particular type of building is appropriate in a particular area. For example, it would usually be considered inappropriate to build a large factory in the middle of a residential area.

Since the early 1970s, state governments have also introduced laws to protect the environment. These place restrictions on both businesses and individuals in relation to what they can release into the atmosphere and waterways. These laws can affect markets because they can increase costs for some businesses. For example, businesses that may once have released waste material into a creek, river or drain now have to dispose of it in an environmentally responsible manner. Smoke and fumes have to be properly filtered before being released into the atmosphere. Motor vehicles have emission controls to limit the levels of harmful chemicals in exhaust fumes.

Environmental laws have also created new business opportunities, with waste management and recycling businesses providing services for a variety of different customers. As with most government involvement in the economy, while some businesses may appear to be disadvantaged, opportunities are often created for new and different businesses to grow.

2.5.8 International trade policies

Governments have the power to regulate what comes into and goes out of the country. Customs and quarantine laws can have an influence on the markets for a number of products. Until 2011, Australia banned apples from New Zealand because of fears the apples may spread a disease known as fire blight. Such a regulation would obviously have an impact on the market for apples throughout Australia.

Traditionally governments have also attempted to protect goods produced by local industries by imposing special taxes on similar goods imported from other countries. These taxes are known as **tariffs**. The clothing and textile industries were once protected in this way. In the early 1980s, there was a 28 per cent tariff on all imported clothing. This made these imported goods more expensive than locally produced clothing, thus encouraging consumers to buy the Australian-manufactured product. Over the next thirty years this tariff was reduced, making imported clothing much cheaper than the local product.

FIGURE 8 Governments have introduced laws to prevent businesses from polluting the environment.



FIGURE 9 A reduction in tariffs has increased the quantity of imported clothing sold in Australia.



tariff a tax on goods imported from a foreign country

As a result of reduced tariffs, many local clothing manufacturers have been unable to compete with cheaper imported clothing and consequently have had to close. A similar program of tariff reduction occurred in the motor vehicle industry. While this has been a negative for the Australian clothing and motor vehicle industries, the positive impact for Australian consumers is clothing and motor vehicles being much cheaper. Since the 1980s, Australian governments have also negotiated trade agreements with other countries. We agree to reduce tariffs on imports from those countries, and in return they agree to reduce tariffs on goods they import from us. Although this can make it difficult for some local manufacturers who have to compete against cheaper imported products, it can be good for our export industries and for consumers, who pay lower prices.

2.5.9 Immigration policies

As well as controlling the goods that come into and go out of Australia, governments can regulate the movement of people. This particularly applies to immigration into the country. Immigration allows the population to rise faster than would occur through natural increases in the birth rate. Rapid population increases can provide more consumers for businesses to supply with goods and services. Further, new arrivals add to the workforce, providing businesses with new employees who may have new skills to help the business grow.

Governments can also affect the market for particular goods and services through decisions made about who is encouraged to migrate here. If particular skills are required in certain industries and not enough people in Australia have the required qualifications, governments can allow employers to bring in migrants with the necessary skills. This can affect the labour market in that industry. Australia has also become a major provider of tertiary education for our region. Encouraging international students to come here provides additional income for our universities, as these students pay fees to study here.

FIGURE 10 Australia has become a major provider of tertiary education for fee-paying students from Asian countries.



on Resources

 **Weblinks** Australian Bureau of Statistics
Fair Work

2.5 SKILL ACTIVITY: Analysis, evaluation and interpretation

Use the **Australian Bureau of Statistics** weblink in the Resources panel to complete the following tasks.

- Find** out the current estimated population of Australia.
- Explain** how this estimate is calculated.
- Select** two headlines or media releases, and for each one, **describe**:
 - three significant facts or figures included in the report
 - the trends or changes that have occurred in recent years in the facts or figures reported.

2.5 Exercise

Learning pathways

■ LEVEL 1

1, 2, 4

■ LEVEL 2

5, 6, 7

■ LEVEL 3

8, 9, 10

These questions are even better in jacPLUS!

- Receive immediate feedback
- Access sample responses
- Track results and progress



Find all this and MORE in jacPLUS 

Check your understanding

- Recall** what the following acronyms stand for.
 - ATO
 - RBA
 - ABS
- Match** the terms with their definitions by adding the correct number to the column on the left.

Infrastructure	1. An increase in the size of a country's economy, and levels of production, over a period of time
Economic growth	2. When the government announces its spending and taxation plans
Government budget	3. Large-scale building projects including roads, railways and public spaces

- Identify** what tariffs are.
 - A tax on goods imported into the country from overseas
 - A general rise in prices across all sectors of the economy
 - Goods and services purchased by local consumers from overseas businesses
 - Those things that contribute to the production process
- Recall** what happens when a service provided by the government is privatised.
 - Governments gain the majority of their influence over how this service is run.
 - The private company loses the majority of their influence over how this service is run.
 - Governments lose the majority of their influence over how this service is run.
 - None of the above
- Explain** why the government usually must provide funding for public transport to operate.

Apply your understanding

Communicating

- Explain** how a government budget can influence economic growth.
- Identify** two goods or services that the government supplies.
- Explain** why the government is involved in the setting of wages and working conditions of employees.
- Identify** two ways in which environmental laws might affect a business.
- Governments welcome skilled migrants into Australia. **Explain** how this might increase the growth of our economy.

LESSON

2.6 How does Australia's taxation system work?

LEARNING INTENTION

By the end of this lesson you should be able to explain the purpose and workings of Australia's taxation system.

TUNE IN

Paying taxes isn't necessarily the most enjoyable thing to do each year, but our taxation system does have many benefits for our society.

1. Brainstorm reasons why taxes are important in our economy.
2. Suggest a list of services and/or products we may not have if there were no taxes to be paid.

FIGURE 1 The phrase 'in this world, nothing is certain except death and taxes' signifies that it is inescapable that we will all be required to pay taxes.



2.6.1 Australia's system of taxation

Tax is a term used to describe a compulsory financial charge or some other type of levy imposed on an individual, household or business by a government body in order to fund government spending. In Australia, taxation is primarily monitored by the Australian Tax Office (ATO).

The Australian government and the individual state and territory governments impose a variety of taxes on individuals, households and businesses.

Out tax system can be looked at from a variety of ways:

Direct and indirect taxation

Direct taxation refers to any tax that falls directly on the taxpayer, for example, income tax, company tax, licence fees. The tax is levied on the income of the individual or business and paid directly by the business.

Indirect taxation refers to any tax that is passed on to other tax payers, for example, Goods and Services Tax (GST), sales taxes, import duties. The GST is paid by businesses but is passed on to consumers who pay the tax when they buy goods or services. The businesses (sellers) then collect it and pass the tax on to the ATO.

Rate of taxation

TABLE 1 The tax brackets used by the ATO

Income thresholds	Tax rate	Tax payable on this income
\$0–\$18 200	0%	Nil
\$18 201–\$45 000	19%	19c for each \$1 over \$18 200
\$45 001–\$120 000	32.5%	\$5092 plus 32.5c for each \$1 over \$45 000
\$120 001–\$180 000	37%	\$29 467 plus 37c for each \$1 over \$120 000
\$180 001 and over	45%	\$51 667 plus 45c for each \$1 over \$180 000

Source: <https://www.superguide.com.au/how-super-works/income-tax-rates-brackets>.

The tax brackets used by the Australian Tax Office give us a guide as to how we are taxed on our own wages or salaries. What do you notice about the percentage of tax paid across the different earnings?

2.6.2 The purpose of Australia's system of taxation

The main aim of the Australian government's taxation policy is to improve the fairness of the distribution of income amongst individuals and households. The government has three main roles in imposing taxes on individuals, households and businesses — distribution, allocation and production.

Distribution

The distribution of income is a government goal. It tries to reduce the gap between the rich and the poor by taxing high-income earners more than low-income earners and redistribute some of that income. The government will then use this collected taxation to redistribute income to low-income earners or those without any income through transfer payments (welfare, such as the Newstart Allowance).

Allocation

The system of taxation adopted by the government can also be used to allocate resources. The government uses the income receipts to spend on the provision of goods and services not produced by businesses.

These services are available to all and are often free or provided at a very low cost. These services include public parks, street lighting, police and emergency services, defence and other such services.

The government can also use the tax system to encourage or discourage the purchase of certain items.

The government can provide rebates (a reduction in the cost of an item) by returning some of the purchase price to the consumer to encourage consumption of that item. An example was the Energy Efficient Homes package which provided, amongst other things, a rebate to households that installed insulation in their homes. Insulation reduces costs of energy as less energy is used and can be expensive. This increased demand in this area and also affected the demand for electricity. It will also influence producers to produce more of these products.

The government can also use taxation to discourage the use of some items. An example is tobacco which can cause health problems. The government impose an excise duty which increases the price of tobacco products and will hopefully discourage the consumption of such products. An excise duty on alcohol is another example.

FIGURE 2 Taxes are used for resources such as emergency services.



Production

The money collected through taxation is also used to produce goods and services that will assist low -income earners. The government spends much of the tax revenue it receives on public schools, public hospitals and transport. These are all provided at a relatively low price so all consumers can access them.

2.6.3 Government spending and receipts

We have mentioned budgets previously in the context of what the government plans to spend. However, as you may know, budgets are two-sided and the Australian government's budget consists of what it will spend and also what it will earn.

The government earns money from a variety of sources but a big part of this is from taxing incomes. Sometimes a government spends more than it earns and this is known as a deficit or government debt. At other times a government spends less than it earns and this is called a surplus.

The government's plan for 2021–22 is shown in **FIGURE 3**, with the government planning a deficit of \$92.7 billion in 2021–22 — an increase from the previous year with the plan to reduce the deficit over the coming years.

FIGURE 3 The government's plan for 2021–22 and beyond

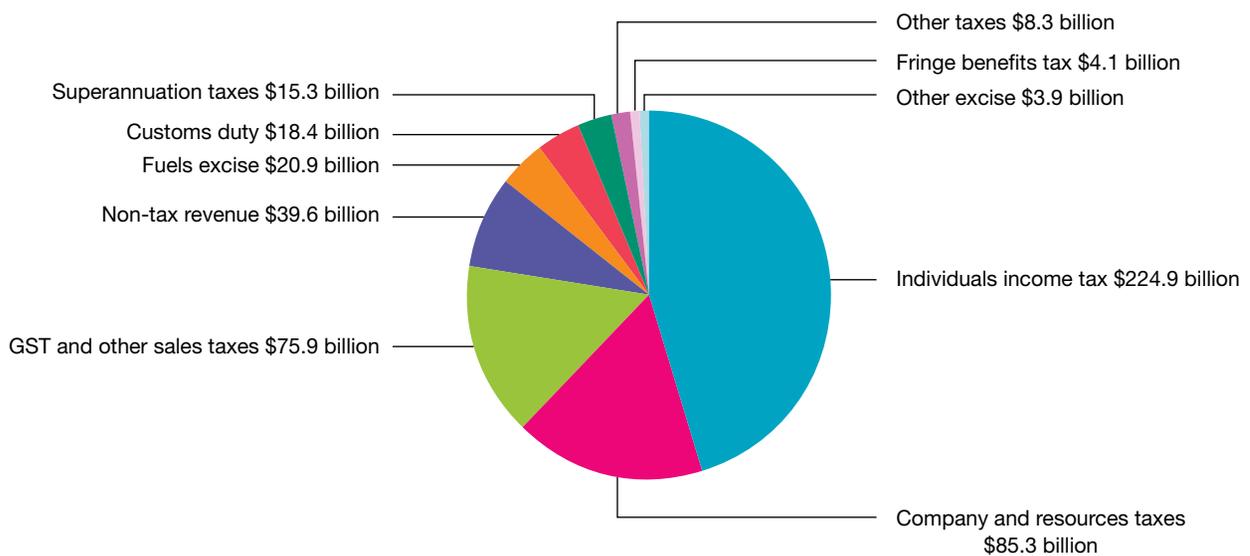
	Actual	Estimates				
	2019–20 \$b	2020–21 \$b	2021–22 \$b	2022–23 \$b	2023–24 \$b	2024–25 \$b
Revenue	486.3	504.9	496.6	505.1	544.5	578.0
Expenses	578.5	659.4	589.3	595.4	614.7	633.7
Net operating balance	-92.3	-154.5	-92.7	-90.2	-70.2	-55.7

The graphs in **FIGURE 4** show where the receipts are coming from and where the payments are being made.

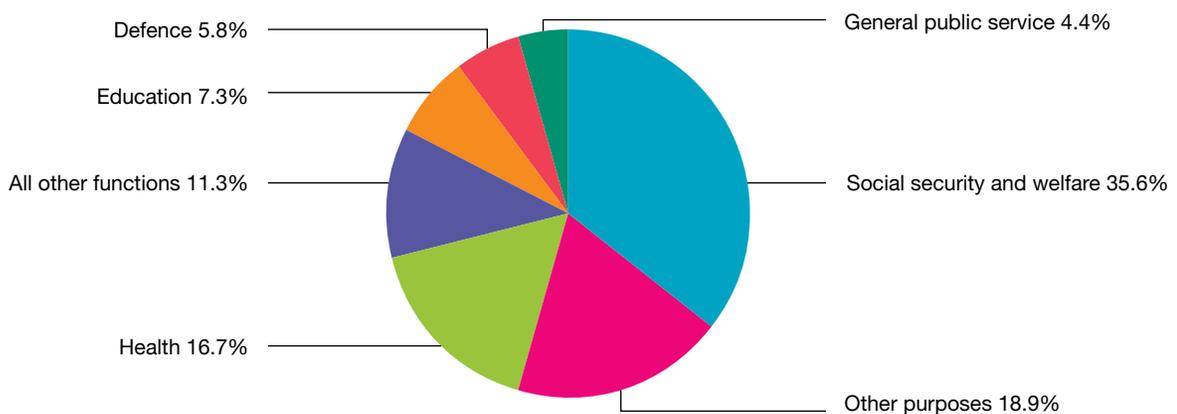
FIGURE 4 Revenue and spending 2021–22

int-9032
 tlv-10645

Where revenue comes from (2021–22)



Where taxpayers' money is spent (2021–22)



2.6.4 Young people and tax

Young people or full-time secondary school students probably don't think about paying tax. However, everyone in Australia will pay some tax each year, the most common being GST.

While most food and drink are GST-free, there are some exceptions to this rule and so students in junior and middle secondary school will pay some GST. These items include:

- chewing gum
- potato chips
- hot dim sims
- donuts
- energy drinks.

GST is also paid by young people when they buy clothes, sporting goods or go out to places such as the movies or bowling.

In terms of income tax, most people under the age of 18 won't pay income tax. All persons earning an income from work are eligible for the tax-free threshold. This is an amount of income a person can earn that does not incur income tax. In 2022, this figure was \$18 200.

Most secondary school students who have a part time job will not earn this amount of money in a year and so won't pay income tax.

If a person is under 18 and has left full-time schooling and work full time, then they will be subject to income tax like everybody else working full time.

To pay income tax a person must have a tax file number. A tax file number (TFN) is a personal reference number in the tax and superannuation systems. A person's tax file number is an important part of your tax and super records and an important part of your identity — it is important to ensure it is kept secure. Each person will have the tax file number for life, even if they change your name, change jobs, move interstate or go overseas.

People don't have to have a TFN, but without one a person will pay more tax. That person also won't be able to apply for government benefits, lodge a tax return electronically or get an Australian business number (ABN).

Most secondary school students will apply for a tax file number when they gain their first part-time job or when they undertake work experience in Year 10.

FIGURE 5 Most students with a casual or part-time job will not earn enough to pay income tax.



2.6 SKILL ACTIVITY: Interpreting and analysing

Australia utilises a progressive income tax system known as the PAYG (Pay As You Go) system. The system groups income earners into tax brackets based on their incomes. The tax brackets in 2022 were shown in **TABLE 1** in section 2.6.1.

1. The following people have asked you to **determine** how much tax they will pay using these tax brackets. Calculate the amount for each person.

Person	Income	Person	Income
Adam	\$35 800	Josh	\$12 700
Anil	\$132 500	Megan	\$350 000
Feng	\$89 200	Dev	\$231 600
Claire	\$157 400	Kaan	\$800 000

2. **Explain** to Kaan and Megan why they pay more tax than others in the group. Ensure you use the information you learned in this lesson in your explanation. Try to keep it simple.

2.6 Exercise

learnon

2.6 Exercise

Learning pathways

LEVEL 1

1, 2, 3, 4

LEVEL 2

5, 6

LEVEL 3

7, 8, 9, 10

These questions are even better in jacPLUS!

- Receive immediate feedback
- Access sample responses
- Track results and progress



Find all this and MORE in jacPLUS

Check your understanding

1. Excise duty is only paid by businesses, not by individuals. True or false?
2. **Identify** what GST stands for.
 - A. Government Services Tax
 - B. Government Spending Tax
 - C. Goods and Spending Tax
 - D. Goods and Services Tax
3. **Identify** two products that have an excise duty imposed upon them.
 - A. Fruit
 - B. Alcohol
 - C. Clothing
 - D. Homewares
 - E. Tobacco
4. **State** three purpose of Australia's tax system.
5. **Identify** the two types of taxes used by the government.

Apply your understanding

Communicating

6. **Explain** what is meant by a regressive tax and provide an example.
7. **Explain** what is meant by a rebate and how it can influence consumer spending.
8. Why is it important for the government to redistribute income through taxation? **Justify** your response.
9. **Explain** why the government needs to use some taxation revenue to produce goods and services.
10. **Explain** the concept of a budget deficit and why you think it may be necessary for a government to plan for a deficit.

LESSON

2.7 INQUIRY: How would you tax the Australian public?

LEARNING INTENTION

By the end of this lesson you should be able to explain the process involved in developing a tax system.

Background

In reading and discussing the material in this topic, you should now have an understanding of Australia's taxation system. Each year it is the responsibility of the Treasurer (a government minister) to prepare Australia's budget. They determine how much they will raise through taxation — whether to raise or lower taxes, introduce new taxes or abolish a tax. They also determine what the money will be spent on and in which amounts.

Your task is to consider how you might tax the Australian public and how you might allocate the tax raised.

FIGURE 1 Jim Chalmers became Australia's Treasurer in 2022.



Before you begin

Access the **Inquiry rubric** in the digital documents section of the Resources panel to guide you in completing this task at your level. At the end of the inquiry task you can use this rubric to self-assess.

Inquiry steps

Step 1: Questioning and researching

Investigate the current tax system to work out some of the tax types and rates.

Step 2: Interpreting and analysing

Analyse the information you found and **consider** how fair you think it is.

Step 3: Evaluating, concluding and decision-making

Decide on your own version of a tax system for Australia — **consider** the types of taxes and the rate.

Allocate how you would spend the money raised — use percentages (such as 10 per cent of revenue on health care). Be prepared to **justify** your choices if asked.

Step 4: Communicating

Communicate your new tax system in a visual way. You might **create** a poster containing infographics or a PowerPoint presentation.

Complete your self-assessment using the **Inquiry rubric** or access the 2.7 exercise set to complete it online.



Resources



Digital document Inquiry rubric (doc-39548)

LESSON

2.8 Review

Hey students! Now that it's time to revise this topic, go online to:



Review your results



Watch teacher-led videos



Practise questions with immediate feedback

Find all this and MORE in jacPLUS



2.8.1 Key knowledge summary

Use this dot point summary to review the content covered in this topic.

2.2 Who are the participants in the market system?

- Consumers satisfy their needs and wants by working to earn money, and then buying goods and services from businesses that produce those goods and services.
- The basic circular flow of money is between the household sector and the business sector.
- Financial intermediaries, the government and the overseas sector are all involved in the operation of the market system in Australia.

2.3 How do markets operate?

- There are a large number of different types of markets that make up the Australian economy. These include the retail market, the labour market, financial markets and the stock market.
- The price of some goods or services is always changing due to the interaction of supply and demand.
- Supply refers to the quantity of a good or service that businesses are willing and able to offer for sale at a given price, at a given point in time.
- Demand is the quantity of a product that consumers are willing to purchase at a particular price at a given point in time.

2.4 What are key economic questions for businesses?

- The interaction between buyers and sellers in the marketplace can influence prices charged for goods and services.
- Markets can also help determine what goods should be produced and in what quantities, how those goods and services are produced, and to whom they are distributed.

2.5 How is the government involved in the market?

- The government performs a number of roles in the Australian market system including:
 - the provision of welfare and infrastructure
 - economic management
 - regulation of wages and employment conditions
 - provision of some goods and services
 - management of planning and the environment
 - regulation of international trade
 - setting of immigration policies and targets.

2.6 How does Australia's taxation system work?

- Australia's tax system comprises numerous different types of taxes.
- Taxes can be direct or indirect.
- Taxes may be progressive, proportional, or regressive.
- Taxes (rebates) can influence consumer decision and producer behaviour.

2.7 INQUIRY: How would you tax the Australian public?

- Many considerations need to be made when developing a fair tax system.

2.8.2 Key terms

budget estimates of all government income to be raised by taxes and other charges, and the planned spending of that income, within any given year

capital growth an increase in the value of shares or property over time

cost of living the level of prices paid by consumers for goods and services

disposable income the amount of money that households have available for spending and saving after income taxes have been accounted for

dividends company profits paid to shareholders, either in cash or as more shares

export a good or services sold by local businesses to overseas consumers

financial institution any organisation that takes deposits from those with surplus funds, and makes those funds available to borrowers

household sector a term used by economists to refer to the total of all consumers in the economy

import a goods or services purchased by local consumers from overseas businesses

infrastructure the facilities, services and installations needed for a society to function, such as transportation and communications systems, water and power lines

inputs those things that contribute to the production process

interest a charge made for the use of money that has been deposited or borrowed

investment the direction of money into the purchase of equipment or premises for the establishment of a new business, or the expansion of an existing business

labour the human skills and effort required to produce goods and services

market equilibrium the point at which the demand and supply curves intersect

minimum wage the legally binding minimum that must be paid to any employee over the age of 21 years

mortgage loan a loan advanced to allow a person to buy a house or other property, with the property itself as security for the loan. This means the bank or other lender can take possession of the property if the borrower fails to make the regular payments.

percentage mark-up a fixed percentage increase to the price paid by a business for goods, to determine the selling price of those goods

price mechanism the interaction of the forces of demand and supply that determines the price of a good or service

privatise to sell a government-owned provider of goods or services to private investors

tariff a tax on goods imported from a foreign country

unemployment benefit a welfare payment by government to people who are unemployed and looking for work. Such payments in Australia are generally known as the Newstart Allowance.

2.8.3 Reflection

Complete the following to reflect on your learning.

Revisit the inquiry question posed in the Overview:

How do markets operate, what do they influence, and what influences them?

1. Now that you have completed this topic, what is your view on the question? Discuss with a partner. Has your learning in this topic changed your view? If so, how?
2. Write a paragraph in response to the inquiry question, outlining your views.

on Resources



eWorkbooks Customisable worksheets for this topic (ewbk-13439)

Reflection (ewbk-10794)

Crossword (ewbk-10795)



Interactivity Markets: consumers, businesses and governments crossword (int-8237)

2.8 Review exercise

Students, these questions are even better in jacPLUS



Receive immediate
feedback and access
sample responses



Access
additional
questions



Track your
results and
progress



Find all this and MORE in jacPLUS



Multiple choice

- Economists identify the household sector as
 - all people living in houses.
 - all consumers in the economy.
 - businesses that operate from private homes.
 - consumers that have taken out a mortgage loan.
- A business can determine the prices it charges for its goods and services by
 - applying a percentage mark-up.
 - calculating consumers' disposable income.
 - paying lower dividends to shareholders.
 - negotiating an enterprise agreement.
- The government in Australia has an impact on markets by
 - determining prices in the retail market.
 - controlling interest rates in the financial market.
 - regulating minimum wages in the labour market.
 - promoting capital growth on the stock market.
- When the government enters into trade agreements with other countries
 - both countries may agree to lower tariffs for each other's goods and services.
 - both countries may agree to increase tariffs for each other's goods and services.
 - the exporting country may agree to increase tariffs.
 - the importing country may agree to increase tariffs.
- Income tax in Australia is an example of
 - an indirect tax.
 - a proportional tax.
 - a progressive tax.
 - a regressive tax.
- Identify the type of economy used in Australia.
 - Capitalist economy
 - Market economy
 - Socialist economy
 - Command economy

7. A percentage mark-up is
 - A. the amount of money an individual earns per year.
 - B. the difference between the wholesale and retail price.
 - C. the amount of money that a household has to spend.
 - D. the savings made by a customer during a sale.
8. Which of the following is an accurate statement about prices of products and consumer demand?
 - A. As price increases, demand stays the same
 - B. As price increases, demand increases
 - C. As price increases, demand decreases
 - D. Prices of products and consumer demands are not related
9. Which of the following **is not** a function of money?
 - A. Medium of exchange
 - B. Store of value
 - C. Measure of value
 - D. Measure of credit
10. A business will supply more of its good and services
 - A. if the price that it can charge is low.
 - B. if the price that it can charge is high.
 - C. if it can supply at all price levels.
 - D. if the price paid is always the same.

Short answer

Communicating

11. **Recall** the four functions of money.
12. **Explain** the role of buyers in the Australian economy.
13. **Distinguish** between imports and exports and explain why we need them in our economy.
14. **Explain** two roles played by the government in the economy.
15. **Describe** Australia's tax system.

Hey teachers! Create custom assignments for this topic



Create and assign
unique tests and exams



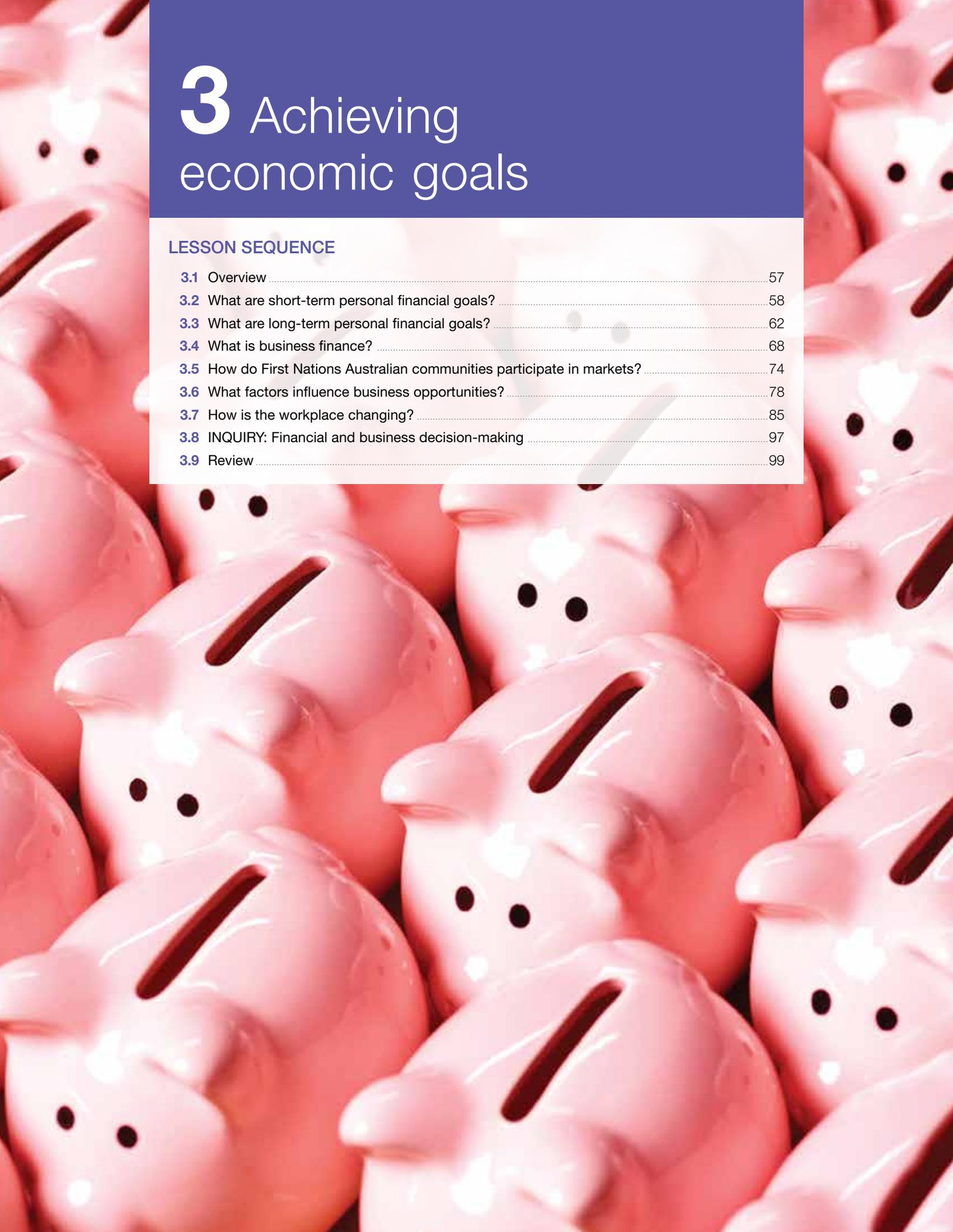
Access quarantined
tests and assessments



Track your
students' results

Find all this and MORE in jacPLUS





3 Achieving economic goals

LESSON SEQUENCE

3.1 Overview	57
3.2 What are short-term personal financial goals?	58
3.3 What are long-term personal financial goals?	62
3.4 What is business finance?	68
3.5 How do First Nations Australian communities participate in markets?	74
3.6 What factors influence business opportunities?	78
3.7 How is the workplace changing?	85
3.8 INQUIRY: Financial and business decision-making	97
3.9 Review	99

LESSON

3.1 Overview

Hey students! Bring these pages to life online



Watch videos



Engage with interactivities



Answer questions and check results

Find all this and MORE in jacPLUS



Why is personal, organisational and financial planning for the future important for consumers and businesses?

How do different businesses respond to opportunities in the market?

3.1.1 Introduction

You may already know how economic decision-making by consumers and producers influences the ways in which limited resources are allocated to produce goods and services. This affects what is produced and in turn what we buy.

However, have you ever stopped to think about your own goals? What do you want to do in life and how will you manage your money? In this topic we will consider that both individual consumers and producers have goals. For the individual consumer, these goals are focused on what we wish to buy or do with the money that we earn or have access to. These goals in turn may affect the way an individual chooses to work or the value that they place on their careers.

It is a similar story with businesses; remember that businesses will wish to sell products, however they will also have their own unique short- and long-term organisational and financial goals. These goals may also include looking at different types of business ownership and the ways that entrepreneurs might respond to opportunities, including the ways First Nations Australian communities create economic activity.

FIGURE 1 Every time you purchase something you are participating in the economy.



on Resources



eWorkbook

Customisable worksheets for this topic (ewbk-13440)



Video eLesson

Achieving economic goals (eles-6039)

LESSON

3.2 What are short-term personal financial goals?

LEARNING INTENTION

By the end of this lesson you should be able to identify sources of income and forms of expenditure for individuals. You should also be able to identify and explain options for a budgeting and savings plan using short-term personal financial objectives.

TUNE IN

People, including teenagers, require money to purchase the things they want (non-essentials) and the things they need (essentials). How could young people make and manage this money?

1. Make a list of the type of things that you would expect a secondary school student of your age to purchase each week.
2. Decide whether these things are *needs* or *wants*.
3. Where could a teenager's money come from to buy the items? Regular pocket money, allowance, or other cash income? If so, what methods could they use to make it last until the next payment?

FIGURE 1 Where does your money come from and where does it go?



We all like to have money to spend. Many of us aspire to be wealthy and to be able to buy whatever we like. Unfortunately, very few of us have that luxury. As individuals we need to think about how we will earn the money we need, and how we can manage it to get the best value from it.

Some people choose to earn money by starting up their own business. If you have particular skills or a good idea for a business, there can be many benefits in choosing to go down this path. Regardless of whether you start your own business, have a paid job working for someone else or are a teenager with a part-time job, careful planning and management of your money is important.

3.2.1 Setting short-term goals

It is easier to buy what you want if you have clear financial goals in mind. When we think about **short-term goals**, we think about things that we want to do within the next couple of months or even within the year. You probably already have some ideas about the type of things you want to buy now or soon into the future. The good thing about setting goals is that they can give you an immediate and achievable purpose and this may include you saving money to get what you want.

Tips for goal setting:

- Goals should be realistic, or you will become discouraged.
- Goals should be specific. For example, 'My goal is to save \$200 in 6 months for new sneakers'.
- Avoid vague goals (such as 'My goal is to get rich') because their exact meaning is unclear.

short-term goals are things that we want to do within the next couple of months or even within the year, this might include a short-term goal to buy something

3.2.2 Budgeting

A common short-term financial goal is to save money so that you can buy something expensive in the near future. Money is great to have but it won't last long unless you make wise choices. If you keep track of your money and spending habits, you can make your money work for you.

You may not realise it, but saving money is quite easy. By putting aside even a small amount on a regular basis, you will be amazed at how soon you can build up your wealth. Then you will have more cash available to buy those things you really want!

To save the money needed to buy a new PlayStation for example, you will need a **budget**. A budget is a plan which considers the amount of money that you have coming in compared to the money that you have going out. Preparing a budget means that you can plan your finances to ensure that you have enough money to meet your future needs. Most people prepare a budget to manage their personal finances. Families, businesses and governments also use budgets. The aim is always the same: planning to ensure that expected income (estimated cash in) will match or hopefully exceed expected expenses (estimated cash out).

Assessing your current financial position

With a bit of planning, you can start to budget. However, the first stage is to realistically examine your **current financial position**. Here are three questions that you can ask yourself:

- What **income** do you have (money coming in)?
- What are your regular **expenses** (money out)?
- Do you have any money left over after covering your expenses?

You can start your planning by following the steps illustrated in **FIGURE 3**.

FIGURE 2 Working out your current financial position is important.



budget an itemised estimate of income and expenses for a given period

current financial position a calculation of what income someone has (money coming in) minus any regular expenses (money out)

income the money that a person receives. This can consist of money earned from employment such as a wage, but it also includes income from other sources.

expenses the regular outgoings of money (money out) that a person may have. This might include rent or a mortgage, grocery bills, energy bills, a loan repayment for a car, and medical bills.

int-9033

FIGURE 3 If you extend these steps to cover several months of income and expenses, you will gain a more complete picture of your spending and saving habits.

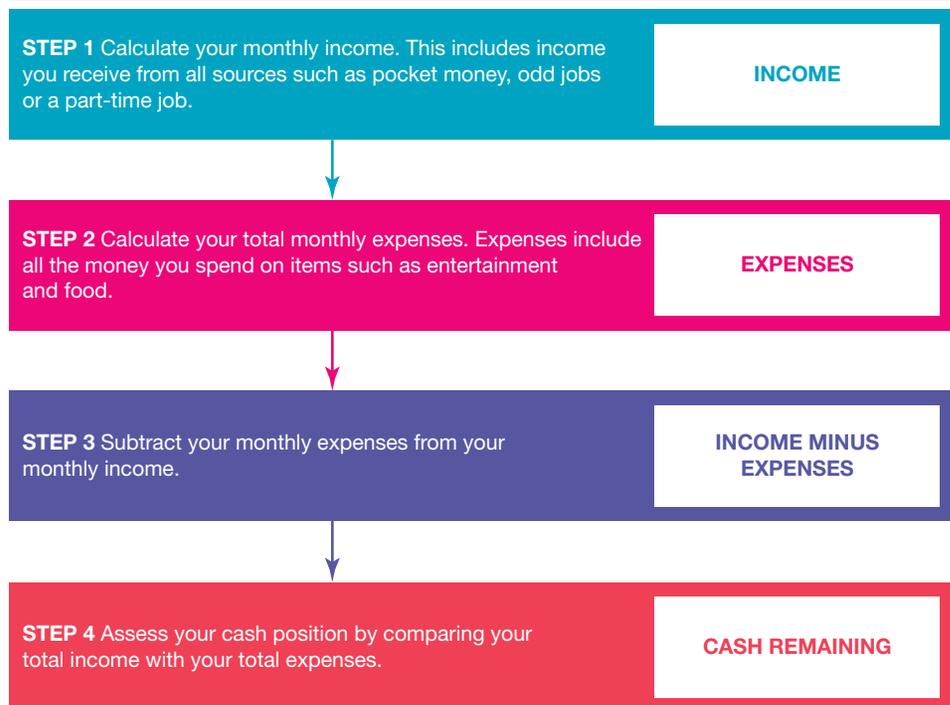


TABLE 1 shows the current income and expenses of Minh, a 14-year-old Year 8 student.

TABLE 1 Minh's current income and expenses

	January	February	March
Income	\$	\$	\$
Pocket money	45.00	45.00	45.00
Odd jobs	20.00	15.00	5.00
Allowance from grandparents	15.00	15.00	15.00
Total income	80.00	75.00	65.00
Expenses			
Magazine	5.00	5.00	-
Fast food	30.00	25.00	20.00
Mobile phone	10.00	10.00	10.00
Games	20.00	25.00	15.00
Total expenses	65.00	65.00	45.00
Cash remaining (income – expenses)	15.00	10.00	20.00

DISCUSS

Can you see some possible savings? Can you see the possibility of extra income? How much is Minh able to save each month given his current income and expenses?

Minh has decided he wants to buy a new PlayStation controller in 3 months' time, at a cost of \$90. This is a short-term goal. He has offered to do some odd jobs around the house for his parents to maintain his income of \$20 per month from this source. He has also decided he can cut back on some spending by reducing his fast-food purchases, limiting his game purchases to \$20 per month and cancelling the magazine purchase.

TABLE 2 shows what Minh's *planned* budget for three months might look like.

TABLE 2 Minh's planned three-month budget

	April	May	June
Income	\$	\$	\$
Pocket money	45.00	45.00	45.00
Odd jobs	20.00	20.00	20.00
Allowance from grandparents	15.00	15.00	15.00
Total income	80.00	80.00	80.00
Expenses			
Fast food	15.00	15.00	15.00
Mobile phone	10.00	10.00	10.00
Games	20.00	20.00	20.00
Total expenses	45.00	45.00	45.00
Cash remaining (income – expenses)	35.00	35.00	35.00

DISCUSS

How much is Minh able to save each month given his planned changes to his income and expenses? In total how much has Minh saved? How much will he have left once he has bought his PlayStation controller?

3.2.3 Benefits of saving

Basic budgeting for short-term goals, as shown in the example above, is beneficial as it allows you to develop a savings plan. Saving comes with many benefits for an individual, below are just a few:

- more independence and security
- a sense of satisfaction
- helps an individual pay for unexpected expenses
- avoids the need to borrow money and the worry about repaying the debt
- helps an individual plan for buying big items, such as a bike or a car.

FIGURE 4 What short-term goals do you have?



3.2 SKILL ACTIVITY: Questioning and researching

1. **Identify** two short-term achievable personal financial goals that you, or another student in a secondary school might have. *It may help to think about things that a student may wish to save for and buy. Examples might be a new pair of sneakers, Playstation, or Xbox, or some new clothes.*
 - a. How long might it take you to achieve each goal?
 - b. **Compare** your goals with others in your class. Are they similar or different?
 - c. What can you learn about financial goals by comparing them with the goals of others?
2. **Prepare** a cash budget for the next three months which will allow for the financial goal to be met. Copy the format used for Minh's budget in **TABLE 2**, but with the typical income and expenses of a secondary school student (*you may wish to refer back to the Tune in activity for a list of expenses that a student may have*).
3. **Compare** your budget with that of the person next to you. What are the similarities? What are the differences?
 - a. Does your budget allow for any savings, or
 - b. If you wanted to save more to meet one of the short-term goals in question 1, how could you adjust the budget? Are there any extra sources of income you could access? Can you **identify** any possible savings within your expenses?
 - c. **Create** an amended budget to show the changes.

3.2 Exercise

learnon

3.2 Exercise

Learning pathways

■ LEVEL 1

1, 3, 4

■ LEVEL 2

2, 5

■ LEVEL 3

6, 7, 8

These questions are even better in jacPLUS!

- Receive immediate feedback
- Access sample responses
- Track results and progress



Find all this and MORE in jacPLUS

Check your understanding

1. Which of the following best **describes** the term 'budget'?
 - A. Anything to do with money — particularly income, expenses and savings
 - B. A compulsory savings scheme
 - C. A person's wage or salary before it is taxed by the government
 - D. An estimate of future income and expenses used to assist financial planning

2. **Define** what is meant by a short-term financial goal.
3. **Complete** the following sentences.
 - a. Income is otherwise known as money **coming in / going out**.
 - b. Expenses are otherwise known as money **coming in / going out**.
4. 'My goal is to be a millionaire by the time I'm 30.' **Identify** the problems with this statement as a short-term financial goal. **Select** all possible answers.
 - A. It is not specific
 - B. It is unrealistic
 - C. It is too realistic
 - D. It is a longer-term goal
 - E. It is impossible
5. **State** the steps involved in preparing a budget.

Apply your understanding

Communicating

6. **Describe** the benefits of preparing a cash budget.
7. **Explain** what is meant by the term budget and **outline** why a budget might be a useful tool for an individual to use.
8. **Explain** what is meant by a short-term personal financial goal and provide two examples of short-term personal financial goals.

LESSON

3.3 What are long-term personal financial goals?

LEARNING INTENTION

By the end of this lesson you should be able to identify and explain options for a budgeting and savings plan using long-term personal financial objectives. You should also be able to explain why the prioritising of needs and financial responsibilities over personal wants is important.

TUNE IN

Setting goals and budgeting helps us to save money for our expenses.

1. With a partner, make a list of the financial goals that you might have as an adult. One example might be buying a house.
2. List the possible sources of income that you might have as an adult. This may include access to a steady income.
3. What might be the typical expenses that you would have as an adult? Using the following categories, list the costs that you may encounter as part of your total monthly expenses.

Home & utility bills

Insurance

Groceries

Entertainment

4. What things are missing? What other categories of expenses might you have?

FIGURE 1 What are your financial goals?



3.3.1 Setting long-term goals

Long-term personal financial goals are something that you will want to accomplish in the future. **Long-term goals** require time and planning. They are not something you can do this week or even this year. Long-term goals are usually at least several years away. Sometimes it takes many steps to complete a long-term goal.

For example, your long-term goal might be to graduate high school with a senior secondary certificate. This of course will take several years of going to school and studying. Going to class next month might be one step in achieving your goal. Or passing an important test can be another step. Achieving these steps helps you reach your long-term goal.

As a young person, we may not think too far into the future, however once we start to earn money and have a regular income our short-term financial goals turn into bigger long-term financial goals. These include putting down a deposit on a house, paying off a mortgage, starting a business, saving for a child's higher education fees, and planning for our retirement fund.

long-term goals are personal financial goals that you will want to accomplish in the future i.e. to buy a house

3.3.2 Common long-term personal financial goals

Buying a house

For most people, buying a house is a long-term personal financial goal. It may be the largest purchase they make in their lifetime. A house is also an investment for the future. Property almost always increases in value over the long term.

In many parts of Australia's larger cities, houses that cost less than \$100 000 to buy 25 years ago are now worth over a million dollars. Most people value the security of owning their own home, particularly when raising a family or as they approach retirement age. Buying your first home can involve a significant amount of financial planning.

Purchasing a house usually involves taking out a mortgage loan, with the property itself used as security for the loan (This means the bank or other lender can take possession of the property if the borrower fails to make the regular payments.) In most cases the loan must be repaid over 20 years or more, with regular monthly payments.

It is a long-term commitment, and you need to make sure that you are earning enough to keep up the monthly payments. Because you are paying interest on the loan over a long period, the total amount you eventually pay can be as much as three or four times the amount borrowed.

Throughout the term of the loan, most people find that their wages increase, so the monthly repayments take up a smaller proportion of their earnings as the years progress. Many people find it worthwhile to pay back more than the required minimum monthly payments. This way they save on interest by paying off the loan early. A thoroughly planned budget will reflect a person's monthly loan commitments.

FIGURE 2 The purchase of a house can be a great investment for the future.



DISCUSS

Increasing house prices have meant that a whole generation of Australians are struggling to own a property. Do you think that high house prices are good for society? Which members of society would respectively want lower and higher house prices?

Investing in shares

Many Australians choose to invest their money by buying shares. This means that they buy a certain number of units of ownership in a company. Some large businesses have thousands of shareholders, and because these shares have value, people can buy and sell them just as they would any other goods. As the value of a company's shares goes up or down, so too does the value of the person's investment.

Owning shares means you benefit from the company's profits, which can be given to you as dividends or as extra shares. You may also benefit from capital growth if the value of your shares increases. Owning shares is a long-term financial objective for many Australians.

Buying and selling shares takes place through the Australian Securities Exchange (ASX). A stockbroker has direct access to the market for trading shares and, for a small fee, acts as an agent to buy and sell shares on behalf of people amongst the general public who are over 18.

Saving for retirement

Retirement is the point at which someone chooses to stop working because they have reached a certain age. In Australia, people can retire whenever they like, but they need to be able to pay for their living expenses once they are no longer working. The federal government provides a pension to those people who have met the retirement age, and choose to stop working. The retirement age, and the age at which the government provides a pension, in Australia is between 66 and 67 years of age (depending on your birth date).

The **pension** does not allow for a luxurious lifestyle and may only be sufficient to pay for basic needs. In the years ahead, as average life expectancy increases, the minimum age at which a person can access the pension will be raised. The retirement age is being incrementally increased so that by 2035 a person will only be able to access the age pension when they are 70 years old.

Those who have the financial resources to do so are advised to plan for retirement, so they can be self-funded retirees. A self-funded retiree does not need to rely on the state pension. To do this, a person will put money aside into a **superannuation** scheme while they are working.

FIGURE 3 Stockbrokers buy and sell shares on behalf of their clients.



pension your employer pays a percentage of your earnings into your superannuation account, and your superannuation fund invests (or grows) the money until you retire

superannuation or super, is the term for retirement funds. Most working Australians pay into a super fund from their income (as wage or salary) and employers make similar regular contributions.

What is superannuation?

Superannuation, sometimes shortened to ‘super’, is a compulsory savings scheme whereby employers contribute an additional percentage of an employee’s **gross wage** into a **superannuation fund**. Employees can also choose to contribute to this fund, thus increasing the overall amount they will receive on retirement. How much any employee chooses to contribute is up to them. There are laws in place that determine the age at which you are eligible to access your superannuation savings.

In general terms, people cannot access their superannuation unless they retire, reach the official retirement age or have an illness/medical condition that prevents them from working again. By the time people retire there may be 40 years of contributions in the individual’s fund, so this may be enough to fund retirement. Any extra contributions the person makes during their working life can help achieve this goal.

3.3.3 Budgeting and savings plan

As you have probably realised by now, budgeting for long-term goals works on the same principles as the budgets that we looked at in lesson 3.2.

The money that is left once we have subtracted our expenses from our income is usually referred to as the money that we can save. Savings add up over time in our bank accounts and earn interest for us at the same time. The money that we save can eventually be used for major financial purchases, such as providing a deposit for a house or it can be placed into a pension fund for retirement.

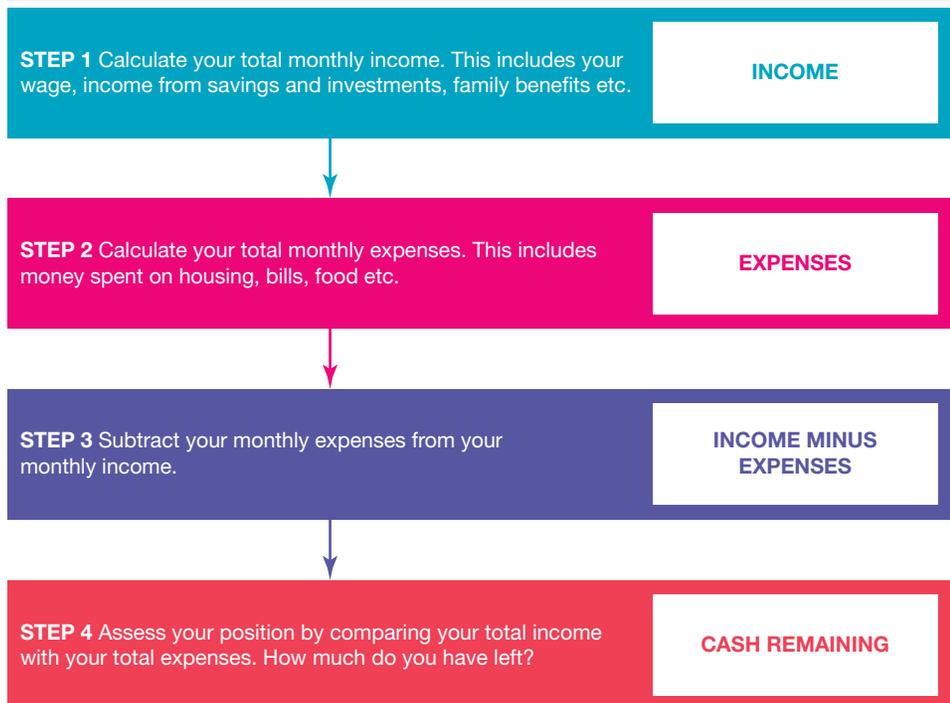
gross wage a person’s wage or salary before it is taxed by the government

superannuation fund how much money a person has in their retirement fund. This will consist of the payments that the person has made from their income, combined with what their employer has contributed.



int-9034

FIGURE 4 Creating a long-term savings plan uses the same 4-step process as a budget that is used for achieving short-term financial goals.



3.3.4 Prioritising needs and financial responsibilities over personal wants

When you are planning your budget and examining your income and expenses to achieve a short- *or* long-term personal financial goal it is important to know the difference between what you **need** and what you **want**. It also means knowing the difference between immediate financial commitments and things that can wait.

Have a look at the following expenses in **FIGURE 5**.

FIGURE 5 Common expenses



Can you decide which things are an immediate need which must be paid for straight away and cannot wait? Which things are long-term wants, and is there anything that is in between?

When we are budgeting and thinking about our long-term financial goals, we need to consider everything that we need to pay for straight away, and make sure that we have enough money to cover this first. That means identifying things like groceries, any medicines needed and transport expenses and making sure that these things are budgeted for before anything else.

3.3 SKILL ACTIVITY: Questioning and researching, Interpreting and analysing

1. **Explain** why buying shares might be a considered a sensible long-term financial goal.
2. **Examine** a stock market report online by visiting the **ASX** weblink in the Resources panel and selecting the ASX200 top 5. You can click on an individual company for more detailed information. *This will display a graph of the share prices.*

Answer the following questions:

- Identify** two companies that experienced an increase in share price during the previous day's trading.
- By how much did each increase in price?
- How many shares were bought and sold for each company?
- Set the time period on the graph to one year. What is the highest and lowest price that each company's share reached during this time period?
- Is the current price closer to the highest or lowest experienced during the past year?
- From what you can see of the shares in these two companies, do you think they would be good value to buy right now? **Explain** your answer.

on Resources

 **Weblink** ASX

3.3 Exercise

learn **on**

3.3 Exercise

Learning pathways

■ **LEVEL 1**
1, 4, 5

■ **LEVEL 2**
2, 3, 8, 9

■ **LEVEL 3**
6, 7, 10

These questions are even better in jacPLUS!

- Receive immediate feedback
- Access sample responses
- Track results and progress



Find all this and MORE in jacPLUS 

Check your understanding

- By the year 2035, the minimum age for accessing the pension will have risen to _____.
- Define** what is meant by a long-term personal financial goal.
- Provide** three examples of long-term personal financial goals.
- What are three benefits of owning shares? **Select** all possible answers from the options below.
 - The value of shares can fall which means that you lose money.
 - The value of shares can rise which means that you can gain money.
 - You 'earn' a share in the company's profits.
 - Shares allow you the flexibility to buy and sell when you need to.
 - Your shares may only be worth a fraction of what you paid for them if the company fails.
- From the options below, **select** the expenses which are classed as needs.
 - Groceries
 - A holiday
 - Medicines
 - Dinner at a restaurant
 - Coffee with friends
 - A gym subscription

Apply your understanding

Communicating

- Explain** why a property is considered a long-term investment. You may wish to give an example to support your answer.
- Describe** the role of superannuation in planning for retirement.
- Distinguish** between short-term personal financial goals and long-term personal financial goals, providing an example.
- State** the steps involved in preparing a long-term budget.
- Explain** the difference between wants and needs in relation to budgeting and financial planning.

LESSON

3.4 What is business finance?

LEARNING INTENTION

By the end of this lesson you should be able to identify sources of revenues and costs for businesses. You should be able to explain how financial records can inform business decision-making.

TUNE IN

Consider a simple cup of coffee.

1. Split a page in your book or Word document into two, so that you have two sides or columns. With a partner, brainstorm the **costs** involved with making a cup of coffee for a customer in a café. Place these on the left-hand side.
2. Now think about the money that the business takes in. How much is a cup of coffee? How many cups of coffee might a cafe sell in one day? Would the daily income from the cups of coffee a cafe sells be likely to cover its daily ingredient costs?
3. Is this the only source of income for a business? What else could the business sell? Where else might the business get money from? Add these to the right-hand side of your page.

FIGURE 1 Coffee is a popular item sold in cafes.



3.4.1 Revenue and costs for businesses

All business activity involves thinking about the money coming in or money going out of a business. Take the example of selling a cup of coffee in a cafe. Every time the café sells a cup of coffee, it receives money. Every time it buys milk from other businesses, it must pay for it. If a business owner employs any additional staff, they have to be paid wages. A café also has regular electricity, gas and internet bills to pay.

All of these money-based activities are known as financial transactions. Running a business involves keeping a record of all **costs** and sources of income because it will help the owner to track how well the business is performing.

All financial transactions can be classed as receipts or payments. Receipts, otherwise known as **revenue**, occur when a business receives money, this is usually when a customer purchases something. On the other hand, payments — known as costs, occur when a business pays out money. This might be to a supplier or to staff. To make a profit a business must receive more money than it spends. **FIGURE 2** shows how this works.

costs represent a cash outflow to the business. Costs are the expenses involved in making a product. Some costs relate to the actual production of the product — such as cost of goods sold. Others relate to running the business (such as wages, gas, electricity).

revenue refers to receipts, otherwise known as revenue, that occur when a business receives money; this is usually when a customer purchases something to come

In the past, business owners would manually write up their financial records in books called journals. This meant writing down each time a sale was made or each time a cost was encountered. Journals are still important, but they are usually not handwritten records anymore. Instead, most businesses use simple computer programs, online banking, cash registers and an EFTPOS terminal, to record transactions immediately and accurately.

The process of entering and maintaining financial records is called bookkeeping. Businesses can use software such as MYOB or QuickBooks to help with this process. These programs set up electronic journals that allow a business owner to enter details of the day's transactions. The programs are based on spreadsheets and, with all the necessary formulae already entered, the business owner simply has to enter the figures and the program performs the necessary calculations.

FIGURE 2 If revenue is greater than costs, a business should make a profit.



3.4.2 Recording revenue and costs

Revenue

Most businesses have a cash register on the counter. There should be some cash in the drawer of the cash register. This is known as a float, and it is there so a business owner can give change to customers if they pay with cash. As each customer pays, the sale is recorded on the register and the cash deposited in the register drawer. The cash register will then print a receipt for the customer.

Nearly all businesses also have a card reader for EFTPOS and credit card transactions. This reader is linked to the cash register, which also records these transactions. A copy of the EFTPOS receipt will be printed for the customer, and a second one for the business. This is usually placed in the register drawer with the cash.

At the end of the day, a business owner can retrieve a total of the day's receipts from the cash register. They will then add the total of the cash and EFTPOS receipts in the drawer, subtract the amount in the float before the first transaction, and it should equal the total amount recorded in the register. A business owner will record this revenue figure in the cash receipts journal of the bookkeeping software. At some stage the cash will be deposited into the business bank account.

FIGURE 3 relates to a small café business.

tlvd-10646

FIGURE 3 The revenue for a café business over a 7-day period

Date	Details	Receipt no.	Cash sales (\$)	EFTPOS sales (\$)	Other receipts (\$)	Total revenue
Jan, 3	Sales		460.00	630.00		1090.00
	Refund-ACafe	0003			120.00	120.00
Jan, 4	Sales		340.00	540.00		880.00
	Sales		440.00	590.00		1030.00
Jan, 5	Soft drink machine sales	0004			100.00	100.00
Jan, 6	Sales		450.00	610.00		1060.00
Jan, 7	Sales		430.00	520.00		950.00
Jan, 8	Sales		380.00	580.00		960.00
	Refund-ACafe	0005			90.00	90.00
Jan, 9	Sales		470.00	650.00		1120.00
Jan, 9	Total		2970.00	4120.00	310.00	7400.00

Most of this revenue is made up of cash and EFTPOS sales. The business owner has also included a section for refunds from a local supplier and they receive money from the sales from a soft drink machine. Calculating the total revenue is the first stage in seeing if the business makes a profit.

Costs

Just as much of the sales in a business are electronic, most businesses pay for things via online banking. Each time a business makes a payment the bank provides a reference number as a means of recording the transaction. Bookkeeping software enables the business owner to record each payment just as they did with each cash receipt. The software has a cash payments journal set up, with columns to record each type of payment.

tlvd-10647

FIGURE 4 The costs of a café over a 7-day period.

Date	Details	References	Bakery (\$)	Groceries (\$)	Wages (\$)	Utilities (\$)	Total costs
Jan, 3	A1 Bakery	346189	500.00				880.00
	Groceries	458214		380.00			
Jan, 4	Electricity	675312				490.00	490.00
Jan, 5	Groceries	789324		430.00			430.00
Jan, 6	A1 Bakery	876931	500.00				500.00
Jan, 8	Wages	987214			600.00		1010.00
	Groceries	996526		410.00			
Jan, 9	Total		1000.00	1220.00	600.00	490.00	3310.00

You can see regular payments to a bakery, which is a supplier of baked goods. There are also grocery costs such as milk. You can also see the wage costs and an electricity bill.

3.4.3 Financial reports

A business owner will want to know how much money they are earning. Importantly they will want to know if they are making a profit or a loss. Is there enough cash coming in to ensure that the owner can pay the business costs on time? The bookkeeping software can make use of the entries in the journals and provide the business owner with the information they need in different types of reports. Two of these are the **income statement** and the **cash flow statement**.

Income statement

An income statement can tell a business owner whether the business has made a profit over a period of time. It does so by using the following information:

The amount of money earned by selling goods and services, known as the **sales revenue**.

The income statement also shows the business's costs. The costs at this stage are split into two. Firstly, the business owner will be able to identify the **costs of the materials** used in generating the sales revenue (in our coffee example this would include milk, coffee beans, sugar etc). These costs are also known as the **cost of goods sold**.

Secondly, the business owner will be able to identify the **operating expenses** used to run the business (such as wages, gas, electricity).

income statement tells a business owner whether the business has made a profit over a period. It does so by looking at the amount of money earned by selling goods and services, and the business's costs.

cash flow statement cash flow is the movement of money in and out of the business. A cash flow statement can show the net cash flow, this is the money left after money out has been deducted from money in.

sales revenue the amount of money earned by selling goods and services

costs of the materials relates to the cost (or the price paid by the business) for the materials used in generating the sales revenue. These costs are also known as the costs of goods sold.

cost of goods sold otherwise known as cost of sales — is the direct cost of the goods that have been sold; for example, the raw materials used to make the product

operating expenses are those costs which are encountered to run the business (such as wages, gas, electricity)



tlvd-10648

FIGURE 5 An income statement for a café

Café			
Income statement for the week ended 9 January 2022			
Revenue	\$	\$	\$
Cash sales		2970.00	
EFTPOS sales		4720.00	
Soft drink sales		<u>100.00</u>	7190.00
Less Cost of goods sold			
Groceries		1220.00	
Bread	1000.00		
Less Bread refunds	<u>210.00</u>	<u>790.00</u>	<u>2010.00</u>
Gross profit			5180.00
Less Expenses			
Wages		600.00	
Utilities		<u>490.00</u>	<u>1090.00</u>
Net profit			<u>4090.00</u>

To calculate profit, the first step is to subtract the cost of materials used from the total sales revenue. This figure will give a business owner a figure for gross profit. The operating expenses can then be subtracted from gross profit to provide a figure for net profit.

$$\text{Gross profit} = \text{sales revenue} - \text{cost of the materials}$$

$$\text{Net profit} = \text{gross profit} - \text{operating expenses}$$

The total of all sales revenue was \$7190.00. To calculate the cost of goods sold, the money paid for groceries and bread (as shown in the cash payments journal) had to be added, although the actual cost of the bread was reduced by the amount of the refunds as shown in the cash receipts journal. This cost of goods sold was then subtracted from the revenue figure to give the gross profit. Subtracting the total of the operating expenses from the gross profit gives a final figure for net profit. In this case, the business has made a good profit of \$4090 this week.

Cash flow statement

As well as determining whether the business has made a profit during the week ending 9 January, a business owner needs to know if they have enough cash coming into their business to cover the various costs that will have to be paid. Using the data from the two journals, the bookkeeping software can produce a cash flow statement that provides this information.

This statement would be prepared as shown in **FIGURE 6**.

tlvd-10649

FIGURE 6 A cash flow statement for a café

Café		
Cash flow statement for the week ended 9 January 2022		
	\$	\$
Cash inflows		
Total sales revenue	7190.00	
Other cash inflows (bread refunds)	210.00	
Total cash inflows	<u>7400.00</u>	7400.00
Cash outflows		
Bakery	1000.00	
Groceries	1220.00	
Wages	600.00	
Utilities	490.00	
Total cash outflows	<u>3310.00</u>	3310.00
Net cash flow		<u>4090.00</u>

The net cash flow figure is the amount calculated by subtracting total cash outflows (or payments) from total cash inflows (or receipts). In this case, the figure for net cash inflow was the same as the net profit figure (\$4090.00). As the net cash flow is positive, the Café is bringing in enough cash to cover expenses.

3.4 SKILL ACTIVITY: Evaluating, concluding and decision-making

After completing an apprenticeship in Building and Construction, and being employed by a medium-sized construction company, Hans has set up his own small building business with his business partner Claire. Both Hans and Claire want to be able to make a living from running their own business. They want the business to make a profit. For this to happen, they must make sure that money received from selling goods and services is greater than what they pay in expenses to run the business.

1. **Define** each of the following in your own words:
 - a. gross profit
 - b. net profit
 - c. cost of goods sold
 - d. journal.
2. **Distinguish** between cash inflows and cash outflows.
3. **Explain** the purpose of an income statement for a business owner.
4. Hans and Claire's business has the following transactions during week ending 31 March 2023.

Date	Details	Amount (\$)
March 25	Purchased timber beams	\$500
March 26	Paid for supplies (plaster board, nails, screws)	\$100
March 26	Deposit received from client	\$5000
March 26	Paid mobile phone bill	\$46
March 27	Paid for timber beams and concrete slab	\$550
March 28	Paid for replacement drill	\$150
March 29	Paid for renewal of building insurance	\$250
March 30	Paid weekly wages	\$1600

- a. What is the value of cash receipts for Hans and Claire's business?
- b. **Create** a cash payments journal with columns for date, details, reference no., materials purchases, advertising, utilities, wages and total payments. Record all cash payments for the week in the appropriate columns and sum the columns
- c. Use the information from the journals to **create** an income statement for the week for this business.
- d. Use the same information to **create** a cash flow statement for this business.
- e. **Explain** whether you think the business has had a successful week. Give reasons for your answer.

3.4 Exercise

learnon

3.4 Exercise

Learning pathways

■ LEVEL 1

1, 2, 5

■ LEVEL 2

3, 4, 6

■ LEVEL 3

7, 8

These questions are even better in jacPLUS!

- Receive immediate feedback
- Access sample responses
- Track results and progress



Find all this and MORE in jacPLUS

Check your understanding

1. Which of the following statements is false?
 - A. A cash inflow is cash coming into the business.
 - B. A cash outflow is cash going out of the business to pay for costs.
 - C. Cash inflows are payments and cash outflows are receipts.
 - D. All of the above

2. **Match** the terms with their definitions by placing the correct letters in the left column of the table below.
- Gross profit
 - Net profit
 - Cost of goods sold
 - A cash journal

	A list of transactions recorded in the order in which they occurred.
	The amount paid for goods that were resold after purchase, or for raw materials used to produce goods for sale.
	The final profit figure, calculated by subtracting operating expenses from gross profit.
	The amount of profit gained from selling goods to the public, calculated by subtracting the cost of goods sold from the revenue gained by selling those goods.

3. **Explain** the purpose of an income statement for a business owner.
4. **Identify** what a summary of the money spent by a business on a regular basis to generate sales is called.
5. A cash flow statement allows the business owner to calculate the level of profit. True or false?

Apply your understanding

6. **Describe**, using an example, what is meant by sales revenue.
7. **Explain** why a business owner should keep financial records.
8. **Distinguish** between a cash flow statement and an income statement.

LESSON

3.5 How do First Nations Australian communities participate in markets?

LEARNING INTENTION

By the end of this lesson you should be able to describe how First Nations Australian businesses and entrepreneurs develop opportunities in the market.

TUNE IN

With so many different First Nations groups within Australia, confirming the authenticity of a piece of creative work (dance, art, musical instruments, recipe) can be challenging. There are many counterfeit artists claiming to be from a First Nations Australian background but are simply not.

1. Identify three reasons why a non-First Nations Australian might sell First Nations Australian art.
2. Look at **FIGURE 1** and explain why you think fake art harms culture.
3. Discuss the reasons why a purchaser should know if what they are buying is authentic versus a counterfeit product.
4. Reflect on why you think First Nations Australian artists should have their works protected by copyright law.

FIGURE 1 Fake art, such as these boomerangs being sold in Bali, misappropriates First Nations Australian culture.



3.5.1 Pre-colonisation trading

Trade was a central part of life for First Nations Australians prior to the British colonisation of Australia. Trading routes criss-crossed the nation, dispersing goods, information, technologies and culture thousands of kilometres away from their origins. Examples include coastal mobs selling abalone as both a delicious meat and the shells for decorative ornaments and to later be fashioned into various tools. Other examples include the trade of animal skins and artefacts which were deemed to have cultural and spiritual significance. Possum skin cloaks were traditionally worn by the leaders of the community and were widely revered and respected.

Technologies such as hunting techniques and tools were also commonly traded between communities as a way of demonstrating ‘good faith’ and that one group intends to meet peacefully with another. While this was certainly not always the case, most interactions between mobs were peaceful affairs, often with one group simply travelling through another group’s Country.

This trading system, which was successfully employed for tens of thousands of years, formed the basis of the First Nations Australians’ economy. The ‘non-monetised’ bartering system encouraged equality and respect between clans and prevented any one nation from becoming bigger (in terms of wealth, success and material possessions) than any other. Simply put, pre-colonial First Nations Peoples of Australia were not interested in material wealth the way western societies were and continue to be. There was such a deep respect, connection and love for the land that no one mob claimed ownership over it. Land was there for survival and sustenance, not for ownership.

3.5.2 First Nations Australian business support

The First Nations Australians’ business sector is growing at a pace of around 4 per cent per year, fuelled by growing demand. First Nations Australian businesses are usually established with a not-for-profit incentive. Rather, these businesses focus on maintaining community and traditions and helping others. Many First Nations Australian entrepreneurs have found a **niche market** in the areas of tourism, art, fashion, natural skin and beauty products and cuisine. The latter being linked to cultural food tours and experiences.

niche market a segment of buyers who have a unique need which is met by a business or seller who can supply products that satisfy that need. Buyers in a niche market may be looking for something different than the mainstream consumer.

FIGURE 2 Many First Nations Australian artists sell their artworks.



Partnerships and cooperatives

There are many initiatives which aim to assist First Nations Australian entrepreneurs by linking them with other organisations that may be like-minded in their causes. Partnerships exist when a non-Indigenous business links with a First Nations Australian entrepreneur to assist with raising awareness of their business or by linking them with industry suppliers or customers.

Similarly, a non-Indigenous business may choose a First Nations Australian business as their own preferred supplier and enter a 'partnership contract'. This is not the same as the type of legal structure of a business known as a partnership. Rather, it is an acknowledgment that businesses are working together to assist one another and meet society's needs and wants.

A **cooperative** refers to a business model based around the idea of democratic ownership and control by the people who use the business, or the customers of the business. This is favoured by some First Nations Australian entrepreneurs because it allows them to grow their business but still retain a community element to the business.

cooperative a business owned by employees and customers of the business, which operates to benefit its members and society.

Cooperatives are typically owned by employees of the business and/or customers. An advantage of this model for many First Nations Australian entrepreneurs is that all members involved benefit from the success of the business, not just the owner.

For example, the Murray Valley Aboriginal Cooperative (established in 1974) is an example of a not-for-profit organisation who provides a diverse range of programs from childcare, kindergarten, health, medical, wellbeing, housing and aged care for the First Nations Peoples in Robinvale.

3.5.3 First Nations Australian businesses and contemporary markets

As we have already learned, First Nations Australian communities participate in contemporary markets. The same as all entrepreneurs and businesses, they continue to produce, buy and sell goods and services. However, as stated previously, First Nations Australian entrepreneurs tend to approach marketing, employment and social contribution in their own unique ways. Many First Nations Australian businesses would consider themselves strongly as social traders. They build their businesses with a profit for purpose and are driven by a public or community cause (be it social, environmental, cultural or economic) which aims to make the world a better place.

FIGURE 3 A design by Haus of Dizzy modelled at the First Nations Fashion + Design show.



An example of a business driven by a community cause is Haus Of Dizzy. Haus of Dizzy creator, Kristy Dickinson, is a proud Wiradjuri woman with 20 years of jewellery making experience. She created the bright bold jewellery label in 2015 and it has even been worn by celebrities to red carpet events. Kristy does lots of social justice work with not-for-profit organisations such as the AYCC (Australian Youth Climate Coalition) and Djirra (preventing violence against women). Her business and the products that she makes carry a unique approach to marketing with slogans such as 'Respect Women' or 'Stop the Violence'. Her jewellery starts conversations and brings profits back to their organisation. 'I love to make my jewellery but I also like giving back to the community'. Kristy also encourages her own customers to use Traditional Place names on her online shop.

'It's really good to get the rest of Australia to know these traditional names', she says.

Connection to Country

A connection to Country is something that First Nations Australian entrepreneurs and business people take seriously. Connection to Country can be explained as a sense of belonging and identity. For First Nations Australians that connection to Country, the people in it and the land is deeply spiritual, and First Nations Australians will seek to maintain care and responsibility for Country in their business operations.

Reece Dumbell and Dean Sardellis, the co-founders of the Cameron Wellness Centre, are well connected to Country. Their organisational values are family — community — trust — and respect. Reece is a proud Minang Jupa Galk man, and has been in the fitness industry since 2009. Reece and Dean started the Cameron Wellness Centre, a progressive and holistic treatment centre, after their wives (who are best friends) introduced them. Over time they realised they had a common motivation: seeing people with disabilities achieve the best outcomes in life. They maintain connection to Country by employing people who have the knowledge, skills and confidence to work with First Nations Australian clients. They offer training to staff through opportunities for cultural immersion. This means engaging new staff with a local Traditional Owner to take them out on Country and show them cultural sites and teach them about the local community, its people and history.

‘Part of our ethos is making sure the cultural fit of staff is right. When recruiting, we look for people who have buy-in to what we’re trying to build here at the Cameron Wellness Centre’, said Reece.

3.5 SKILL ACTIVITY: Questioning and researching

Investigate two or three First Nations Australian artists and see what they are doing to combat counterfeit production of their works.

1. **Select** one or two artists and locate their websites.
2. **Consider** the questions below and **summarise** the information into a list or table.
 - Where are they from?
 - What type of art do they create?
 - How do they sell it?
3. **Describe** how they confirm that they are an authentic First Nations Australian seller.

3.5 Exercise

learnon

3.5 Exercise

Learning pathways

■ LEVEL 1

1, 2, 3

■ LEVEL 2

4, 6

■ LEVEL 3

5, 7, 8

These questions are even better in jacPLUS!

- Receive immediate feedback
- Access sample responses
- Track results and progress



Find all this and MORE in jacPLUS

Check your understanding

1. First Nations Australian businesses are mostly
 - A. profit seeking enterprises.
 - B. charities.
 - C. community focused.
 - D. corporations.
2. **Explain** how a First Nations Australian business might find a partnership useful.
3. A co-operative can be defined as a business model based around the idea of _____ ownership and _____ by the people who use the business.

4. **Outline** why a First Nations Australian entrepreneur would pursue a business which supports a local community.
5. **Explain** why it is important for First Nations Australian businesses to be connected to Country.

Apply your understanding

Communicating

6.
 - a. **Identify** a First Nations Australian owned and operated business from this lesson.
 - b. **Explain** one benefit that this business brings to the local community.
7. **Explain** one benefit for a First Nations Australian entrepreneur of entering a partnership agreement with a business.
8. First Nations Australian entrepreneurs operate businesses which supply to niche markets.
 - a. **Explain** what this means.
 - b. Do you agree with this statement?

LESSON

3.6 What factors influence business opportunities?

LEARNING INTENTION

By the end of this lesson you should be able to explain which external factors influence business opportunities.

TUNE IN

Businesses can target specific groups of people when marketing their products.

1. Consider **FIGURE 1**. If it was an advertisement for a gym, who would it be targeting? What would their age be? What would be their income level and lifestyle? Where would the gym be located and how much might it charge for membership?
2. Think of a product that a business could produce. It could be an existing product like a chocolate bar, sports drink or even a car.
3. Describe the age of the person who might buy this product. What might their income level be? Where might a person purchase this product? How much might it cost?

FIGURE 1 Who is being targeted by this advertisement?



3.6.1 External factors influencing opportunities

Businesses are always searching for opportunities, including ideas for new products, ways to attract new customers and more efficient methods of running the business. Many factors influence opportunities for businesses, these can be classed as external and internal factors.

tlvd-10650

FIGURE 2 There are multiple external factors that influence businesses, these factors occur outside of the business and the business has no real control over them.



In this lesson we will consider five external factors that influence business opportunities in more detail.

Demographics

Being aware of **demographics** can create opportunities for businesses.

Demographics are characteristics or statistics relating to the population, including age, gender, ethnicity, employment, income and education. Businesses can use this information to work out what products consumers prefer or to determine their buying behaviours.

demographics characteristics relating to population, especially age, gender, ethnicity, employment, income and education

FIGURE 3 Looking at demographics can allow a business to identify target markets for their products.



Age

The age of a country's population can influence business opportunities. The products that a business sells will usually appeal to a certain age group. The Australian population is ageing, which means that there is more demand for health services, further education and training, and travel. Some businesses may choose to focus on these opportunities or to target their products at younger consumers. People aged under 35 are more likely to be the first to purchase the latest versions of technologies such as mobile phones, games consoles and televisions.

Income

Income can affect business opportunities. The products that a business sells will usually appeal to a certain income group. A premium product, such as designer clothing, will normally appeal to higher income groups. Lower income groups tend to purchase less expensive products. A business owner may decide to focus on higher income groups by starting a boutique fashion store or focus on lower income groups by opening a discount fashion store.

Competition

Competition can make life difficult for a business. Depending on the market the business is operating in, they may have several competitors or very few competitors. Competition can drive prices down and can restrict the opportunity to make profit.

competition the outcome of two or more businesses attempting to supply their products to the same group of customers

However, competition can also create opportunities for businesses. It can force a business to improve the way they do things or to innovate, either through using technology, altering the product or by improving customer service. Competition can force a business to examine their target market closely to make sure that they are selling to the right consumers and perhaps to change the group of customers they are attempting to sell to.

Government policy

The Government can affect opportunities for businesses through several direct and indirect ways. Government policy, to restrict the sale of certain items such as tobacco products for example will influence what a business can produce. In other ways, government policy can result in changes in the economy. Lowering interest rates may cause consumers to spend more money and make larger purchases, resulting in increased sales for some businesses.

Societal attitudes

Societal attitudes refer to the ways that groups in society generally think or feel towards something. When we consider products, it is true that society can have collective feelings towards whether something is positive or negative and this can influence a business's decisions and opportunities.

For example, as we are becoming more and more aware of climate change, many consumers are thinking more carefully about what they buy and where it comes from. 'Greener' produce, which is organic (grown without harmful chemicals) and grown locally, is becoming increasingly valued by society as consumers become more environmentally conscious.

Trends of the target market

A business working out its target market will do so by 'segmenting the market'. This means grouping the market according to demographic characteristics, geographical characteristics (where people live, such as in urban, rural, or suburban areas, or the country they are located in), behavioural characteristics (the way that customers purchase products, for example, are they a regular user or a first-time user of a product, do they have loyalty to a brand?) and psychographic characteristics (people's personalities, values, attitudes, interests and lifestyles).

FIGURE 4 Competing supermarkets Coles and Woolworths are often situated close together and are trying to attract the same customers.



FIGURE 5 Society's attitudes about how and where food is grown has changed in recent years.



A business selling car products may determine that its target market are people aged 30–50 and living in suburban areas with limited public transport. A business selling gourmet sandwiches may have a target market of customers aged 25–50, working in the city and who like to eat healthily at lunchtime. Defining a target market allows a business to decide who will demand their products, what products they want, and if there are enough potential customers to make the business profitable.

3.6.2 Internal factors influencing business opportunities

Whilst a business does not have control over its external environment, it will have some control over its internal factors and these factors themselves can influence business opportunities. These internal factors range from decisions about the product, locations, resources, and business culture. Businesses who can respond to opportunities quickly are often most successful.

Product

Businesses need to respond and change their products to suit changing consumer needs and wants. Uber Eats is a good example of a business that has expanded its service offering from a ride sharing service to a takeaway delivery service.

After identifying opportunities in the market, a business owner will need to respond to those opportunities in some way. This may involve developing new products to satisfy demand or changing the way the business delivers its products or services to consumers.

A business might respond to opportunities in the market by developing a new product to satisfy demand. **Product development** can

involve modifying an existing product or the way in which it is presented or creating an entirely new product that meets the demands of a newly defined customer or market. Starting with an idea for a new product, or an idea to modify a product, a business will go through a series of steps to bring the product to market.

Location

The location a business chooses can create opportunities or restrict them, according to the nature of the business. A business needs to consider how important passing trade will be, whether visibility is important, how important access to resources will be, or whether cost will be the most important factor.

For example, a business that is hoping to sell to young people or young families would find limited opportunities if it was in an area whose population has an average age of over 60; a boutique fashion store would struggle to find customers if it was in an industrial area; and a business that manufactures goods might encounter difficulties if it was in an area that its suppliers could not access easily.

FIGURE 6 Uber Eats is an example of a successful response to a business opportunity.



product development the creation of products with new or different characteristics that offer new or additional benefits to customers

Resource management

In simple terms, resource management is about ensuring that the organisation's resources are where you need them most. This means that physical resources such as materials or ingredients are ready for manufacture or that people, a business's employees, are also in the right place. This might refer to a particular business having enough employees to serve customers or a production facility having enough staff to be able to manufacture the number of items it needs to. If any of these are lacking, a business will find it very difficult to respond to opportunities.

Business culture

Business culture is *how* you do what you do in the workplace. Business cultures include all the formal and informal behaviours and even the values of a business's employees. These things all create an experience for employees and customers. Some businesses use culture to their advantage to seize opportunities. For example, a business may be well known for creating new ideas and products and it may have a reputation for creative staff. This kind of business may be able to respond quickly to an opportunity to meet a new need in the market.

3.6.3 First Nations Australian communities and business opportunities

There continues to be increasing numbers of First Nations Australian entrepreneurs, who start up their own business enterprises in Australia. These entrepreneurs may have similar aspirations to other entrepreneurs, yet they also respond to opportunities to establish a business to serve a community need.

It is still the case, as has been for thousands of years, that First Nations Australians trade via art and craft related practices. However, this 'trade' is has become more commercialised and the Australian Bureau of Statistics (ABS) research shows that First Nations Australians are more likely to be employed in visual arts and crafts occupations as their main job than other Australians. Furthermore, many First Nations Australian entrepreneurs find opportunities in the tourism sector. This sector is worth billions of dollars every year in Australia and hundreds of thousands of international visitors arrive every year hoping to learn more about First Nations Australian cultures.

Tourism Australia has a First Nations Australian tourism webpage where tourists can explore detailed content, images, footage, and information about how tourists can best engage with indigenous culture in Australia. There are many First Nations Australian businesses offering cookery courses, tours, dance, and music related products.

FIGURE 7 Employees of Google are known for being innovative and the company has a flexible working culture.



FIGURE 8 Kungka's can cook is a First Nations Australian business located in Alice Springs that specialises in organic bush foods.



3.6 SKILL ACTIVITY: Questioning and researching, Evaluating, concluding and decision-making

Work in pairs to complete the following activities:

- For each of the target market groups below, **propose** an opportunity (a product or a business idea) that would cater for their needs.
 - High-income earners
 - New parents
 - Diet-conscious consumers
 - Well-educated people
 - Young and active students
- Select a business in your local area. **Describe** whether the business has an advantage or disadvantage in its location regarding:
 - how visible it is to potential customers
 - cost (including the likely rent or costs of transportation)
 - how close it is to suppliers and customers
 - how close it is to competitors.

3.6 Exercise

learnon

3.6 Exercise

Learning pathways

LEVEL 1

2, 3, 5

LEVEL 2

1, 4, 6, 10

LEVEL 3

7, 8, 9

These questions are even better in jacPLUS!

- Receive immediate feedback
- Access sample responses
- Track results and progress



Find all this and MORE in jacPLUS

Check your understanding

- Explain** how the following factors influence business opportunities:
 - Target market
 - Competition
 - Location.
- An external factor influencing a business is something that can be controlled. True or false?
- An internal factor influencing a business can be best described as
 - a factor that the business will have some control over such as business culture or location.
 - factor that the business cannot control such as the economy or government policy.
- Define** what is meant by a societal attitude.
- Complete** the following sentence:
Businesses should respond and change their _____ to match changing consumer needs and _____.
A business that does this is more likely to be _____.

Apply your understanding

Communicating

- Explain** what is meant by product development and how it helps a business respond to opportunities.
 - Provide** an example of product development that you are familiar with.
- Outline** what is meant by the term 'demographics' and explain how this is related to business opportunities.
- Name** one government policy and **outline** how it might affect a business.
- Distinguish** between societal attitudes and business culture.
- First Nations Australian businesses often seek to meet a community need. Give an **example** of a type of First Nations Australian owned business and what need they might meet.

LESSON

3.7 How is the workplace changing?

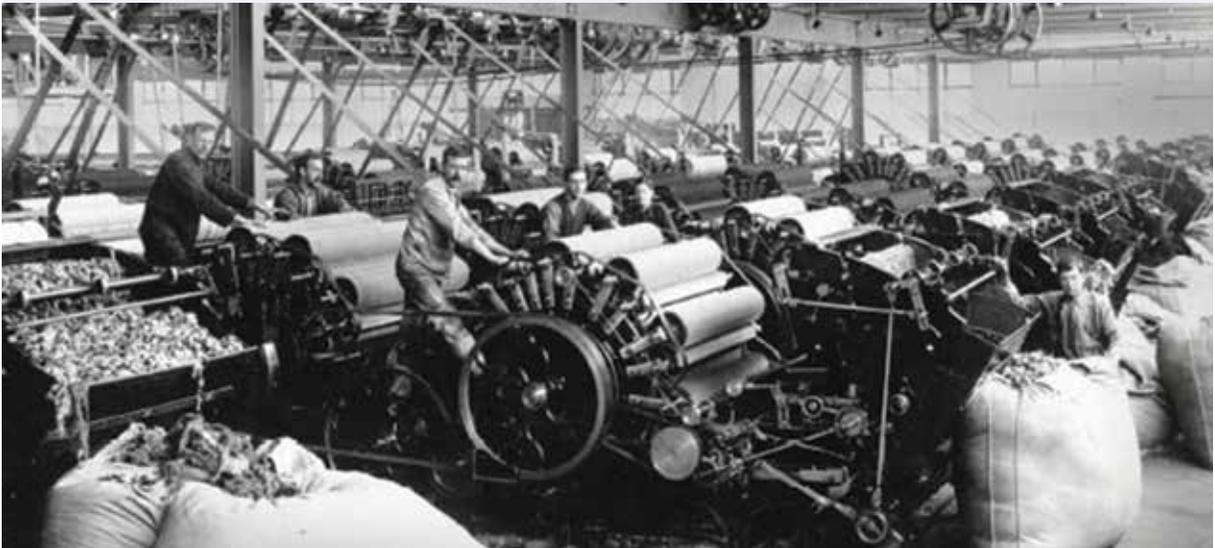
LEARNING INTENTION

By the end of this lesson you should be able to identify changes to the workforce over time, such as the jobs available, the way individuals or businesses value particular work, career length and human resource development, changing demography, corporate social responsibility, sustainability practices and changes to workplace laws.

TUNE IN

Study **FIGURE 1**. Many of Australia's wool mills have closed now, and the one in the photograph closed many years ago in 1955.

FIGURE 1 A typical wool mill in Geelong, Victoria, Australia in the early 1900s



1. What type of work would this be classed as? Do you imagine that it would be well paid?
2. Discuss what the working conditions might be like in this mill in the early 1900s. Include what kind of people might be employed. Where would they come from? What would their backgrounds or educations be? What hours would they work?
3. **Discuss** how employment and work might be different in the present day.

3.7.1 The workforce

The workforce is a word which refers to the people involved in or available for work, either in a country or area, or in a particular firm or industry.

The types of work, or the jobs, that Australians do is constantly evolving. These changes may be attributed to the changing expectations of **employees** and **employers**. Some employers expect that employees will work harder and or more flexible hours, while most employees want a greater balance between their working and their non-working lives (**work-life balance**). Employees also want job security.

employees the people who make the product or provide the service to the customers. Employees have a massive effect on the outcome of the business.

employers the person or business that pays workers for the work they do

work-life balance a feeling of having an appropriate balance between work and non-working time (i.e. leisure time and free time)

Arguably the greatest influence on today's world of work has been the rapid development of technology. Jobs have changed through time, particularly from the late-1700s to the mid-1800s.

At this time technological advances associated with the Industrial Revolution (for example, the development of steam power, and the use of processed fuel to fire and heat the furnaces in iron ore production in England) changed the way that people lived and worked. People who previously worked on farmland moved to towns and cities to work in factories. Unfortunately, working conditions were not a priority.

Substantial workplace reforms in the many decades since this time have greatly improved working conditions for most workers in industrialised, developed countries such as Australia. Advances in technology, in particular communications technology; more effective, lower cost methods of transportation; and largely unrestricted trade between countries have allowed the whole world to become a single, integrated marketplace. With this many jobs have moved overseas.

FIGURE 2 Many employees can now work from home to help achieve a healthy work-life balance.



3.7.2 The changing workforce

As described above the workforce and the work available in an economy changes over time. This is influenced by many things including technological change, outsourced labour in the global economy, rapid communication changes and casualisation of the workforce.

Outsourced labour in the global economy

Outsourcing involves engaging individuals or businesses outside of an organisation to carry out jobs previously carried out within the business itself. This is often done in an attempt to improve productivity or cut costs. Many larger Australian businesses now outsource some of their jobs.

Some businesses have taken this a step further and outsourced various functions to workers and organisations overseas — some have even moved their entire production process overseas. This practice is known as offshoring.

FIGURE 3 Many clothing companies use offshore labour.



Offshoring provides a business with the ability to cut labour costs, which can be as much as ten times cheaper in a developing country such as China, India or Sri Lanka, than in a developed country such as Australia. Many larger companies have outsourced their call centres to India or the Philippines. Offshoring can also improve the ability of a business to stay competitive and to seize new opportunities overseas. However, businesses that do use offshoring must ensure that they carefully monitor for any signs of labour exploitation.

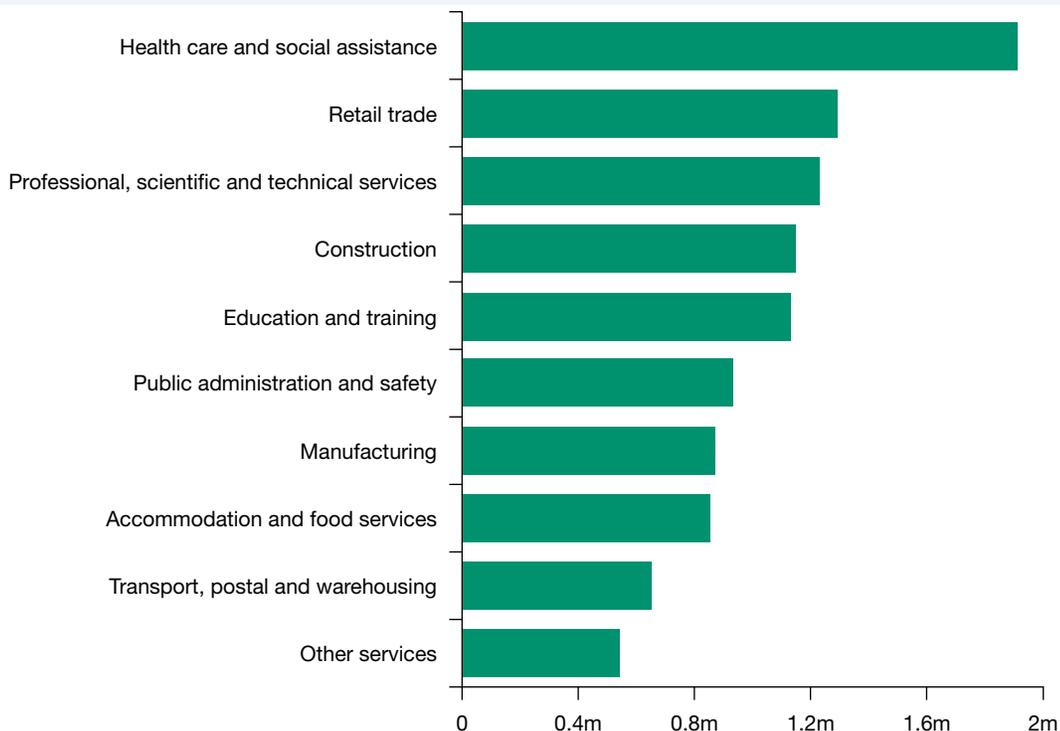
Technological change

It has long been the case that technological advances are constantly changing the workplace. Automation of production through robotics has been around for decades and as such many established industries have reduced their employment opportunities as machines are doing the work. For this reason technology is often blamed for redundancies. Businesses like Coles and Woolworths are turning to the use of robots in warehouses who are capable of picking orders faster and with more accuracy than a human.

Technology can also be seen to be providing opportunities for small business. Businesses can operate from anywhere with affordable access to safe and secure payment systems, and reduced technology costs through the use of cloud systems and free software.

Technological advances also present opportunities for new businesses to develop; for example, in areas such as telecommunications and digital technologies. Jobs such as website designers, social media managers, e-commerce consultants and app developers are relatively new professions. There is strong growth in jobs that relate to data analysis, website building and cyber security. While technology continues to evolve within all industries, it is worth looking at which industries have strong jobs related growth.

FIGURE 4 Employment by industry, 2021



The growth in health care and social assistance work can be attributed to the ageing population in Australia.

Rapid communication changes

Technology has completely changed how we communicate; we can see this in our daily personal lives as we rely on apps and mobile technology. This same change has happened in the workplace. We can communicate faster, more efficiently and more conveniently.

There are new devices, tools and software coming out that continue to advance communication technology, and the existing popular technologies are constantly being updated and improved. Businesses have been using email, video conferencing and mobile devices for years. However, this increased hugely during the recent COVID-19 pandemic. So has the use of collaborative technology that allows multiple editors in real time.

FIGURE 5 Video conferencing has its origins from the invention of the webcam back in the 1990s. However, its use has grown substantially in recent years as working from home became a necessity during the COVID-19 pandemic.



3.7.3 Career length

It is a fact that people are less likely to do one job for their entire working lives. People may move within the same industry or undertake complete career changes, possibly several times, in a quest to find work that provides a sense of purpose and satisfaction in their lives. In Australia, the national average time spent in a job is 3.3 years. Research has found that the reason for changing jobs varies from person to person, but may include:

- social reasons — response to life events, such as having children
- economic reasons — wanting to obtain better working arrangements
- career-related reasons — wanting to gain further career experience
- other personal reasons — a desire to gain new experiences.

TABLE 1 Job tenure by age group in Australia

Age group	Average job tenure
Under 25	1 year, 8 months
25–34	2 years, 8 months
35–44	4 years
45+	6 years, 8 months
Average	3 years, 4 months

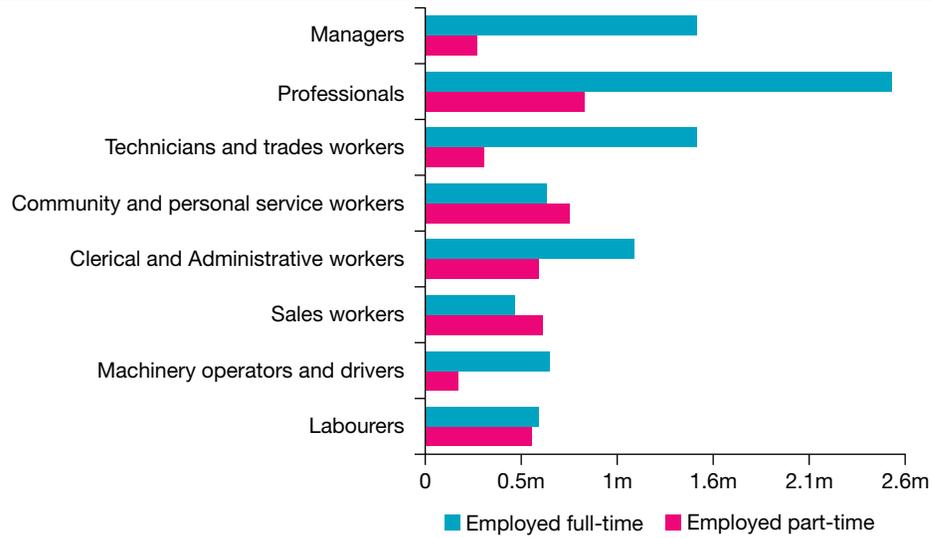
Source: The Household, Income and Labour Dynamics in Australia (HILDA) Survey, Department of Employment.

3.7.4 Full-time and part-time participation rates

An employee is considered to work full-time if their hours of work equate to 35 hours or more per week, or they work the agreed upon or award hours for a person in their occupation or industry, and the work is ongoing. An employee is considered to work part-time if they work less than 35 hours a week in ongoing employment, where the number of hours they work is either fixed or variable.

Employees are more likely to be employed on a part-time or casual basis than they were 20 years ago. This is partly due to significant changes in the types of jobs in which people are employed. Consider the graph below, many of the occupations employ people on a shift basis, whereby they do not do a regular nine to five job. Instead, hours might be determined by the employers opening hours and an expectation of 24/7 service. This is common in retail and personal services such as caring professions.

FIGURE 6 Employment status by occupation, 2021

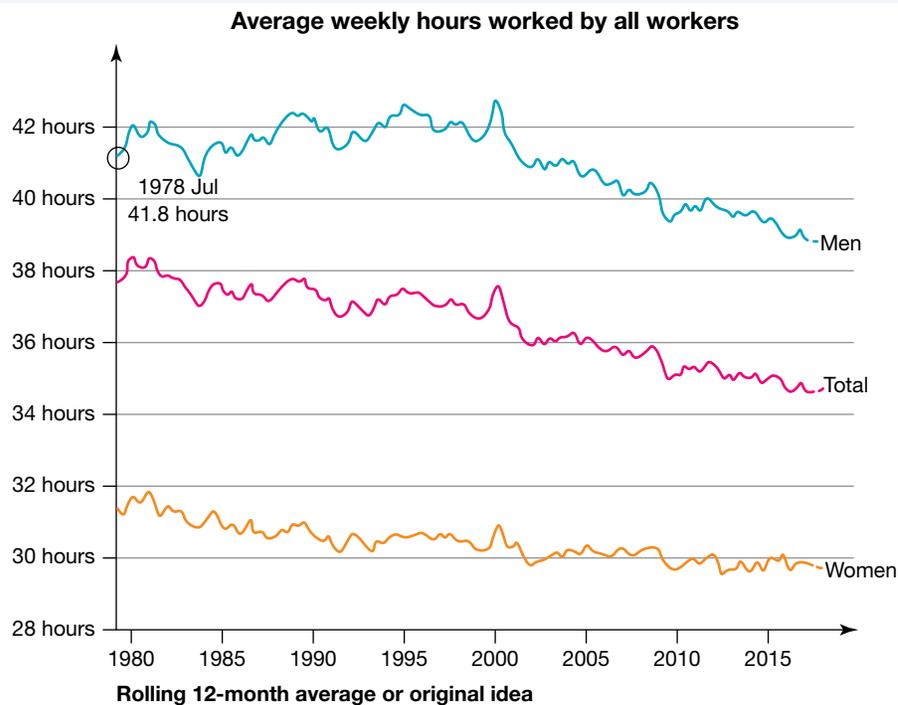


3.7.5 Hours of work

In today’s work environment, there is a perception that people will be available outside of traditional work hours due to technology-enabled connectivity, and that they are generally working longer hours than ever before. While in some industries this may indeed be the case, Australian Bureau of Statistics figures show that since the 1980s there has been a decline in the average hours worked by Australians — from 37 hours in the 1980s to 34 hours in 2015.

tlvd-10651

FIGURE 7 Average weekly hours worked by all workers, 1980–2015



Most recent relevant data available at time of publishing

However, working hours began to rise following the 2020–2021 COVID-19 pandemic. It would form a good discussion point to unpack the reasons for this.

Flexible working arrangements and benefits that promote staff satisfaction and increase productivity may become an increasingly common feature of the future world of work.

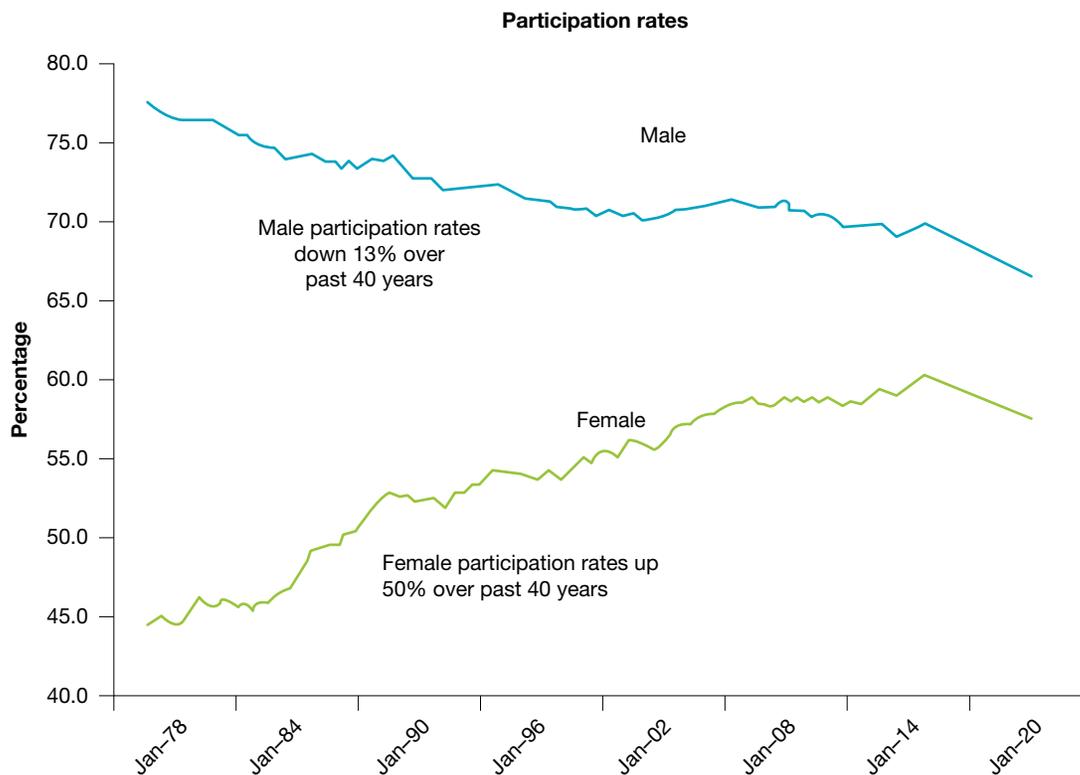
As new generations fill the workforce, we have also seen a shift in the style of environments within which people work. Employers may need to create a new style of workplace, one that encourages workers to stay, rather than changing jobs on a regular basis, as is the tendency of younger generations.

3.7.6 Demographics of the workforce

The changing roles of men and women

Demographics refers to statistical data relating to the population and different groups within it. Demographic change is the study of how these human populations change over time. An example of a demographic change can be seen in the example of considering when your grandparents worked. At that point in time, most of the Australian workforce was male. Most of these men were the ‘breadwinners’ — supporting their wives and families until retiring in their sixties. Women often ‘retired’ from the workforce when they married, and it was relatively uncommon for a woman to work if she had young children. Today, working families, and families in general, are far more diverse. Gender stereotypes in the workplace are continuously being broken down. It is more likely that people will be able to access and enjoy equal rewards, resources and opportunities in the workplace regardless of their gender.

FIGURE 8 Labour force participation rates for men and women



Age of the workforce

Decades ago, it was common for people to retire early, this was attributed to many things — amongst them being that the nature of manufacturing work often left workers tired and ready to leave industry by the age of 65, or sooner if they had a pension or savings put aside. Older Australians are now a critical part of the workforce and economy. The share of workers aged 55+ has more than doubled from 9 per cent in 1991, to 19 per cent in 2021, led by women re-entering work in mid-life and delaying retirement. There are many Australians who are healthy and active enough to wish to continue working beyond the retirement age.

3.7.7 Human resource management

With the shift in the way people approach their careers, human resources management has become increasingly important within the business world, emphasising the value placed on finding the right person for a particular role.

The term **human resources** refers to the people who work within an organisation. In any business, the human resources are one of the most vital elements. With the world of work undergoing such rapid and ongoing changes, the effective management of a business's employees — **human resource management** — has become increasingly important. Human resource management involves many aspects, such as staff recruitment, negotiation of employment conditions, training, professional development and carrying out staff performance reviews. The goal of successful human resource management is to ensure an organisation has the right people with the skills and knowledge necessary to meet the needs of the business.

Finding the best employees with the most appropriate skills and other attributes that will suit the organisation and its culture is an important part of the human resource manager's role. This recruitment process has changed significantly because of technological advances including software development and the internet.

Through advances in technology, employers can now easily access potential employees from around the world.

A possible downside for potential employees is the way in which the online environment has also made it easier for employers to 'background check' job applicants. It is relatively common for an employer to look on social media sites to find information about the employee they are considering hiring. Therefore, applicants need to be mindful of their 'online presence' so that it does not potentially limit their employment opportunities.

human resources the people, or employees, who work within an organisation are sometimes referred to as a human resource which is used to produce a good or service

human resource management the process of managing the people who work within an organisation

FIGURE 9 Online sites that store potential workers' résumés allow people in search of work to place their details online so employers can find them more quickly and easily. Job adverts are also posted on these sites and most employers require prospective employees to complete the application process online, which can streamline the whole recruitment process compared to traditional paper-based job applications.



3.7.8 The value of work

Regardless of the occupations that people choose to work in, or the hours that they work, having regular and purposeful employment is very important to most people. **FIGURE 10** shows the main reasons that people place a high value on working. Can you think of other reasons why people work, apart from the obvious financial gains?

To obtain self-satisfaction

Many workers try to complete their tasks to a very high standard, and this reflects the attitude they have towards their work and their employers. These workers take pride in the work they do and this in turn raises their level of work satisfaction. When workers have ownership of their work and are proud of their achievements, they are more likely to work harder and longer to achieve the objectives of the organisation. Praise from a supervisor or work colleague are often the most rewarding aspects of a job. Therefore, recognition of a job well done increases the value of the work itself.

To gain status and prestige

The type of work a person does is often used to measure that person's status and prestige within our society. In other words, their status comes from their occupation. The value we place on a person's job determines his or her income. For example, a heart surgeon's highly skilled work is valued more than a labourer's, so the surgeon receives a higher income. This is partly because of the education and training needed to become a surgeon as well as their high skill level and specialisation.

Historically, society has unfairly tended to place a lower value on work in what are referred to as the 'caring professions', such as childcare, nursing and aged care. For this reason, salaries for people who work in these areas have generally been lower than in many other fields. These roles have traditionally been filled by women, and this provides another reason for the disparity that is often seen between the relative wages of men and women in Australia. This attitude is slowly changing, with wage rises being fought for and won in many of these areas.

To enjoy social interactions with others

The social aspects of work increase its value. On average, employees spend more time at work with their co-workers than they do at home with their families (not including sleep time). Work provides the opportunity to meet other people and make friends. Some workplaces have social clubs that employees can join, to participate in organised activities aimed at increasing the sense of staff connectedness and satisfaction.

To help others

For many people the need to make a difference and contribute to society is an important part of why they work. This may be particularly so in the case of those who work in the 'caring professions', or who choose to work for not-for-profit organisations. Some people place such a high value on the desire to help others that they are prepared to offer their time and skills through volunteer work, seeking no payment for the work they do.

FIGURE 10 The value of work

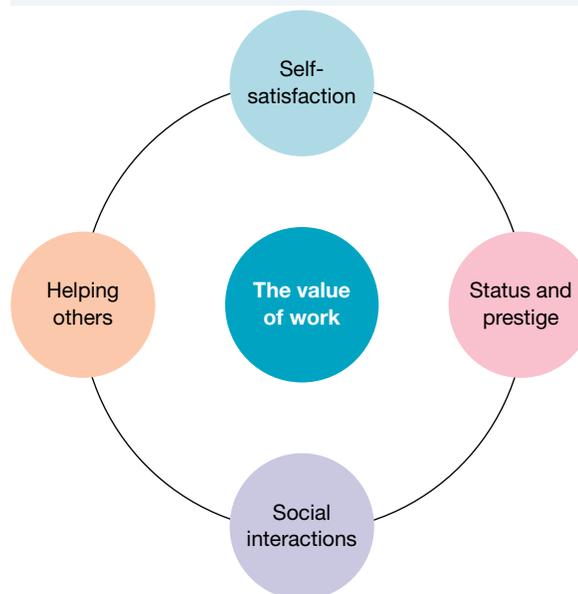


FIGURE 11 Social interaction is one of the key reasons that people work.



3.7.9 Changes to workplace laws

Industrial relations laws govern the relationship between employers and employees and have a significant impact on the ways people work in Australia. These laws have undergone many changes since the inception of the industrial relations system in the early 1900s. Many of these changes have occurred as a result of different government policies over time, and also as a result of the work of *unions* — formal organisations that negotiate with employers and the government on behalf of the workers in a particular industry to ensure that their **conditions of employment** are fair and reasonable. Conditions of employment are the arrangements made between an employer and employee; that is, what the employer agrees to give an employee in return for their work. These conditions are usually outlined in a formal agreement, which covers issues such as the number of hours an employee is expected to work, annual leave and other entitlements such as sick leave and long service or maternity leave.

Government legislations protect employees in the workforce, the main law that protects all Australians is *The Fair Work Act 2009* (FW Act) and the Fair Work Regulations 2009. These laws govern the employee / employer relationship in Australia. They provide a safety net of minimum entitlements, enable flexible working arrangements and fairness at work and prevent discrimination against employees.

Corporate Social Responsibility and sustainability practices

The concept of **Corporate Social Responsibility (CSR)** is generally understood to refer to businesses that show a degree of responsibility not only for the economic consequences of their activities, but also for the social and environmental implications. Businesses that show Corporate Social Responsibility will go above and beyond government legislations to look after their employees and the environment, for example. Many businesses display information about the positive steps that they take to help others. Google, our example in the 3.7 skill activity, presents on its website that it has provided \$1 billion in grants, 1 million volunteer hours and that it has invested in communities, individuals and local economies. Its reputation for looking after employees is explored below.

conditions of employment the arrangements made between an employer and the employee in terms of work requirements and employee benefits

Corporate Social Responsibility when businesses take responsibility for employees, the environment and the broader community and go above and beyond what they legally need to.

Sustainability is also a big area of concern for businesses and the workplace is expected to provide sustainable practices. When we think of sustainability we might recall the reduce, reuse, recycle slogan. Being a sustainable workplace may mean that the business takes on some of these values. Having a sustainable workplace helps to reduce the costs of a business, but has also been shown to improve the wellbeing of employees, and attract customers who are looking to do business with eco-friendly brands.

The Teachers Mutual Bank dedicates much of its marketing to telling its customers that it is sustainable in its practices. It does not lend money to fossil fuel industries and has net zero for all its direct greenhouse emissions (electricity and fuel use).

sustainability (in Business and Economics) a business who meets the needs of its customers without damaging the environment

on Resources

 **Weblink** Labour Market Insights

3.7 SKILL ACTIVITY: Questioning and researching, Evaluating, concluding and decision-making

Google is considered a pioneering company and this approach extends to its workforce. It is relatively common knowledge that the company offers its employees a wide range of extra activities such as volleyball, roller hockey, bicycles, yoga classes, sharing spaces (couches and comfy chairs where workers can discuss whatever topic they want), weights rooms, workout rooms, washers and dryers for workers to wash their clothes, massage rooms, ping pong and pool tables, outdoor seating for sunny days, and a wide variety of lunch and dinner places — these are all free or for only a small charge to its workers.

Google provides its employees with a work environment that has interesting décor to encourage them to be more creative. Even sleeping pods are provided, so employees can catch up on sleep and feel refreshed to continue working. The company also encourages employees to take up to 20 per cent of their work time to develop their own ideas that they think might benefit the company.

FIGURE 12 A building in Googleplex, the company's main campus in Silicon Valley, California



1. **Consider** the job or career that you would like to do once you finish your secondary school studies.
2. Use the **Labour Market Insights** weblink in the Resources panel to explore your chosen career.
3. Locate the career that you are interested in and **write** a summary of what this job is.
4. Click the work environment tab and read what this might be like in this profession. Write down some key points. You may include the demands and the values that are required.
4. View the overview of your chosen job and write down the hours, the average age of a worker, the gender mixture, and the average pay. Is this a growth industry? How many people are employed part time? It may be helpful to write this down in a table.
5. What are your feelings on your chosen job? Do you still think that it would be a good choice? What kind of work-life balance do you think you will have?
6. **Communicate** your findings in a presentation to your class.

3.7 Exercise

Learning pathways

■ LEVEL 1
1, 2, 3, 5

■ LEVEL 2
4, 5, 6, 7

■ LEVEL 3
8, 9, 10

These questions are even better in jacPLUS!

- Receive immediate feedback
- Access sample responses
- Track results and progress



Find all this and MORE in jacPLUS

Check your understanding

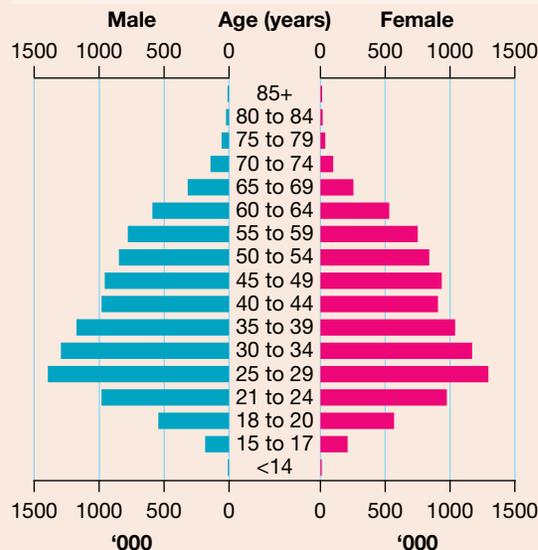
- What is a significant change that has occurred in the Australian workforce in the past 50 years?
 - A greater proportion of female workers
 - People working until later in their lives and people changing jobs and professions more regularly
 - Increased popularity of part-time and casual work
 - All of the above
- Full-time work is where people work the _____ number of hours per week allowed under federal law and/or workplace agreements. This is usually more than _____ hours a week. Part-time work is where employees work an agreed percentage of that full-time number of hours. It is always _____ hours per week.
- Explain** why there has been a growth in people working part time.
- Define** what is meant by human resources management.
- Identify** the current largest industry employer in Australia.

Apply your understanding

Interpreting and analysing

- Examine **FIGURE 8**.
 - Describe** how the participation rates of females has changed since 1978.
 - Analyse** why the participation rates for females is lower than that of males.
- Examine **FIGURE 13**.

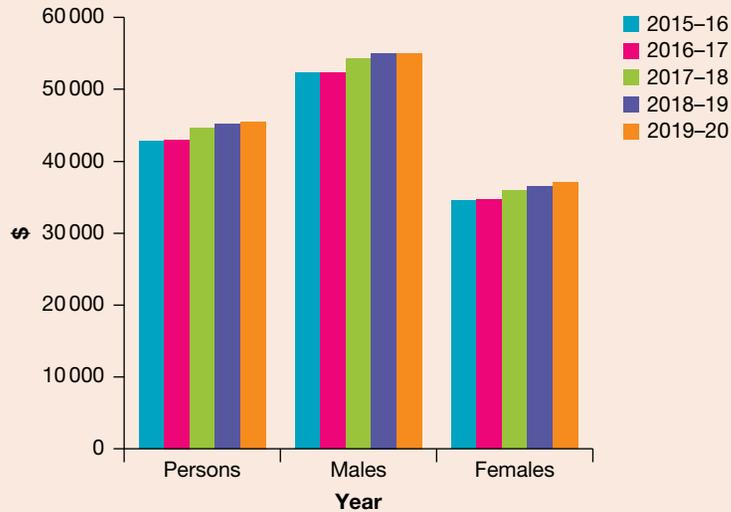
FIGURE 13 Number of jobs by age and gender of job holders, 2019–20



- Describe** the trend in the number of jobs by age in Australia.
- State** three reasons for the trends that you have described.

8. Examine FIGURE 14.

FIGURE 14 Median employee income per job, 2015–16 to 2019–20



- a. Median employee income per job has decreased across all persons. True or false?
 - b. **Explain** why income of males is different to the income of females despite increasing levels of equality in the workplace.
9. During 2019–20, the industries with the most jobs were:
- health care and social assistance (11.3 per cent)
 - administrative and support services (9.5 per cent)
 - retail trade (8.8 per cent).
- a. Workers with health care and social assistance skills and qualifications are likely to find it easy to get a job. True or false?
 - b. **Identify** one reason that explains why health care and social assistance offered the most job opportunities in 2019–20.
 - c. **Suggest** one industry area which might have a low level of jobs.

Communicating

10. **Describe** two reasons, apart from money, why people place a high value on working.

LESSON

3.8 INQUIRY: Financial and business decision-making

LEARNING INTENTION

By the end of this lesson you should be able to identify processes that individuals and/or businesses use to plan and budget to achieve short-term and long-term financial objectives. You should also be able to identify the different ways that businesses adapt to opportunities in the market and respond to the changing nature of work.

Background

Why is personal, organisational and financial planning for the future important for consumers and businesses? How do different businesses respond to opportunities in the market?

Omari is an electrician. He works full time and has been in his current occupation for five years. Omari earns a fair wage, and he is saving for a deposit on a house. Omari enjoys his job, and his employer is thinking about moving into a new market to repair faulty electrics on solar panels. This is a growing need for homes that have solar panels installed.



Before you begin

Access the **Inquiry rubric** in the digital documents section of the Resources panel to guide you in completing this task at your level. At the end of the inquiry task you can use this rubric to self-assess.

Inquiry steps

You will use two online sources of reference for this inquiry, the Australian Bureau of Statistics and Labour market insights.

Step 1: Questioning and researching

Omari works full time. Use the **Australian Bureau of Statistics** weblink to help you answer the following questions:

- Define** what is meant by full time employment
- What is the current rate of unemployment in Australia?
- What are the average weekly earnings in Australia?

Omari is an Electrician. Use the **Labour market insights** weblink to locate the job profiles for an electrician.

- What would Omari's weekly earnings be?
- What is the average age of an electrician?
- What percentage of electricians are male?

Step 2: Interpreting and analysing

Omari is saving for a deposit on a house.

- Explain** what kind of financial goal this is. Do you think that this is a sensible goal? Explain and justify your answer.
- Omari's employer wants to enter a new market, repairing solar panels. Why might the business have decided to do this? What influences will the business need to consider before taking the opportunity to enter a new market?
- Outline** the two financial reports that Omari's employer might use when planning his new business opportunity.

Step 3: Evaluating, concluding and decision-making

Omari's employer would like him to be a partner in the business.

- Explain** what is meant by a partnership.
- What other forms of business ownership exist?
- Outline** the advantages and disadvantages to Omari going into partnership with his employer.

Step 4: Communicating

Present your findings to your class. Advise Omari on what he should do, should he enter the partnership with his employer? Will he still be able to save for a deposit on his house? Is being an electrician a stable profession?

Complete your self-assessment using the **Inquiry rubric** or access the 3.8 exercise set to complete it online.

Resources



Weblinks

Australian Bureau of Statistics
Labour market insights



Digital document Inquiry rubric (doc-39549)

LESSON

3.9 Review

Hey students! Now that it's time to revise this topic, go online to:



Review your results



Watch teacher-led videos



Practise questions with immediate feedback

Find all this and MORE in jacPLUS



3.9.1 Key knowledge summary

Use this dot point summary to review the content covered in this topic.

3.2 What are short-term personal financial goals?

- Individuals can improve their financial flexibility by saving money, allowing them to avoid debt and be prepared for unexpected expenses.
- Preparing a personal budget can assist us to achieve our financial goals.

3.3 What are long-term personal financial goals?

- Longer term savings through superannuation contributions, home ownership or investment in shares can provide security for us as we get older and approach retirement age.

3.4 What is business finance?

- Business owners need to keep track of all financial transactions so that they can determine the level of success of the business.
- An important part of any business plan is the financial plan, which allows the business owner to create a budget, and keep track of establishment and operating expenses.

3.5 How do First Nations Australian communities participate in markets?

- First Nations Australian businesses and entrepreneurs develop opportunities in the market.
- First Nations Australian businesses and entrepreneurs establish partnerships or cooperatives.
- First Nations Australian communities participate in contemporary markets and have distinct approaches to marketing, employment and social contribution.
- First Nations Australian business and entrepreneurs use connection to Country to make innovations in the production and distribution of goods and services.

3.6 What factors influence business opportunities?

- Business opportunities are influenced by factors including demographics, target market, competition and location.
- A business can respond to opportunities by following a process to develop new products to satisfy demand or by changing the way products are delivered to consumers.

3.7 How is the workplace changing?

- Globalisation, offshoring and outsourcing will continue to have an impact on the Australian labour market.
- There will be further advances in technology and this will affect the type of work people do, when they do it and where they do it.
- Distance will not be a barrier to obtaining a job in the future.
- Technology will significantly impact organisations' future human resources needs, and the way in which they find and retain employees.
- The need for training and development will only increase with time.

- The next generation of workers will need to be more highly skilled and educated, and more focused on technology.
- Employee relations and agreements will need to change even further to enable greater flexibility.
- Changing work environments and the need for work–life balance will be a key feature of the future world of work.
- Corporate Social Responsibility and sustainable practices are continue to become increasingly important.

3.8 INQUIRY: Financial and business decision-making

- Personal, organisational and financial planning for the future is important for consumers and businesses.
- Different businesses respond in different ways to opportunities in the market.

3.9.2 Key terms

budget an itemised estimate of income and expenses for a given period

cash flow statement cash flow is the movement of money in and out of the business. A cash flow statement can show the net cash flow, this is the money left after money out has been deducted from money in.

competition the outcome of two or more businesses attempting to supply their products to the same group of customers

conditions of employment the arrangements made between an employer and the employee in terms of work requirements and employee benefits

cooperative a business owned by employees and customers of the business, which operates to benefit its members and society.

Corporate Social Responsibility when businesses take responsibility for employees, the environment and the broader community and go above and beyond what they legally need to.

cost of goods sold otherwise known as cost of sales — is the direct cost of the goods that have been sold; for example, the raw materials used to make the product

costs represent a cash outflow to the business. Costs are the expenses involved in making a product. Some costs relate to the actual production of the product — such as cost of goods sold. Others relate to running the business (such as wages, gas, electricity).

costs of the materials relates to the cost (or the price paid by the business) for the materials used in generating the sales revenue. These costs are also known as the costs of goods sold.

current financial position a calculation of what income someone has (money coming in) minus any regular expenses (money out)

demographics characteristics relating to population, especially age, gender, ethnicity, employment, income and education

employees the people who make the product or provide the service to the customers. Employees have a massive effect on the outcome of the business.

employers the person or business that pays workers for the work they do

expenses the regular outgoings of money (money out) that a person may have. This might include rent or a mortgage, grocery bills, energy bills, a loan repayment for a car, and medical bills.

gross wage a person's wage or salary before it is taxed by the government

human resource management the process of managing the people who work within an organisation

human resources the people, or employees, who work within an organisation are sometimes referred to as a human resource which is used to produce a good or service

income the money that a person receives. This can consist of money earned from employment such as a wage, but it also includes income from other sources.

income statement tells a business owner whether the business has made a profit over a period. It does so by looking at the amount of money earned by selling goods and services, and the business's costs.

limited liability where shareholders cannot lose more than their investment in the event of the failure of the business

long-term goals are personal financial goals that you will want to accomplish in the future i.e. to buy a house

niche market a segment of buyers who have a unique need which is met by a business or seller who can supply products that satisfy that need. Buyers in a niche market may be looking for something different than the mainstream consumer.

operating expenses are those costs which are encountered to run the business (such as wages, gas, electricity)

pension your employer pays a percentage of your earnings into your superannuation account, and your superannuation fund invests (or grows) the money until you retire

product development the creation of products with new or different characteristics that offer new or additional benefits to customers

revenue refers to receipts, otherwise known as revenue, that occur when a business receives money; this is usually when a customer purchases something to come

sales revenue the amount of money earned by selling goods and services

short-term goals are things that we want to do within the next couple of months or even within the year, this might include a short-term goal to buy something

superannuation or super, is the term for retirement funds. Most working Australians pay into a super fund from their income (as wage or salary) and employers make similar regular contributions.

superannuation fund how much money a person has in their retirement fund. This will consist of the payments that the person has made from their income, combined with what their employer has contributed.

sustainability (in Business and Economics) a business who meets the needs of its customers without damaging the environment

work-life balance a feeling of having an appropriate balance between work and non-working time (i.e. leisure time and free time)

3.9.3 Reflection

Complete the following to reflect on your learning.

Revisit the inquiry questions posed in the Overview:

Why is personal, organisational and financial planning for the future important for consumers and businesses?

How do different businesses respond to opportunities in the market?

1. Now that you have completed this topic, what is your view on these questions? Discuss with a partner. Has your learning in this topic changed your view? If so, how?
2. Write a paragraph in response to the inquiry questions, outlining your views.

Resources

 **eWorkbooks** Customisable worksheets for this topic (ewbk-13440)
Reflection (ewbk-10798)
Crossword (ewbk-10799)

 **Interactivity** Achieving economic goals crossword (int-9035)

3.9 Review exercise

Students, these questions are even better in jacPLUS



Receive immediate feedback and access sample responses



Access additional questions



Track your results and progress

Find all this and MORE in jacPLUS



Multiple choice

- The Australian labour market has been affected by which of the following factors?
 - Globalisation
 - Technological advances
 - The changing expectations of employees and employers
 - All of the above
- Which of the following statements about the change in Australian workforce participation rates over the past 50 years is not correct?
 - Female participation has increased.
 - The proportion of people employed part-time has decreased.
 - The proportion of people employed part-time has increased.
 - The proportion of males employed part-time has increased.
- In the past 30 years, the average number of hours worked by employed Australians has
 - increased significantly.
 - increased slightly.
 - decreased.
 - stayed the same.
- In the past decade, which of the following Australian industries has experienced a significant decrease in the proportion of the workforce that it employs?
 - Retail trade
 - Construction
 - Manufacturing
 - Health care and social assistance
- Technological advances enable businesses to
 - create new markets.
 - communicate instantly.
 - produce better products.
 - do all of the above.
- What is one of the key changes to working conditions in Australia over the past few years?
 - A decrease in the number of jobs available in major cities
 - An decrease in the minimum wage for all workers
 - The introduction of flexible working arrangements for some employees
 - The removal of sick leave entitlements for all workers
- First Nations Australian entrepreneurs will often operate businesses as social enterprises. Identify the benefit of this.
 - These enterprises can raise awareness of local traditions and support local communities
 - These enterprises can reduce access to education and training programs
 - The businesses are not supported by the government
 - All of the above

8. People work for self-satisfaction. What does this mean?
 - A. A person is satisfied with the money they earn
 - B. A person is proud of their achievements in the workplace
 - C. A person is satisfied with their working conditions
 - D. Self-satisfaction is the feeling of enjoyment we get from friends and family.
9. The human resources department in a workplace is there to
 - A. issue pay in the form of wages to staff.
 - B. produce the goods and services that the business will sell.
 - C. look after many aspects including recruitment, training and negotiation of pay and conditions.
 - D. to organise social gatherings for staff.
10. Individuals, businesses and governments create budgets. These are
 - A. goals for setting up a new business.
 - B. plans of how much money you may spend.
 - C. the amount left over once costs have been taken away from revenue.
 - D. a forecast of money coming in and money going out.

Short answer

Communicating

11. **Describe** the impact of globalisation on Australian employers and employees.

Evaluating, concluding and decision-making

12. 'Standard work hours in the future are likely to still be 9 am to 5 pm.' **Discuss** whether you agree or disagree with this statement.
13. **Discuss** the impact of technology within the workplace.
14. **a. List** three personal financial goals that you may have as working adult.
b. A common goal is a want to purchase a house. **Discuss** the risk that comes with buying a house.
15. **Explain** the concept of personal budgeting. How might you use this type of budgeting when you are working in a full time job?

Hey teachers! Create custom assignments for this topic



Create and assign
unique tests and exams



Access quarantined
tests and assessments



Track your
students' results

Find all this and MORE in jacPLUS



GLOSSARY

- allocate** assigning resources to different uses within the economy
- budget** an itemised estimate of income and expenses for a given period
- business** any activity conducted by an individual or individuals to produce and sell goods and services to make a profit
- capital growth** an increase in the value of shares or property over time
- cash flow statement** cash flow is the movement of money in and out of the business. A cash flow statement can show the net cash flow, this is the money left after money out has been deducted from money in.
- competition** the outcome of two or more businesses attempting to supply their products to the same group of customers
- conditions of employment** the arrangements made between an employer and the employee in terms of work requirements and employee benefits
- cooperative** a business owned by employees and customers of the business, which operates to benefit its members and society.
- Corporate Social Responsibility** when businesses take responsibility for employees, the environment and the broader community and go above and beyond what they legally need to.
- cost of goods sold** otherwise known as cost of sales — is the direct cost of the goods that have been sold; for example, the raw materials used to make the product
- cost of living** the level of prices paid by consumers for goods and services
- costs** represent a cash outflow to the business. Costs are the expenses involved in making a product. Some costs relate to the actual production of the product — such as cost of goods sold. Others relate to running the business (such as wages, gas, electricity).
- costs of the materials** relates to the cost (or the price paid by the business) for the materials used in generating the sales revenue. These costs are also known as the costs of goods sold.
- current financial position** a calculation of what income someone has (money coming in) minus any regular expenses (money out)
- demographics** characteristics relating to population, especially age, gender, ethnicity, employment, income and education
- disposable income** the amount of money that households have available for spending and saving after income taxes have been accounted for
- dividends** company profits paid to shareholders, either in cash or as more shares
- economics** a social science (study of human behaviour) that analyses the decisions made by individuals, businesses and governments about how limited resources are used to satisfy society's unlimited needs and wants
- economic scarcity** the economic problem of having unlimited needs and wants, but limited resources to satisfy them
- economic system** a way of organising the production and distribution of the nation's goods, services and incomes
- economy** a system established to determine what to produce, how to produce and to whom production will be distributed
- employees** the people who make the product or provide the service to the customers. Employees have a massive effect on the outcome of the business.
- employers** the person or business that pays workers for the work they do
- entrepreneur** a person who sets up a business or businesses, taking on financial risks in the hope of profit
- expenses** the regular outgoings of money (money out) that a person may have. This might include rent or a mortgage, grocery bills, energy bills, a loan repayment for a car, and medical bills.

export a good or services sold by local businesses to overseas consumers

financial literacy the ability to make informed judgments and to take effective decisions regarding the use and management of money

gross wage a person's wage or salary before it is taxed by the government

household sector a term used by economists to refer to the total of all consumers in the economy

human resource management the process of managing the people who work within an organisation

human resources the people, or employees, who work within an organisation are sometimes referred to as a human resource which is used to produce a good or service

import a goods or services purchased by local consumers from overseas businesses

income the money that a person receives. This can consist of money earned from employment such as a wage, but it also includes income from other sources.

income statement tells a business owner whether the business has made a profit over a period. It does so by looking at the amount of money earned by selling goods and services, and the business's costs.

infrastructure the facilities, services and installations needed for a society to function, such as transportation and communications systems, water and power lines

inputs those things that contribute to the production process

interest a charge made for the use of money that has been deposited or borrowed

investment the direction of money into the purchase of equipment or premises for the establishment of a new business, or the expansion of an existing business

labour the human skills and effort required to produce goods and services

limited liability where shareholders cannot lose more than their investment in the event of the failure of the business

long-term goals are personal financial goals that you will want to accomplish in the future i.e. to buy a house

market the place where goods, services or resources are exchanged between buyers and sellers

market capitalist economy an economic system that relies on the market to allocate resources based on the actions of consumers and producers, and where resources are generally owned by private individuals and businesses

market equilibrium the point at which the demand and supply curves intersect

minimum wage the legally binding minimum that must be paid to any employee over the age of 21 years

mortgage loan a loan advanced to allow a person to buy a house or other property, with the property itself as security for the loan. This means the bank or other lender can take possession of the property if the borrower fails to make the regular payments.

needs goods or services that consumers consider necessary to maintain their standard of living

niche market a segment of buyers who have a unique need which is met by a business or seller who can supply products that satisfy that need. Buyers in a niche market may be looking for something different than the mainstream consumer.

operating expenses are those costs which are encountered to run the business (such as wages, gas, electricity)

opportunity cost the next best alternative given up whenever a choice is made

pension your employer pays a percentage of your earnings into your superannuation account, and your superannuation fund invests (or grows) the money until you retire

percentage mark-up a fixed percentage increase to the price paid by a business for goods, to determine the selling price of those goods

price mechanism the interaction of the forces of demand and supply that determines the price of a good or service

privatise to sell a government-owned provider of goods or services to private investors

product development the creation of products with new or different characteristics that offer new or additional benefits to customers

resource allocation relates to decisions about how scarce resources are distributed among producers, and which types of goods and services will be produced to satisfy wants and needs

revenue refers to receipts, otherwise known as revenue, that occur when a business receives money; this is usually when a customer purchases something to come

sales revenue the amount of money earned by selling goods and services

short-term goals are things that we want to do within the next couple of months or even within the year, this might include a short-term goal to buy something

superannuation or super, is the term for retirement funds. Most working Australians pay into a super fund from their income (as wage or salary) and employers make similar regular contributions.

superannuation fund how much money a person has in their retirement fund. This will consist of the payments that the person has made from their income, combined with what their employer has contributed.

sustainability (in Business and Economics) a business who meets the needs of its customers without damaging the environment

tariff a tax on goods imported from a foreign country

tax file number a unique number issued by the Australian Taxation Office to each taxpaying entity — i.e., an individual, company, superannuation fund, partnership, or trust

unemployment benefit a welfare payment by government to people who are unemployed and looking for work. Such payments in Australia are generally known as the Newstart Allowance.

wants goods or services that are desired in order to provide satisfaction to the user, but which are not necessary for survival or to meet the basic standard of living in a community

work–life balance a feeling of having an appropriate balance between work and non-working time (i.e. leisure time and free time)

INDEX

A

age 80
age of workforce 90
allocate 14
allocation 45–6
Australian Bureau of Statistics (ABS) 83
Australian business number (ABN) 48
Australian economy 17
Australian public, tax for 50–1
Australian Securities Exchange (ASX) 26
Australian Tax Office (ATO) 44
tax brackets used by 45
Australia's system of taxation 44–5
purpose of 45–6

B

basic economic questions 7
benefits of saving 61
budget 39, 53, 59–61, 60, 100
and savings plan 65
business 4, 11–12, 14
business culture 83
business environment 9
business finance 68–73
financial reports 71–3
recording revenue and costs 69–70
revenue and costs for businesses 68–9
business opportunities
external factors influencing 79–82
internal factors influencing 82–3
business sector 18
buyers and sellers 18–19
buying a house 63–4

C

capital growth 26, 53
career length 88
cash flow statement 71, 72–3, 100
central business districts (CBDs) 23
changes to workplace laws 93–4
changing roles of men and women 90
common expenses 66
competition 80–1, 100
conditions of employment 93, 100
connection to Country 77
consumer and financial literacy 11
consumers 18

cooperative 76, 100
Corporate Social Responsibility 93, 100
cost–benefit analysis 13
cost of living 24, 53
costs 70, 100
costs of goods sold 71, 100
costs of the materials 71, 100
COVID-19 pandemic 23
current financial position 59–61, 100

D

decision-making 5–8
financial and business 97–8
resource allocation and 5–8
demand 27
demographics 79, 90, 100
direct taxation 45
disposable income 34, 53
distribution of income 45
dividends 26, 53

E

economic management 39
economic resources 5
economics 4, 11–12, 15
economic scarcity 5, 6, 14
economic system 7, 14
economy 3, 15 *see also* Australian economy
employees 85, 100
employers 85, 100
entrepreneur 9, 15
entrepreneurship 9–10
expenses 59, 60, 100
export 20, 53

F

Fair Work Act 2009, 93
financial institution 19, 53
financial literacy 11, 15
financial markets 24–5
working of 25
financial reports 71–3
financial sector 19–20
First Nations Australians
businesses 76–7
business support 75–6
communities and business opportunities 83–4
connection to Country 77
contemporary markets 76–7

partnerships and cooperatives 76
pre-colonisation trading 75
full-time participation rates 88

G

gender stereotypes in workplace 90
Goods and Services Tax (GST) 45
government policy 81
government sector 20
government spending and receipts 46–7
gross wage 65, 100

H

habits and experience 32
help others 92
hours of work 89–90
household sector 18, 53
human resource
management 91, 100
human resources 91, 100

I

immigration policies 42
import 20, 53
income 59, 60, 80, 100
income statement 71, 100
indirect taxation 45
influencing prices 31–2
infrastructure 38–9, 53
inputs 33, 53
interest 25, 53
international trade 21
international trade policies 41–2
investing in shares 64
investment 19, 53

K

key economic questions 32–4
for whom to produce 34
how to produce 33–4
what to produce 32–3

L

labour 18
labour force participation rates 90
labour markets 24
limited liability 100
location 82
long-term financial goals 63, 100
buying a house 63–4
investing in shares 64
saving for retirement 64

- long-term financial goals (*cont.*)
 - setting 63
 - superannuation 65
- M**
- market capitalist economy 8, 15
- market equilibrium 28, 29
- market forces 31
 - and allocation of resources 35–6
- marketing and advertising 33
- market mechanism 26–7
- markets 8, 15, 23
 - different types of 23–6
 - government involved in 37–43
- market system
 - buyers and sellers 18–19
 - financial sector 19–20
 - government sector 20
 - overseas sector 20–1
- measure of value 25
- medium of exchange 25
- minimum wage 24
- money, functions of 25
- mortgage loan 20
- N**
- needs 5, 15
- niche market 75, 100
- O**
- online shopping 23
- operating expenses 71, 100
- opportunity cost 6, 15
- outsourced labour in global
 - economy 86–7
- overseas sector 20–1
- P**
- partnerships 76
- part-time participation rates 88
- pension 100
- percentage mark-up 31
- planning and environment 41
- pre-colonisation trading 75
- prestige 92
- price mechanism 28–9
- privatised 39
- producers 18
- product 82
- product development 82, 100
- production 46
- R**
- rapid communication changes
 - 87–8
- rate of taxation 45
- resource allocation 5–8, 7, 15
- resource management 83
- retail markets 23
- revenue 68, 69–70, 100
- revenue and costs
 - for businesses 68–9
 - recording 69–70
- S**
- sales revenue 71, 100
- savings
 - benefits of 61
 - for retirement 64
 - plan 65
- self-satisfaction 92
- share market 26
- short-term financial goals 58, 101
 - setting 58
- social interactions 92, 93
- societal attitudes 81
- standard of deferred payments 25
- status 92
- store of value 25
- superannuation 64, 65, 101
- superannuation fund 65, 101
- supply 27–8
 - and demand graphs 13
- sustainability 94, 101
- T**
- target market, trends of 81–2
- tariff 41
- tastes and preferences 33
- tax 44
- taxation system, Australia 44–48
- taxation, rate of 45
- tax file number 10, 15, 48
- technological change 33, 87
- U**
- unemployment benefits 24
- V**
- value of work 92
- W**
- wages and employee relations 40
- wants 5, 15
- welfare 38
- work, value of 92
- work and futures 10
- workforce 85–6
 - changing 86–8
 - demographics of 90
- work–life balance 85, 101
- workplace, changing 85–95
- world of business 3, 4
- world of economics 3, 4
- Y**
- young people and tax 48–9