NEW CONCEPTS *in* COMMERCE

Third edition

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jacaranda *plus*

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All activities 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. Neither the publisher nor the authors can accept responsibility for any injury that may be sustained when completing activities described in this textbook.

In this book, the word 'Aborigine' rather than 'Koori' is used when referring to Indigenous Australians. The issues raised are not unique to the Indigenous people of New South Wales and so the Australia-wide reference has been maintained.

It is recommended that teachers should first preview resources on Aboriginal topics in relation to their suitability for the class level or situation. It is also suggested that Aboriginal parents or community members be invited to help assess the resources to be shown to Aboriginal children. At all times the guidelines laid down by the relevant education authorities should be followed.

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Preface

New Concepts in Commerce Third Edition is specifically designed to meet the requirements of the Stages 4 and 5 New South Wales Commerce syllabus. The text provides students with a detailed analysis of all the core and option topics. It is also a useful reference and resource for similar syllabuses nationally.

In the past few years, there have been an unprecedented number of changes in the economic, social, political, legal and technological makeup of the commercial world. In particular, the rapid developments in e-commerce and m-commerce, including the upsurge of online shopping, the need to protect yourself online from identity theft, and the use of mobile phone applications for financial transactions, are revolutionising every aspect of daily life. There have also been significant modifications to consumer protection and employment relations legislation. As a backdrop to all these changes is the impact of the global financial crisis and the European debt crisis.

The content of this third edition of *New Concepts in Commerce* is thoroughly revised and updated to take into account the changing nature of the commercial world. While this rapid pace of change makes Commerce a stimulating and exciting subject, it also makes it difficult for students and teachers to access contemporary and interesting resources. All topics in this text, therefore, are supplemented with a wide range of real-life and hypothetical case studies covering consumers, businesses and the issues currently affecting them. This enhances understanding and provides a base model for students' own research. Consumers who survive and prosper in today's rapidly changing world will be those who have developed sound financial and non-financial commercial skills.

Engaging different types of adolescent learners is now a priority of curriculum initiatives everywhere. *New Concepts in Commerce Third Edition* provides students with a diverse variety of activities, catered for students with varying abilities. Activities not only promote progress towards the achievement of Stages 4 and 5 Knowledge and Skills outcomes, but also the expression of attitudes and values.

Both the texts and the supporting resources give attention to engaging learners. There is a conscious focus on accessible and relevant content, stimulating activities and stunning visual appeal. This engagement is important in helping adolescents to remain focused and self-controlled in learning situations — crucial if they are to understand and adapt essential information and skills.

Concurrently, attempts are made through recognition of multiple intelligences to provide an opportunity not only for a multifaceted approach to particular topics, but also for students to demonstrate achievement in areas that best suit their natural abilities and learning styles.

As teachers and examiners with a diverse range of teaching experiences, we have written this text with the needs of students very much in mind. The language level is accessible to all students. Concepts are explained in straightforward terms, and reinforced by numerous up-to-date case studies, engaging visuals, careful definition of terms, a structured step-by-step approach in line with the syllabus and easy-to-read diagrams.

By using *New Concepts in Commerce Third Edition,* students will develop personal competence and the ability to responsibly participate in our changing commercial environment.

About the authors



Stephen Chapman is an active teacher, author, HSC marker and consultant, with 28 years' experience as a classroom teacher and Head Teacher. He has authored/co-authored 14 textbooks in the areas of Commerce, Business Studies and Economics. He has won awards for teaching excellence and pedagogical writings as well as a Commonwealth Parliamentary Teaching Fellowship. As a consultant, he works with schools to develop teaching programs and educational resources.



Malcolm Freak has 30 years of teaching experience in New South Wales schools, primarily in the subject areas of Commerce and Economics. He is currently Head Teacher of Social Science at Duval High School, in the university city of Armidale. He is an established co-author of a range of popular teaching resources for New South Wales students, including the original *Concepts in Commerce* and *Introducing Economics*. Malcolm has also been involved in HSC marking for Economics and has been awarded several Commonwealth Bank Financial literacy grants.

Syllabus table

Topics	Students learn about:	Section numbers in *New Concepts in Commerce* and related student *Workbook (WB)* (core topics) or *Worksheet (WS)* (option topics) activities
Core 1.1 Consumer choice	Commerce and choice	1.1, 1.2, C&C, WB1.1, WB1.2
	Consumer decisions	1.3, 1.4, 1.5, 1.6, 1.7, C&C, WB1.3, WB1.4, WB1.5, WB1.6, WB1.7
	Consumer protection	1.8, 1.9, 1.10, 1.11, 1.12, C&C, WB1.8
	Payment choices	1.13, 1.14, 1.15, 1.16, C&C, WB1.9, WB1.10
Core 1.2 Personal finance	Earning an income	2.1, C&C, WB2.1, WB2.2
	Spending and saving income	2.2, 2.3, C&C
	Borrowing money	2.4, 2.5, 2.6, WB2.3
	Managing finances	2.7, 2.8, 2.9, 2.10, 2.11, 2.12, C&C, WB2.4, WB2.5, WB2.6
	Investing money	2.13, 2.14, C&C, WB2.7, WB2.8, WB2.9, WB2.10,
Core 2.1 Law and society	The legal framework	3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, C&C, WB3.1, WB3.2, WB3.3, WB3.4, WB3.5, WB3.6
	Areas of law	3.8, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14, 3.15, C&C, WB3.7, WB3.8, WB3.9
	Using the legal system	3.16, 3.17, C&C, WB3.10, WB3.11
Core 2.2 Employment issues	The workplace	4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10, C&C, WB4.1, WB4.2, WB4.3, WB4.4, WB4.5
	Employment relations	4.11, 4.12, 4.13, 4.14, 4.15, C&C, WB4.6, WB4.7, WB4.8
	Taxation and superannuation	4.16, 4.17, C&C, WB4.9, WB4.10
Option 1 Investing	Investing	5.1, 5.2, 5.3, WS5.1
	Investment options	5.4, 5.5, WS5.2
	Investment planning	5.6, 5.7
Option 2 Promoting and selling	The selling process	6.1, 6.2, 6.3, WS6.1
	Targeting consumers	6.4, 6.5, WS6.2
	Applying selling techniques	6.6, 6.7, WS6.3
Option 3 E-commerce	The scope of e-commerce	7.1, WS7.1
	The e-commerce user	7.2, 7.3, 7.4, 7.5, 7.6, 7.7, 7.8, 7.9, WS7.2, WS7.3, WS7.4
Option 4 Global links	The global consumer	8.1, 8.2, 8.3, WS8.1
	The global investor	8.4
	Transnational organisations	8.5, 8.6
	Global business	8.7, WS8.2
	International aid programs	8.8, WS8.3

Topics	Students learn about:	Section numbers in *New Concepts in Commerce* and related student *Workbook (WB)* (core topics) or *Worksheet (WS)* (option topics) activities
Option 5 Towards independence	Moving from home	9.1
	Arranging accommodation	9.2, 9.3, WS9.1
	Managing finances	9.4, 9.5, WS9.2
	Major purchases	9.6, 9.7, WS9.3
	Community involvement and lifestyle issues	9.8
Option 6 Political involvement	Structure of government	10.1, 10.2, WS10.1
	Political action	10.3, WS10.2
	Decision making	10.4, 10.5, WS10.3, WS10.4
	Participation in the democratic process	10.6, 10.7, 10.8
Option 7 Travel	Travel destinations	11.1, 11,2, WS11.1, WS11.2
	Planning a trip	11.3, 11.4, 11.5, WS11.3, WS11.4
	Organising an itinerary	11.6
	Solving travel problems	11.7, 11.8
Option 8 The law in action	Contact with the law	12.1, 12.2, 12.3, 12.4, 12.5, WS21.1, WS12.2
	Rights and responsibilities	12.6
	Resolving disputes	12.7, WS12.3
Option 9 Our economy	Economic change	13.1, 13.2, 13.3, 13.4, 13.5, WS13.1, WS13.2, WS13.3
	Price changes	13.6, 13.7
Option 10 Community participation	Non-profit organisations	14.1, 14.2, WS14.1
	Active community participation	14.3, 14.4, WS14.2
	Goal-setting in a range of contexts	14.5, 14.6, WS14.3
	Achieving community outcomes	14.7
Option 11 Running a small business	Being an entrepreneur	15.1, WS15.1
	Planning for success	15.2, 15.3, 15.4, 15.5, WS15.2
	Business operation	15.6, 15.7, 15.8, WS15.3, WS15.4

Note: C&C = Check & challenge sections, WB = Student Workbook, WS = Student Worksheet

Note: Content on 'Current issues' is integrated through options chapters in this book and in weblinks and worksheets on eBookPLUS.

How to use this book

The following examples highlight the structure and main features of *New Concepts in Commerce Third Edition* and the additional facilities offered through eBookPLUS.

Chapters cover each of the four core topics and all eleven option topics.

Chapters begin with an introduction and a focus statement to set the context.

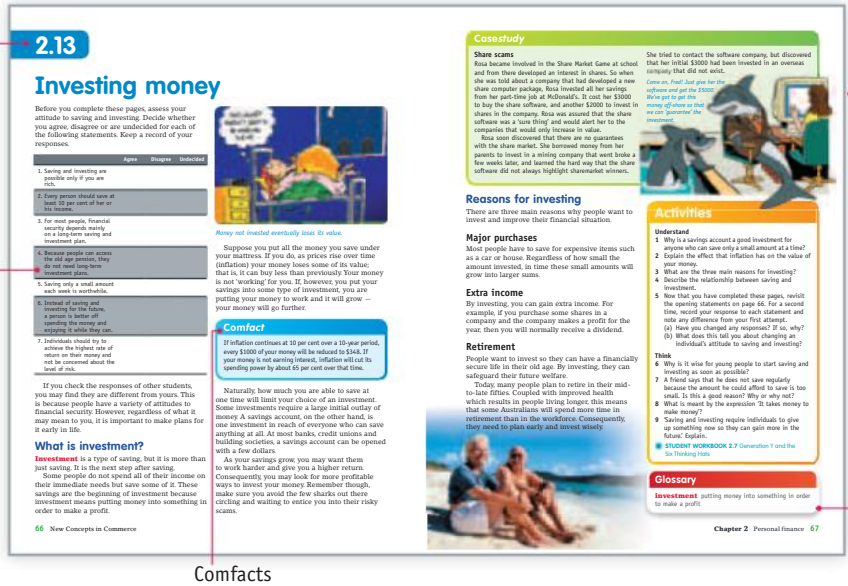


The glossary defines key words for the chapter.

Photographs are chosen for their visual appeal and relevance to students' lives.

Content is presented in two-page spreads for ease of study and teaching.

Content is presented in a variety of ways — for example, in tabular form and case studies.

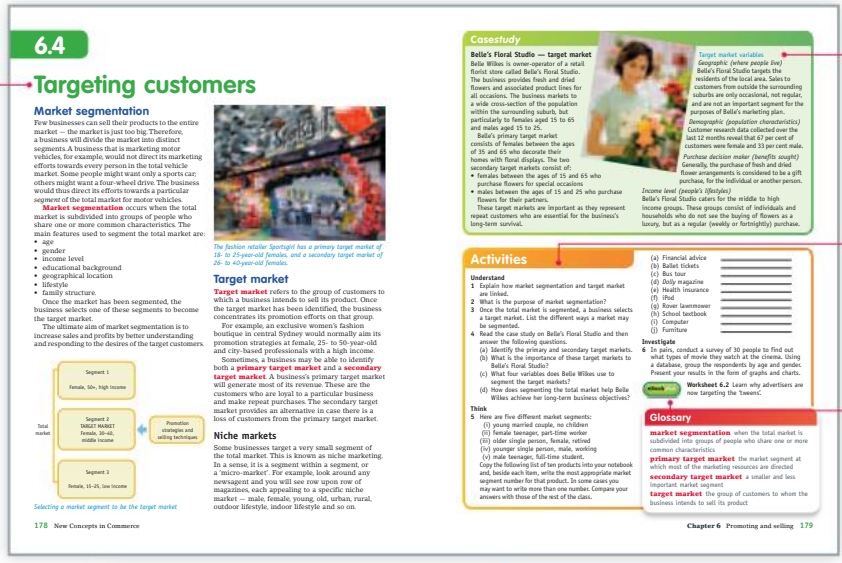


Full-colour artwork, photographs and diagrams are used throughout.

Glossary terms are defined on the page.

Comfacts contain interesting commerce facts and explanations.

Content of spreads closely follows syllabus points.



6.4

Targeting customers

Market segmentation

Few businesses can sell their products to the entire market — the market is just too big. Therefore, a business will divide the market into distinct segments. A business that is marketing motor vehicles, for example, would not direct its marketing efforts towards every person in the total vehicle market. Some people might want only a sports car; others might want a four-wheel drive. The business would thus direct its efforts towards a particular *segment* of the total market for motor vehicles.

Market segmentation occurs when the total market is subdivided into groups of people who share one or more common characteristics. The main features used to segment the total market are:

- age
- gender
- income level
- educational background
- geographical location
- lifestyle
- family structure.

Once the market has been segmented, the business selects one of these segments to become the target market.

The ultimate aim of market segmentation is to increase sales and profits by better understanding and responding to the desires of the target customers.

Selecting a market segment to be the target market

The fashion retailer Sportsgirl has a primary target market of 18- to 25-year-old females, and a secondary target market of 26- to 40-year-old females.

Target market

Target market refers to the group of customers to which a business intends to sell its product. Once the target market has been identified, the business concentrates its promotion efforts on that group.

For example, an exclusive women's fashion boutique in central Sydney would normally aim its promotion strategies at female, 25- to 50-year-old and city-based professionals with a high income.

Sometimes, a business may be able to identify both a **primary target market** and a **secondary target market**. A business's primary target market will generate most of its revenue. These are the customers who are loyal to a particular business and make repeat purchases. The secondary target market provides an alternative in case there is a loss of customers from the primary target market.

Niche markets

Some businesses target a very small segment of the total market. This is known as niche marketing. In a sense, it is a segment within a segment, or a 'micro-market'. For example, look around any newsagent and you will see row upon row of magazines, each appealing to a specific niche market — male, female, young, old, urban, rural, outdoor lifestyle, indoor lifestyle and so on.

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Casestudy

Belle's Floral Studio — target market

Belle Wilkes is owner-operator of a retail florist store called Belle's Floral Studio. The business provides fresh and dried flowers and associated product lines for all occasions. The business markets to a wide cross-section of the population within the surrounding suburb, but particularly to females aged 15 to 65 and males aged 15 to 25.

Belle's primary target market consists of females between the ages of 35 and 65 who decorate their homes with floral displays. The two secondary target markets consist of:

- females between the ages of 15 and 65 who purchase flowers for special occasions
- males between the ages of 15 and 25 who purchase flowers for their partners.

These target markets are important as they represent repeat customers who are essential for the business's long-term survival.

Target market variables
Geographic (where people live)
Belle's Floral Studio targets the residents of the local area. Sales to customers from outside the surrounding suburbs are only occasional, not regular, and are not an important segment for the purposes of Belle's marketing plan.
Demographic (population characteristics)
Customer research data collected over the last 12 months reveal that 67 per cent of customers were female and 33 per cent male.
Purchase decision maker (benefits sought)
Generally, the purchase of fresh and dried flower arrangements is considered to be a gift purchase, for the individual or another person.
Income level (people's lifestyles)
Belle's Floral Studio caters for the middle to high income groups. These groups consist of individuals and households who do not see the buying of flowers as a luxury, but as a regular (weekly or fortnightly) purchase.

Activities

Understand

1 Explain how market segmentation and target market are linked.
2 What is the purpose of market segmentation?
3 Once the total market is segmented, a business selects a target market. List the different ways a market may be segmented.
4 Read the case study on Belle's Floral Studio and then answer the following questions.
(a) Identify the primary and secondary target markets.
(b) What is the importance of these target markets to Belle's Floral Studio?
(c) What four variables does Belle Wilkes use to segment the target markets?
(d) How does segmenting the total market help Belle Wilkes achieve her long-term business objectives?

Think

5 Here are five different market segments:
(i) young married couple, no children
(ii) female teenager, part-time worker
(iii) older single person, female, retired
(iv) younger single person, male, working
(v) male teenager, full-time student.
Copy the following list of ten products into your notebook and, beside each item, write the most appropriate market segment number for that product. In some cases you may want to write more than one number. Compare your answers with those of the rest of the class.

(a) Financial advice
(b) Ballet tickets
(c) Bus tour
(d) *Dolly* magazine
(e) Health insurance
(f) iPod
(g) Rover lawnmower
(h) School textbook
(i) Computer
(j) Furniture

Investigate

6 In pairs, conduct a survey of 30 people to find out what types of movie they watch at the cinema. Using a database, group the respondents by age and gender. Present your results in the form of graphs and charts.

eBook Worksheet 6.2 Learn why advertisers are now targeting the 'tweens'.

Glossary

market segmentation when the total market is subdivided into groups of people who share one or more common characteristics

primary target market the market segment at which most of the marketing resources are directed

secondary target market a smaller and less important market segment

target market the group of customers to whom the business intends to sell its product

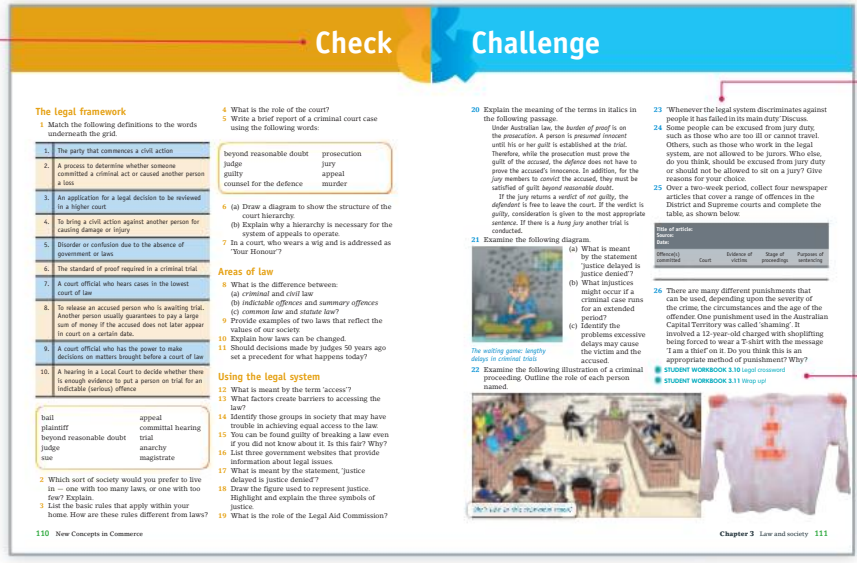
Chapter 6 Promoting and selling 179

Wide range of real-life and hypothetical case studies.

Activities are organised under headings from lower to higher order of complexity.

Worksheets for options are provided on eBookPLUS, free with the student text.

'Check & Challenge' sections at the end of each core topic chapter contain revision and extension activities.



Check

The legal framework

1 Match the following definitions to the words underneath the grid.

1.	The party that commences a civil action
2.	A process to determine whether someone committed a criminal act or caused another person a loss
3.	An application for a legal decision to be reviewed in a higher court
4.	To bring a civil action against another person for causing damage or injury
5.	Disorder or confusion due to the absence of government or laws
6.	The standard of proof required in a criminal trial
7.	A court official who hears cases in the lowest court of law
8.	To release an accused person who is awaiting trial. Another person usually guarantees to pay a large sum of money if the accused does not later appear in court on a certain date.
9.	A court official who has the power to make decisions on matters brought before a court of law
10.	A hearing in a Local Court to decide whether there is enough evidence to put a person on trial for an indictable (serious) offence

bail	appeal
plaintiff	committal hearing
beyond reasonable doubt	trial
judge	anarchy
sue	magistrate

2 Which sort of society would you prefer to live in — one with too many laws, or one with too few? Explain.
3 List the basic rules that apply within your home. How are these rules different from laws?
4 What is the role of the court?
5 Write a brief report of a criminal court case using the following words:

beyond reasonable doubt	prosecution
judge	jury
guilty	appeal
counsel for the defence	murder

6 (a) Draw a diagram to show the structure of the court hierarchy.
(b) Explain why a hierarchy is necessary for the system of appeals to operate.
7 In a court, who wears a wig and is addressed as 'Your Honour'?

Areas of law

8 What is the difference between:
(a) *criminal* and *civil* law
(b) *indictable offences* and *summary offences*
(c) *common law* and *statute law*?
9 Provide examples of two laws that reflect the values of our society.
10 Explain how laws can be changed.
11 Should decisions made by judges 50 years ago set a precedent for what happens today?

Using the legal system

12 What is meant by the term 'access'?
13 What factors create barriers to accessing the law?
14 Identify those groups in society that may have trouble in achieving equal access to the law.
15 You can be found guilty of breaking a law even if you did not know about it. Is this fair? Why?
16 List three government websites that provide information about legal issues.
17 What is meant by the statement, 'justice delayed is justice denied'?
18 Draw the figure used to represent justice. Highlight and explain the three symbols of justice.
19 What is the role of the Legal Aid Commission?

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Challenge

20 Explain the meaning of the terms in italics in the following passage.
Under Australian law, the *burden of proof* is on the *prosecution*. A person is *presumed innocent* until his or her guilt is established at the *trial*. Therefore, while the prosecution must prove the guilt of the *accused*, the *defence* does not have to prove the accused's innocence. In addition, for the *jury* members to *convict* the accused, they must be satisfied of guilt *beyond reasonable doubt*.
If the jury returns a *verdict of not guilty*, the *defendant* is free to leave the court. If the verdict is *guilty*, consideration is given to the most appropriate *sentence*. If there is a *hung jury* another trial is conducted.

21 Examine the following diagram.

The waiting game: lengthy delays in criminal trials

(a) What is meant by the statement 'justice delayed is justice denied'?
(b) What injustices might occur if a criminal case runs for an extended period?
(c) Identify the problems excessive delays may cause the victim and the accused.

22 Examine the following illustration of a criminal proceeding. Outline the role of each person named.

23 'Whenever the legal system discriminates against people it has failed in its main duty' Discuss.
24 Some people can be excused from jury duty, such as those who are too ill or cannot travel. Others, such as those who work in the legal system, are not allowed to be jurors. Who else, do you think, should be excused from jury duty or should not be allowed to sit on a jury? Give reasons for your choice.
25 Over a two-week period, collect four newspaper articles that cover a range of offences in the District and Supreme courts and complete the table, as shown below.

Title of article: Source: Date:				
Offence(s) committed	Court	Evidence of victim	Stage of proceedings	Purposes of sentencing

26 There are many different punishments that can be used, depending upon the severity of the crime, the circumstances and the age of the offender. One punishment used in the Australian Capital Territory was called 'shaming'. It involved a 12-year-old charged with shoplifting being forced to wear a T-shirt with the message 'I am a thief' on it. Do you think this is an appropriate method of punishment? Why?

STUDENT WORKBOOK 3.10 Legal crossword
STUDENT WORKBOOK 3.11 Wrap up!

Activities on Challenge page require students to think about and apply their knowledge.

Links to the companion student workbook are shown within the student text where appropriate.

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Making Laws

Searchlight ID: PRO-xxxx3 <to come at final pages>

Scenario

You are a Member of Parliament. The local council responsible for much of your electorate has recently opened a new sporting ground in the area. Although it should have been a positive addition to your electorate, the new sporting ground has brought with it a range of new issues. The biggest issue is that of the significant increase of alcohol-related offences by young people under the age of 25. These offences are being highlighted in the local media. Unfortunately the number of offences has risen so much that, now, the details are being used by the country's media networks as the best example of the urgent need to increase the legal age of drinking from 18 to 21.

Task

To satisfy your constituents and your political party, you must take action. You will need to develop a policy for your party on the issue of 'Increasing the legal drinking age from 18 to 21'. You might not agree that the drinking age should be increased to 21, but your party needs to be seen to be making positive change. So if you don't support this suggestion, you must introduce a different party policy that will target binge drinking in Australia's youth. As a Member of Parliament you must provide a report to your party detailing why the current drinking laws need to change. You will also need to make sure that a new or amended law is passed. This means you will be required to describe the process that will have to be followed to secure the passage of this law through parliament.

You are provided with a newspaper article published on the issue, an excerpt from a radio talkback show and letters from two of your constituents who are passionate about different sides of this argument.

Process

1. Form a group with other members of your class. Open up your ProjectsPLUS application for this chapter, located in your eBookPLUS. View the Project Brief and then click the 'Start new project' button and set up your project group. Save your settings and the project will be launched.
2. Navigate to the Media Centre and read the newspaper article and letters from your constituents, and then listen to the talkback radio segment.
3. You now need to complete research on the topic of 'Increasing the legal age of drinking from 18 to 21', and enter your findings as articles in the Research Forum under each of the following pre-loaded topics:
   - Medical reasons for increasing the age of drinking
   - Social consequences of alcohol abuse
   - Financial repercussions of alcohol abuse
   - Political reasoning

The information that you gather will be used to help you complete the 'Party Policy' template. View and comment on other group members' articles, and rate the information they have entered. You may also like to add additional topics to the Research Forum.
4. When your research is completed, print your Research Report and then navigate to your Media Centre and select 'Templates'. Open the 'Party Policy' template to use as a guide to complete this section. Use your Research Report to help you discuss why the current law regarding the drinking age needs to change.
5. Decide on a policy for your party e.g. 'Increasing the legal drinking age from 18 to 21'. If you don't think the drinking age should be increased to 21, introduce a different party policy that will target binge drinking in Australia's youth.
6. Next, write a 3–5 minute speech based on your research. Your audience will be the political party that you represent. In the speech, you will need to describe and justify your new policy (i.e. provide arguments in favour of it). Once your group has written the speech, select one group member to present the speech to the rest of the class.
7. Create a poster describing the process that will have to be followed in order to make your policy into law. Use a flow chart to illustrate this process.
8. On the last page of your 'Party Policy' document, a properly referenced Bibliography needs to be completed. An example is provided.
9. Print your 'Party Policy' document and each student's Research Report, and submit them to your teacher along with your poster.

projectsplus

Your ProjectsPLUS application is available in the Student Resources section inside your eBookPLUS. Visit **www.jacplus.com.au** to locate your digital resources.

Suggested software
- ProjectsPLUS
- Microsoft Word

Media centre
Your Media Centre contains:
- a newspaper article
- a talkback radio segment
- letters from two constituents
- a 'Party Policy' template
- an interactivity called

DIGITAL resources for this chapter

JURIES

This video eLesson puts the world of juries and their role in the decision-making process under the spotlight. Is the jury important to us or are we happy for judges and magistrates to do the job? Is the jury still an important chance for public participation in our justice system and worth fighting for, or has it outlived its usefulness?

Searchlight ID: eles-0785

REVELATION: THE COURT ROOM

There are many different officials who are part of the court process. This interactive Revelation will challenge you to identify the roles of different individuals in a court case. Success rewards you with a fun animation.

Searchlight ID: INT-

The student eBookPLUS contains scaffolded digital projects, video eLessons and interactivities for core topics.

112 New Concepts in Commerce

Chapter 3 Law and society 113

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Searchlight

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- Go to the JacarandaPLUS help page at www.jacplus.com.au/jsp/help.jsp.
- Contact John Wiley & Sons Australia, Ltd.
  Email: support@jacplus.com.au
  Phone: 1800 JAC PLUS (1800 522 7587)

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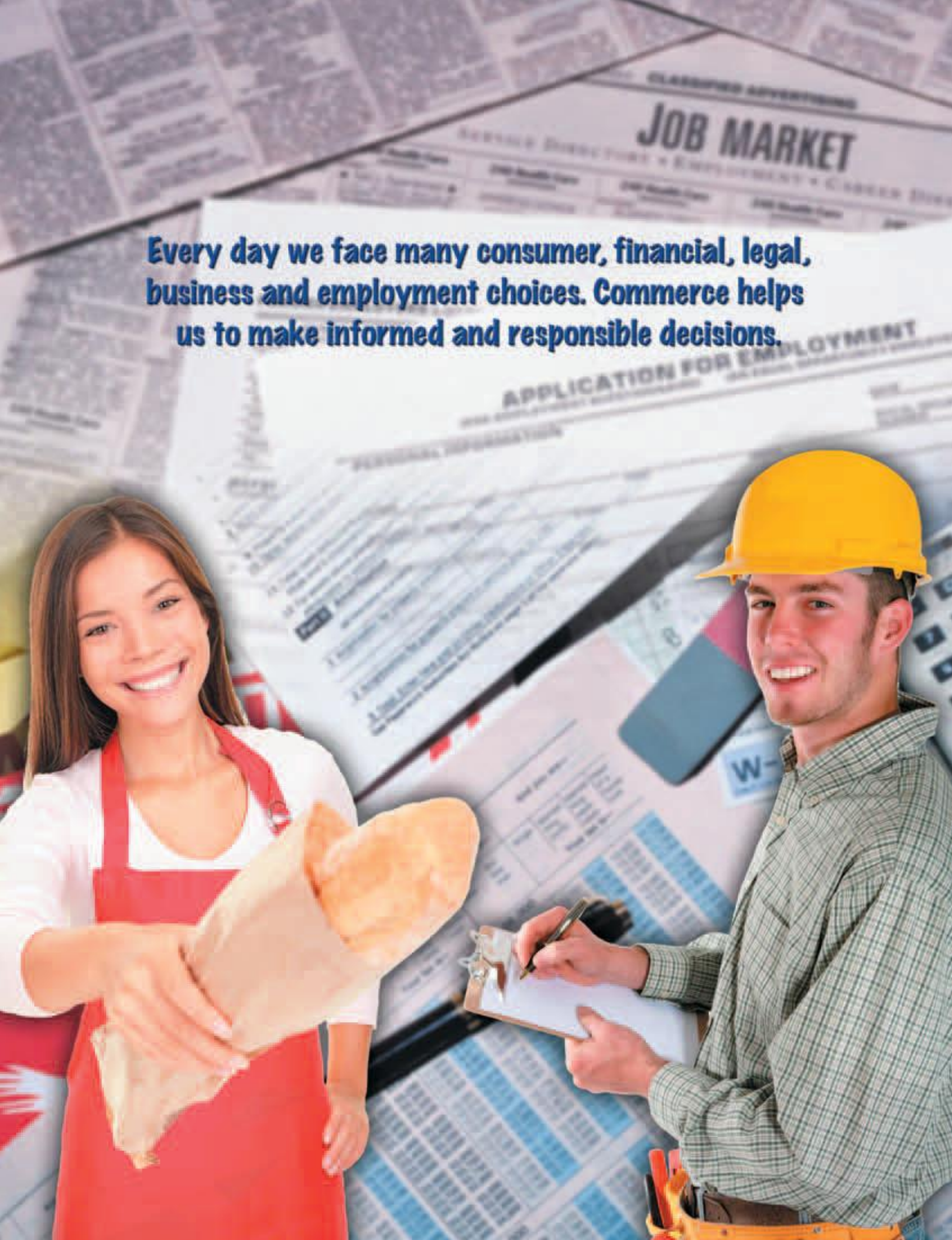
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Every day we face many consumer, financial, legal, business and employment choices. Commerce helps us to make informed and responsible decisions.

Chapter 1

CORE



Consumer choice

Congratulations! You are about to begin the exciting subject called 'Commerce'. Commerce is not a totally new subject to you. In one sense you have been practising Commerce ever since you made your first purchase many years ago. That simple transaction launched you on life's journey as a consumer and as an important part of the commercial world.

Commerce examines how people earn their income, how they spend their money, and how and what goods and services are produced. It also investigates the ways in which governments and the law influence people's commercial behaviour.

Undertaking this Commerce course will give you a better understanding of how to make wise commercial decisions.

STUDENT WORKBOOK 1.1 Start up!

Focus

On completion of this chapter, you will have learned how to identify, research and evaluate options when making decisions related to solving the problems and issues that confront consumers.

Glossary

acceptable quality a product fit for purpose, acceptable in appearance and finish, free from defects, safe and durable

acceptance when the offeree agrees to the proposal

barter the swapping or exchanging of one good for another

book-up a charge account operated by a trader

budget a list of income and likely expenditures

business any organisation that produces and sells goods and services in order to make a profit

caveat emptor a term meaning 'let the buyer beware'

cheque a written communication ordering your financial institution to pay a person a specific amount of money

commerce the buying and selling of goods and services between individuals and businesses

comparison shopping contacting (by telephone, internet or in person) a number of sellers to obtain the best deal

consideration the giving up of something of value

consumer someone who purchases goods and services to satisfy needs and wants

consumer guarantees a set of rights and remedies for defective goods and services

contract a legally binding agreement

distribution chain the ways of getting the product to the customer

drawee the financial institution that provides cheque account facilities

drawer the person who writes and signs a cheque

e-commerce the buying and selling of information, goods and services via the internet

EFTPOS electronic funds transfer at point of sale

electronic transfer the transfer of funds from one account to another via the internet or telephone

e-tailer electronic retailer

goods items that you can see or touch

impulse buying buying something without giving much thought as to whether you really need it

income money received on a regular basis from work, property, business, investment or welfare payments

interest the extra money you have to pay back when borrowing money

labour force people aged 15 and over who are either employed or unemployed

mail order to buy products, via catalogues, for delivery by mail

manufacturer a person or business that makes goods

money any token, with an agreed value, that people accept as payment in exchange for a good or service

needs things that are necessary for survival, such as water and food

offer a proposal

online shopping purchasing products over the internet

payee the person who is to receive the money from a cheque

price the amount of money a consumer is prepared to offer in exchange for a good or service

profit what remains after all business expenses are deducted from sales revenue

redress to set right

retailer a business that sells products directly to consumers

rip off to overcharge or swindle

scam an illegal business practice

services things done for you by others

unconscionable act any practice by a seller that is just not reasonable and often illegal

wants things that are not essential for survival but that we would like to have

wholesaler buys goods in large quantities from the manufacturer

1.1

Commerce and choice

The world of **commerce** is everywhere. It is all around us, going on day and night, today and tomorrow. The world of commerce never sleeps, but is an active and exciting place full of surprise and change.

Surviving in this competitive world of commerce is not easy. Many of the things you will do as a consumer will require wise decision making. Now and in the future you will be managing your own money. You will be earning, spending and saving your income. Through improving your knowledge of how the world of commerce operates, you can learn to make wise consumer decisions.

In our daily lives, some of the most common commercial choices include:

- what to buy
- where to go on holiday
- where to live (do we buy a house/flat or rent one?)
- what career to follow
- which investment gives the highest return
- how much to save versus how much to spend.

'Commerce' is not a totally new subject to you. Imagine, for example, that you have $30. Because you have only a limited amount of **money**, you are forced to make a choice. You can choose to buy either a DVD or a T-shirt. Alternatively, you could choose to save your money with the intention of buying an iPad later on.

Decisions affecting the quality of our lives

Toby faces some important decisions. He wants to purchase a mobile phone but is not sure which plan to choose or if a pre-paid card is better. He wants to open a savings account but doesn't know which one provides the best features. He has been offered a part-time job at a local bakery but is uncertain about how this will affect his schoolwork. He also wants to purchase only products that are environmentally friendly.

Toby realises that making decisions can sometimes be difficult. To make wise decisions, he must research the different options available, evaluate each one, and then make a final selection.

Making wise decisions depends not on good luck but on being well prepared and well informed. A poor decision may result in financial difficulties and personal unhappiness.

Whether decisions are made on impulse, by habit or after careful evaluation of the alternatives, each one can have a direct effect on the quality of our lives.

Consumer decisions

We are all **consumers**. A consumer is someone who purchases **goods** and **services** to satisfy **needs** and **wants**. Everyone has needs and wants and we spend a lot of time and money trying to satisfy them. Consumers, therefore, are constantly making choices when they buy goods and services.



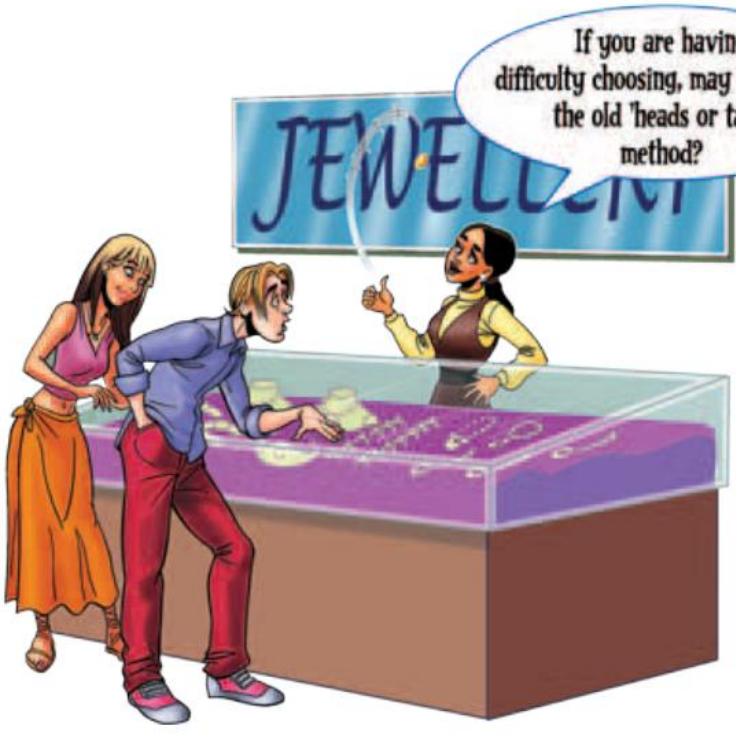
Toby must make some important decisions.

ˆNot long ago, consumers who wanted to find out about an item to purchase simply asked the store owner. However, in today's complex marketplace, filled with a vast range of goods and services, decision making can be complicated. For example, a consumer shopping in a supermarket can choose from thousands of goods. As more choices become available, especially due to the growing popularity of internet shopping which makes decision making even more complex, it is increasingly difficult for consumers to make wise decisions.

Some consumer decisions are relatively simple because the amount of money you have is limited. On other occasions, you may be forced to make difficult choices, especially when businesses try to persuade you to buy their product by using influential advertising.

You should consider three basic questions before you decide to buy something:

1. *Do I really want this item?* If you purchase one thing, you will have to do without something else. Therefore, choose the product that gives you the greatest amount of satisfaction.
2. *Can I afford it?* By purchasing this product, will you have enough money left for other essential items? Because you cannot have everything you want, you must decide which items you want most and can afford.
3. *Is there something better?* By shopping around, or using the internet, you can compare similar products, allowing you to select the product that best suits your needs. As well, you will be able to compare **prices**.



Making wise consumer choices can sometimes be difficult.

Activities

Understand

1 What is meant by the term 'commerce'?
2 List four common commercial choices people have to make in their everyday lives.
3 What is a consumer? Why are all consumers forced to make choices?
4 Explain the difference between a *need* and a *want*. Paste in your notebook pictures of three of your needs and three of your wants.
5 List the three basic questions you should consider before buying something.
6 What are the consequences of making poor commercial decisions?

Think

7 You receive a gift of $100. You need to make some commercial decisions:
(a) What will you spend the money on? Why?
(b) Will you save any money? Why?
8 Do you believe people can learn how to make wise consumer decisions? Give reasons for your answer.
9 Think of a product you recently purchased that you now think was an unwise choice. Why do you consider the choice to be unwise? Outline what influenced you to buy the product.

Communicate

10 Design a pamphlet aimed at 15-year-old students explaining the importance of making wise consumer decisions.
11 In small groups, discuss how the internet may influence consumer decision making. Summarise the views of the group as dot points in a PowerPoint presentation.

STUDENT WORKBOOK 1.2
Teenage spending habits

Glossary

commerce the buying and selling of goods and services between individuals and businesses

consumer someone who purchases goods and services to satisfy needs and wants

goods items that you can see or touch

money any token, with an agreed value, that people accept as payment in exchange for a good or service

needs things that are necessary for survival, such as water and food

price the amount of money a consumer is prepared to offer in exchange for a good or service

services things done for you by others

wants things that are not essential for survival but that we would like to have

1.2

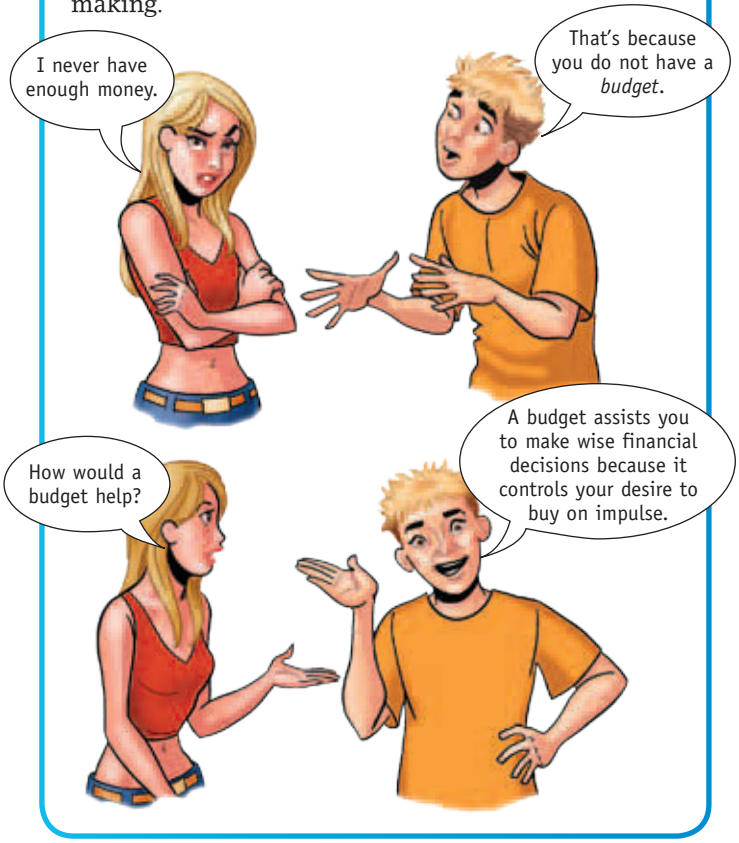
More decisions to make

Life can become complicated, especially when important decisions need to be made. Apart from everyday consumer decisions, you may have to make decisions related to financial, business, employment, legal or environmental factors.

Financial decisions

The most basic financial decision consumers need to make is how much of their **income** to save and how much to spend. Income is money received on a regular basis from work, property, business, investment or welfare. To gain the greatest possible satisfaction from their income, many people develop a financial plan. Consumers need plans so that they will have enough money to satisfy their wants. A plan might cover income and spending for the week, month, year and even future years. By making these plans, consumers should be able to improve their wellbeing or quality of life. These plans are called **budgets**.

Consumers who do not have a budget are often heard saying that 'money burns a hole in my pocket': a sure sign of poor financial decision making.



Business decisions

As a high school student, perhaps you have operated your own 'business': mowing neighbours' lawns, babysitting or setting up a stall at a local community market. If so, you have entered the world of business. A **business** is any organisation that produces and sells goods and services in order to make a **profit**. It also provides people with employment, and is a key player in the economy.

As a business owner, you must make a number of important decisions. How well you make these decisions largely determines the success of your business. The main business decisions include:

- To whom will I sell my good or service?
- How much will I charge?
- Where will I buy my supplies?
- How will I market my business?

By producing goods or services for sale on the market, you hope to achieve a number of business goals. Making a profit is perhaps the most basic of these. A business makes a profit when the income earned (revenue) is greater than the costs of production (expenses).



Employment decisions

Students are often asked: 'What do you want to do when you leave school?' It can be a difficult question to answer, especially when you are young and the **labour force** is changing so rapidly.

The decision on which career path to take is one of the most important you will make. Therefore, you need to investigate the various options. When deciding on a career, you should consider:

- your abilities, interests and personality
- the careers market — what is available now as well as future prospects
- how to become qualified and prepare yourself for a job.

Legal decisions

For most simple purchases, you will be able to look after yourself. However, with the wide variety of products available today, legal decisions are more complex. It may be difficult to determine on first inspection if a product is faulty, especially if it is well packaged. Consequently, laws such as the *Competition and Consumer Act 2010* (Cwlth) and the *Fair Trading Act 1987* (NSW) have been developed to protect the consumer. If you buy a product and then find it is faulty, you need to be aware of your rights and responsibilities according to the law for consumer protection.







Environmental decisions

One important set of decisions, which will directly affect your physical quality of life, involves the responsibility to protect the world's environment both for now and in the future. As a consumer, you can decide to purchase products that are less harmful to the environment. You can also recycle glass, tin cans, aluminium cans, newspapers, plastic bottles and clothing. Consumers are being encouraged to consider alternatives to the plastic shopping bag because it is not biodegradable. Sometimes environmental decisions can be difficult to make because we are confused about which products are environmentally safe.

Activities

Understand

1. What is meant by the term 'budget'?
2. What is the purpose of business?
3. Identify two ways in which people are dependent on business.
4. Explain how a business makes a profit.
5. List the three factors you should consider when deciding on a career.

Think

6. Predict the likely outcome of not having a budget.
7. What is meant by the expression, 'Money burns a hole in my pocket'?

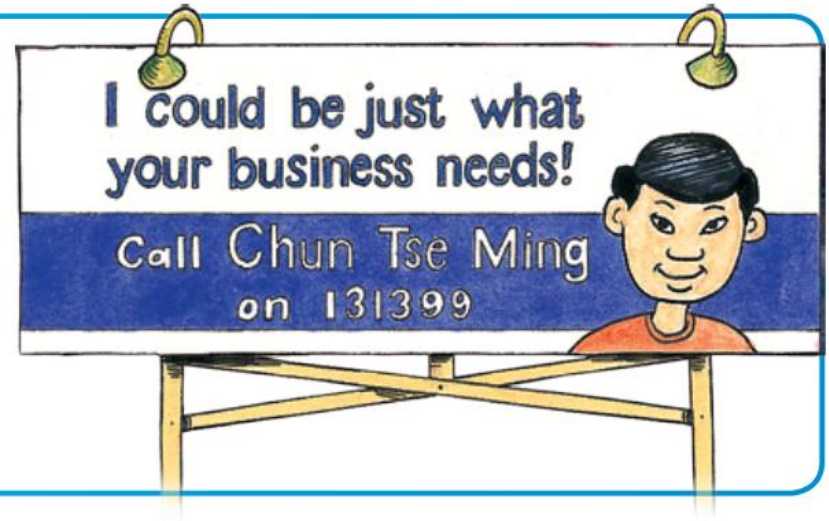
Communicate

8. In small groups, list five products available today that are thought to be harmful to the environment. What are the alternatives to purchasing these products? Summarise the views of the group as dot points in a PowerPoint presentation.
9. In small groups, create a one-minute roleplay to explain the importance of recycling. Present it to the class.

Investigate

10. Use the library and the internet to research and report on the changes in the labour force over the last 30 years. For example, research the changing proportion of women in the labour force, and the number of people under 20 and over 60.

STUDENT WORKBOOK 1.3 Using spider maps



Glossary

budget a list of income and likely expenditures

business any organisation that produces and sells goods and services in order to make a profit

income money received on a regular basis from work, property, business, investment or welfare payments

labour force people aged 15 and over who are either employed or unemployed

profit what remains after all business expenses are deducted from sales revenue

1.3

Comparison shopping

Most goods and services are available from more than one **retailer** or **e-tailer**. Often the same product costs different amounts at different stores or sites. Shopping around to obtain the best deal is referred to as **comparison shopping**. When making a major purchase, it is essential you compare the price, quality, availability and after-sales service. If you know the cheapest price in the marketplace, you are in a better bargaining position. If the prices are almost identical in all stores or sites, the most conveniently located store or the site you are familiar with is probably a wise choice. If there is a lot of difference in the prices, the cheapest product may not always be the best buy because it may be of inferior quality and consequently not last as long as more expensive items. The more you know about the items you intend to buy, the better shopper you will be.

Comfact

Many Australian families spend up to 40 per cent of their disposable income at the supermarket each week. Therefore, comparing grocery prices can save a family quite a lot of money over time.

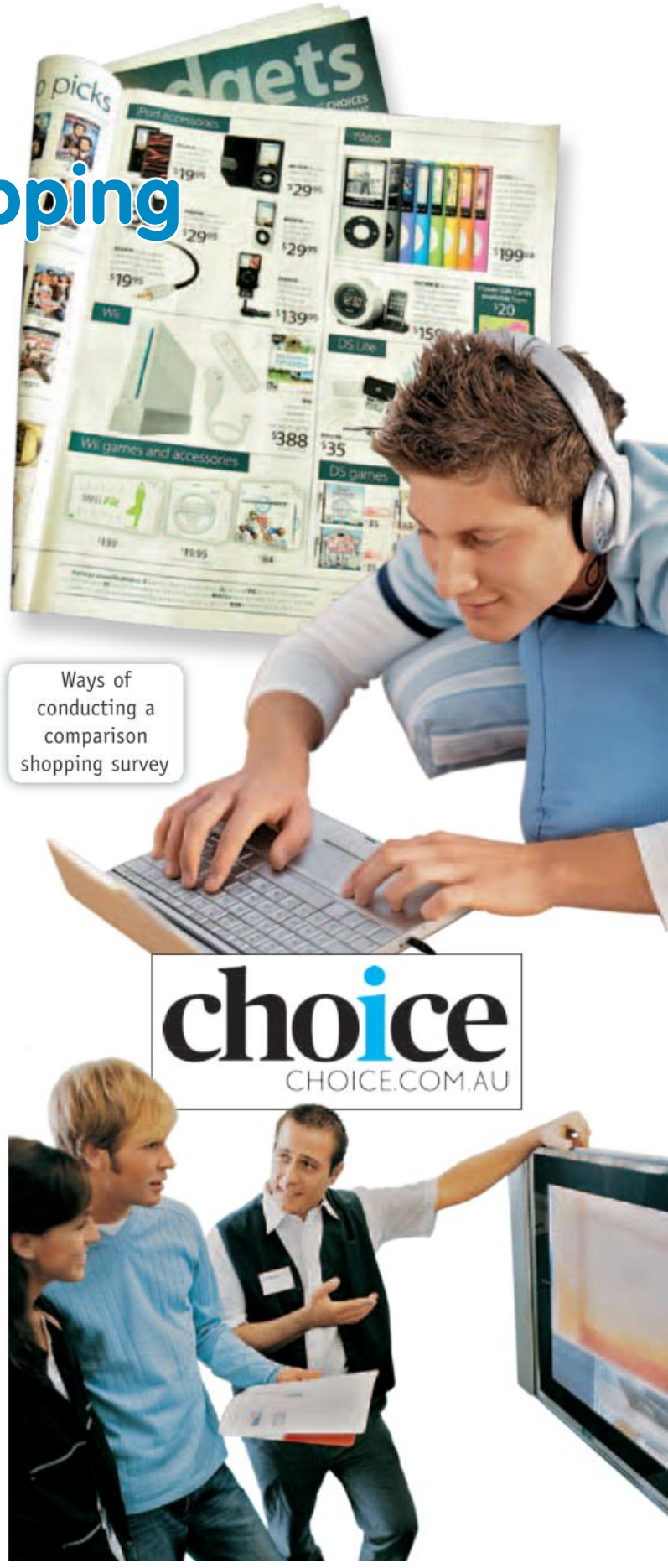
Online shopping — **e-commerce** — has made comparison shopping much easier. You can quickly compare prices for a wide variety of products from online stores around the world. However, whether it is an online 'click' store or a real 'brick' store, you should always avoid the temptation of **impulse buying**.

If you shop around, here is what you will find.

Types of goods and services

There are many different types of goods and services and we buy them for a range of reasons; for example, consumables, household goods, luxury items, repair services or information services.

Some types of shop are cheaper than others. For example, department stores (Myer), discount variety stores (Target and Big W) and large specialty stores (Retravision and Betta outlets) are usually cheaper than small, independent retailers because larger stores can carry more stock. However, most small retailers focus on high levels of assistance and after-sales service.



There are many different ways to compare products and prices.

Different brands and products

Some brands are cheaper than others. Well-known, highly reputable brands tend to be more expensive than those brands that are not well known. However, this does not always mean that a cheaper product is of inferior quality although, generally, expensive products are better quality and will last longer. When you buy a product, you need to think about its quality as well as the price.



Many bargains turn out to be poor-quality imitations of the real thing. Bargain hunters must learn what steps to take to protect themselves in their search for value.

Choosing what to buy

Do not be pressured into buying something quickly. Making a quick decision will usually result in you wasting your money. Purchases made on the spur of the moment can often turn out to be unsatisfactory. You may be left with a product which does not meet your requirements and which you may never use.

To help you make wise decisions in future, follow the eight rules for comparison shopping.

1. Think carefully about what you want.
2. Shop around for the best deal.
3. Investigate the product's features.
4. Decide beforehand how you want to pay.
5. Check the refund and returns policy.
6. Do not sign anything you do not understand or a blank form.
7. Compare after-sales service and guarantees.
8. Keep all receipts and invoices.

Eight rules for comparison shopping

Activities

Understand

1 How is impulse buying different from comparison shopping?
2 List the sources you could use if you wished to undertake a comparison-shopping exercise.
3 Briefly outline the main advantages of comparison shopping.
4 Here are a number of strategies you can use to help avoid impulse buying. Copy each of them into your notebook and then explain how the strategy would help you to avoid falling into the trap of impulse buying.
   (a) Prepare a shopping list.
   (b) Compare different brands.
   (c) Compare prices at different stores.
   (d) Ask yourself, 'Do I really need this?'.

Communicate

5 Advise others of the advantages of comparison shopping by either:
   (a) creating a collage poster
   (b) designing a pamphlet
   (c) preparing a PowerPoint presentation.

eBookplus

6 In small groups, either visit different electronic retailers or use the **Comparison.com.au** weblink in your eBookPLUS to research and determine the best deal for a:
   (a) 14 megapixel digital camera with 10 × optical zoom
   (b) 42" (106 cm) LED television with 1920 × 1080 pixel resolution
   (c) 34 litre 1000 watt microwave oven.
   Select a product from the list and explain why it was the best deal. Share your results with the rest of the class.

STUDENT WORKBOOK 1.4 Shop to a budget

Glossary

comparison shopping contacting (by telephone, internet or in person) a number of sellers to obtain the best deal

e-commerce the buying and selling of information, goods and services via the internet

e-tailer electronic retailer

impulse buying buying something without giving much thought as to whether you really need it

retailer a business that sells products directly to consumers

1.4

Choosing where to buy (1)

Range of locations and sources

Once you have decided *what* you want to buy, the next decision is *where* to buy the product. Once **manufacturers** have produced products, they are then usually distributed to **wholesalers**. The wholesaler buys large quantities, then sells smaller quantities to retailers. Wholesalers add their costs and a profit to the price they charge the retailer. The retailer then sells the products directly to the consumer. Retailers, too, add their costs and a profit to arrive at the recommended retail price.

Casestudy

What price should I really pay? Manufacture price? Wholesale price? Retail price? Discount price?

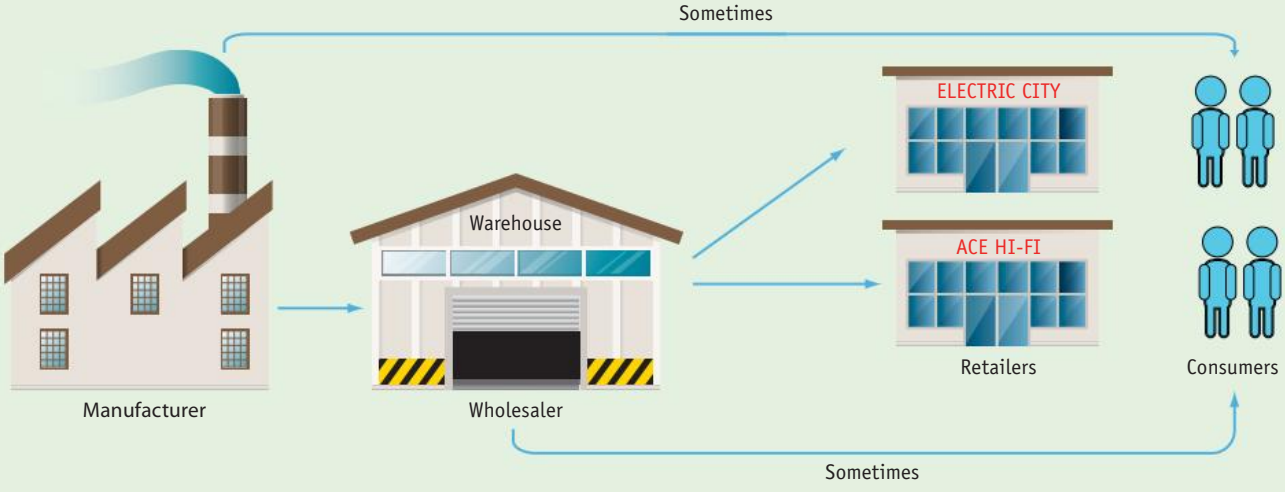
Basically, there are four types of prices at which products sell in passing from the manufacturer to the consumer. These are:

1. The *manufacture price*, which is the price at which wholesalers purchase products.
2. The *wholesale price*, which is the price at which retailers purchase products.
3. The *recommended retail price,* which is the normal selling price at which stores sell the product. This is the price at which the manufacturer and/or wholesaler suggests the retailer (the person selling directly to the public) sells the product. (This can sometimes be 50 to 100 per cent more than the price paid to the wholesaler.)
4. The *discount price*, which is any price below the recommended retail price.

The following diagram shows the usual **distribution chain** through which products pass from the place of manufacture to the point where they are sold. At each stage in this distribution chain, the seller needs to make a profit. This is done by selling the products at a higher price than the price at which they were bought. This means that the final price consumers pay depends on the price the seller paid and the profit he or she makes, or at which stage in the chain consumers buy the goods. Sometimes, for example, the consumer can buy products at a cheaper price directly from the manufacturer or wholesaler.

Non-store retail	Retail stores	Locations
Mail order	Convenience stores	Local
Door-to-door	Department stores	Regional
Party plan	Discount department stores	Interstate
Auction	Supermarkets/hypermarkets	Global
Telemarketing	Specialty stores	
Internet shopping	Stall/marketplaces	
Vending machines		

The range of locations and sources that consumers can access to purchase products



The distribution chain. In a country as large as Australia it is necessary to provide a reliable and efficient distribution network. The vital link between each of the organisations is transport.

Developments in transportation and technology, especially communications technology, have provided consumers with a wide range of locations and sources from which to purchase products (see the table opposite).

The type of product to be purchased will usually be the main factor influencing both location and source decisions. For example, we normally purchase everyday products such as foodstuffs at a local supermarket. We might buy a DVD over the internet from a retailer located in another country or from a mail order catalogue.

Each type of location and source has advantages and disadvantages for consumers. Usually, where to shop will be a matter of individual choice. One consumer might be prepared to travel some distance to shop at a specialty store where the range may be more selective, while another consumer might prefer to shop at the local mail. The local shopping centre might be the only option for some groups who are unable to travel far or who do not have internet access; for example, the elderly.

Mail order

Mail order is a system of shopping in which the consumer completes and posts an order form, usually from a magazine or catalogue, and receives products through the mail.



Magnamail catalogue purchases can be made by mail, fax, phone or online.

The advantages of mail order shopping include:

- the range of products often not available in retail stores
- the convenience for consumers with a handicap or those who live in remote communities.

However there are a number of disadvantages with this type of purchasing including the risk of:

- losing money if a business does not send the product
- products being different in reality from the way they appear in the catalogue
- problems tracing a business which uses only a post office box number if a refund is required.

The electronic version of a mail order catalogue is online shopping or television channels dedicated to showing product demonstration commercials.

Activities

Understand

1 What is the difference between a *manufacturer*, *wholesaler* and *retailer*?
2 Explain why it is sometimes cheaper to buy from a manufacturer or wholesaler than a retailer.
3 What is the difference between the recommended retail price and the discount price?
4 A manufacturer sells a product to a wholesaler for $50.00. The wholesaler adds on 50 per cent when selling it to the retailer. The retailer adds on another 65 per cent when reselling it. Calculate the price the consumer will pay for the product.
5 List the advantages and disadvantages of mail order shopping.
6 Collect three mail-order catalogues. Paste the order forms into your notebook and then answer the following questions about each catalogue:
   (a) Is the order form easy to understand or confusing?
   (b) What do the letters 'p & p' mean?
   (c) What methods of payment are accepted?
   (d) Would you purchase the goods being advertised? Why or why not?

Think

7 Why are more expensive products such as washing machines and televisions often easier to buy at less than the recommended retail price than less expensive ones such as magazines and sweets?
8 Why would a retailer be prepared to sell at less than the recommended retail price?

Communicate

9 In small groups, discuss: 'Home shopping via the television or internet makes it more difficult to be a wise consumer'. Choose a spokesperson to share the group's comments with the class.

Investigate

10 Compare the prices of a wholesaler and a retailer for a range of similar brand household electrical appliances. What generalisations can you make about price variations based on your evidence?

Glossary

distribution chain the ways of getting the product to the customer

mail order to buy products, via catalogues, for delivery by mail

manufacturer a person or business that makes goods

wholesaler buys goods in large quantities from the manufacturer

1.5

Choosing where to buy (2)

Online shopping

The internet is revolutionising the way people shop as it provides consumers with a whole new shopping experience: **online shopping**. With a personal computer connected to the internet and a credit card, the whole shopping experience is available to consumers at home and people can buy almost anything from anywhere in the world.



Nowadays, many consumers are shopping online to save time and money.

Shoppers who are 'time poor' like the convenience of shopping online. It is quick and easy if you know what you are looking for, or have to decide between only a few products. Other consumers like being able to shop around for the cheapest price or to select from a wide range of goods and services at a time that suits them. However, online shopping can become time-consuming and boring if you are making a purchase that requires lots of comparisons over many sites.

Regardless of the reason for using your mouse rather than leaving your house, you should be aware of some of the risks involved with online shopping. The basic rules of wise shopping still apply, especially since Australian consumer protection law is not normally enforceable for overseas purchases. It is essential you read the policies regarding refunds and returns and your privacy before you provide your credit card details. This is especially true for online auction sites. Before you become involved in an online auction, make sure you understand how it works, what your rights are and what you can do if things go wrong.

If you use only trusted online shopping sites and are not tempted by any deals that seem too good to be true, shopping online can be just as safe as in a store. It is recommended that you use a separate credit card with a low limit to make online payments instead of debit cards. That way you can protect your bank account should your card number be compromised.

The main advantages of online shopping are:

- an increase in the range of sources from which you can buy
- comparison shopping can be done from the comfort of your home and at a convenient time
- the product may be cheaper
- it allows for quick price comparisons
- relatively quick delivery times even from overseas sites
- allows the use of mobile devices and apps which make online shopping easier.

However, there are a number of disadvantages of online shopping, including:

- a website may not be permanent and tracing the owner if anything goes wrong may be impossible
- a delivery charge must be added to the price
- the return of a faulty product will take time and effort
- supplying credit card details can be risky unless the site is secure; that is, personal information is coded
- the proliferation of scams and internet fraud.

Comfact

Tips for online shopping

- Check the details regarding product return, refund and exchange.
- Ensure that the site is secure and that credit card details are encrypted.
- Convert the displayed price to Australian dollars.
- Receive confirmation of your order and follow its progress.

As well as using personal computers, consumers are increasingly using smartphones to compare product features, search for the cheapest prices, or find store locations. Woolworths, for example, offers a smartphone app to make price comparisons easier, create and save a shopping master list, locate stores and scan the barcodes of products. Online shopping will become increasingly popular as more businesses provide shopping applications (apps) for use with smartphones.



The Woolworths smartphone shopping app can be used to undertake product research as well as to make purchases.

Glossary

online shopping purchasing products over the internet

Case*study*



Christmas is a busy time for online shopping.

Click now, pay more later

As usual I had left my Christmas shopping to the last minute. In desperation, I turned to the internet in the hope of finding quick and easy bargains. This was my first error of judgement as costly mistakes can easily be made when rushing. My second mistake was not concentrating and failing to read the payment details.

These mistakes resulted in the iPod case I had purchased online for $9.95 with free postage — less than a third of the price compared to the local Apple store — actually costing $52.95 as I discovered when I read the emailed receipt the next day.

In my haste I had clicked the 'Buy now with 1-click' button which I later discovered automatically selected priority express delivery. This prompt delivery had cost me $43.00. Retracing my purchase I found that activating the '1-click' button meant I was not given a price for shipping the iPod case nor the option to confirm my purchase. It really was a '1-click' purchase! That click had proved costly. However, by the time I had realised my mistake, it was too late to correct because the iPod case had already been dispatched.

This bad experience taught me to always carefully review my purchase before making final payment to make sure I know the final price.

Activities

Understand

1 List two reasons why people may prefer to shop online.

2 Tamzin decided to purchase an iPod she saw advertised on an interstate electronic company's website. The price was $185 (including postage and packaging). She completed the credit payment details and emailed her order.
   (a) What extra charges are included in the cost of the iPod?
   (b) What should Tamzin have done locally before purchasing off the internet?
   (c) Explain how Tamzin is at a disadvantage if the iPod is faulty.
   (d) Why should Tamzin keep a record of (i) the order and (ii) the retailer's address details?

Think

3 Select what you consider to be the most important advantage and disadvantage of online shopping. Justify your selections.

4 Read the case study above and then answer the following questions.
   (a) Why was the total amount of the transaction $52.95 when the iPod case cost only $9.95?
   (b) Outline how the consumer could have avoided the mistakes made during this online shopping experience.

eBookplus

5 Use the **NSW Fair Trading Money Stuff** weblink in your eBookPLUS to read about how to protect yourself when shopping online. Prepare a summary of this information by creating a wordcloud consisting of what you consider to be the twenty most important words.

6 Use the **Woolworths Smartphone App** in your eBookPLUS to learn about the app's features. What benefits does this app offer a Woolworths customer?

STUDENT WORKBOOK 1.5 Product website search

1.6

Choosing where to buy (3)

Types of retail outlet

While retailing has become much more complex and sophisticated in the twenty-first century, the basic idea has not changed. Buyers and sellers still come together in a marketplace and products are exchanged for money.

There are five main types of retail outlet.

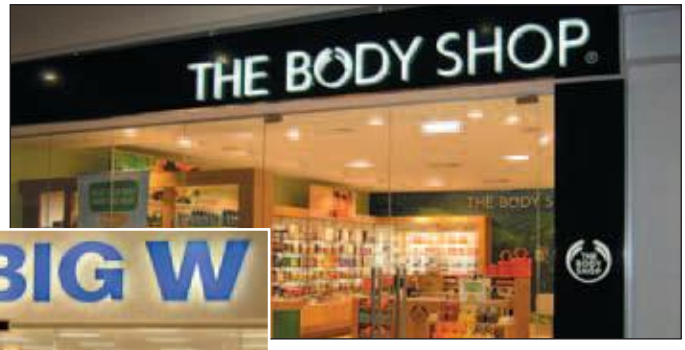
1. *Convenience 'corner' stores.* These stores were once located in residential areas but are now commonly attached to service stations.

   Convenience stores sell a variety of products, concentrating on food items, magazines and newspapers. Prices at these stores are usually higher than at supermarkets and there is generally less choice available. However, they are convenient.
2. *Specialty stores.* Hairdressers, newsagents and gift shops are examples of specialty stores. They specialise in either one type of product or service or a limited range of a few products. Some specialty stores are part of a larger franchise chain such as Dymocks and The Body Shop.

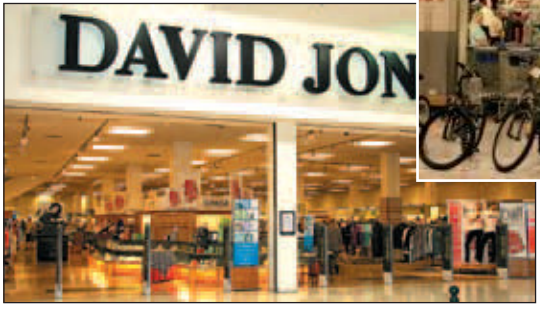
   The main advantage to purchasing goods from a specialty store is the service and product knowledge provided by the sales staff.
3. *Discount variety stores.* These stores are of a plain design and offer basic customer service. Their products are normally cheaper than those of department stores. Kmart, Target and Big W are all examples of this type of retailing.
4. *Department stores.* Myer and David Jones are two well-known examples of retail department stores. These stores sell a large range of products within the one store. Because they buy in bulk, their prices are often cheaper than at specialty stores. However, because they offer some sales assistance on the shop floor, their prices tend to be higher than those of a discount variety store.
5. *Supermarkets.* These are large, self-serve stores such as Woolworths, Aldi and Coles. Originally selling only food items, they are now becoming more like discount variety stores, offering a large range of items for sale. Some supermarkets that have expanded to sell an even larger range of products have evolved into hypermarkets.



7-Eleven — a convenience store



The Body Shop — a specialty store



A department store offers the convenience of one-stop shopping.



Discount variety stores attract a large number of customers because of their convenient location, large range of stock and cheaper prices.



Supermarkets sell a wide range of goods.

Comfact

An average hypermarket has up to 100 checkouts and 90 to 100 aisles. They stock over 60 000 items compared to a supermarket, which stocks approximately 14 000.



A large regional shopping centre

Buying locally, regionally, interstate and globally

Once a consumer decides what to buy, he or she then needs to decide where they will shop.

1. *Locally.* The local convenience store or shopping arcade, containing a takeaway, newsagent and possibly a fruit and vegetable store, will frequently be used by consumers who live nearby. People travelling to and from school or work often shop here because of the convenient location. However, their purchases are restricted to only a few basic items. For a larger variety of goods, they will need to shop at a regional centre.
2. *Regionally.* Department stores, discount department stores and supermarkets are often located in large regional shopping complexes, such as Westfield shopping centres, and are surrounded by numerous specialty stores.

   The stores are located under the one roof, air-conditioned for consumer comfort and, most importantly, provide plenty of parking. Often, cinemas and food halls are part of the shopping complex. Customers from the surrounding region travel to these complexes.
3. *Interstate or globally.* Nowadays, mainly due to the ease of online shopping, consumers can purchase goods from another state or country. We live in a global world, rather than a world limited by national borders. Consumers are no longer restricted to their local or regional shopping centres. Consequently, consumers in search of a specific item, cheaper prices or greater variety will often decide to purchase from a global marketplace.

Activities

Understand

1 What is the basic idea of retailing?

2 How are specialty stores able to exist in competition with large discount variety stores?

3 List one advantage and one disadvantage of buying goods from each of the five different types of retail outlet.

4 Examine the table entitled 'The range of locations and sources that consumers can access to purchase products' on page 10. Name a real-life example of each type of retail store and non-store retailer.

Think

5 Over the past ten years or more, two interesting trends have emerged in retailing. One is the increase in the number of grocery supermarkets with delicatessens, bakeries and coffee shops. Another is that, during the same period, the number of small, family-owned grocery stores has decreased.

(a) What do you think has caused this trend in retailing?

(b) What strategy would you suggest to help a small, family-owned grocery store prosper?

Investigate

6 Conduct a survey of class members to determine how often they visit each of the different types of retail store within a one-week period. Rank the different purchasing options from most to least frequently visited.

7 In small groups, survey ten people to determine the factors that influence them to shop at a particular type of retail outlet (store and non-store). Your survey form could be similar to the following. The first response has been included for you.

Goods	Where purchased (type of retail outlet)	Reason for selecting this outlet
1. Groceries	Supermarket	Convenience, cheap prices, wide variety
2. Magazines		
3. Household electrical appliances		
4. DVDs		
5. Clothing		
6. Fruit and vegetables		
7. Books		

What generalisation can you make about people's shopping habits based on these results?

1.7

Key factors affecting consumer decisions

All consumers have individual wants. Therefore, what people buy varies from one person to another. For example, if you asked each class member what she or he wants, the responses would reveal a wide variety of goods and services. Let us look at the key factors affecting consumer decisions.



Key factors affecting consumer decisions

Service

Good pre-sales and after-sales service makes you feel you are a valued customer and, consequently, you will keep buying that product or going back to a particular store. Poor service can have the opposite effect.

Price

How much is it? This is usually one of the first things you want to know. If the price of a good is more than you can afford, you will probably not buy it. Consumers want the best value for their money: that is, they want to pay the lowest price for the best quality. Price is one of the main factors affecting consumer decisions.

Convenience

Many consumers do not have a lot of time to shop. They want shopping to be hassle-free, or convenient. Convenience has many meanings for consumers, such as travelling time to a retail outlet, the number of stores located within one shopping complex or suitable shopping hours. These factors will influence when, where and what consumers buy. Nowadays, convenience also relates to being able to shop online or to have access to an app.

Marketing

This plays an extremely important role in influencing our consumer decisions. As consumers, we are constantly exposed to all aspects of marketing. The average consumer is exposed to an estimated 500 marketing strategies (mainly some form of advertising) every day. New products are released onto the market and advertised. If the marketing campaign is successful, consumers will be influenced into thinking they need this product.

Gender

Males and females have a number of common wants, such as entertainment, music and a car. However, a person's gender influences some types of purchase. For example, female consumers spend more on cosmetics than males. The influence of gender on consumer decisions is best displayed by the products advertised in catalogues for Mother's Day and Father's Day: mum gets the iron and dad gets the cordless drill!



Age

As a baby, you most probably wanted a toy or rattle. Now you are a teenager, you may want a mobile phone. By the time you are 18, a car becomes an important want. Later on, you might wish to buy a place to live in and when you are older and have retired, you may want to go on a world trip. Our wants change over time.

Finance

There will be times when the price of a good is more than the amount of cash you have available, such as when you purchase a home or car. After careful consideration, you might decide to take out a loan — organise finance — to purchase the good. The cost of the borrowed money, the **interest** rate, and the ease with which the finance can be arranged will influence your spending decisions.

Environmental

With increasing community awareness of environmental pollution, many consumers are becoming more aware of the problems caused by throwaway packaging. You therefore may be influenced to purchase a product that has minimal packaging or packaging that can be recycled.

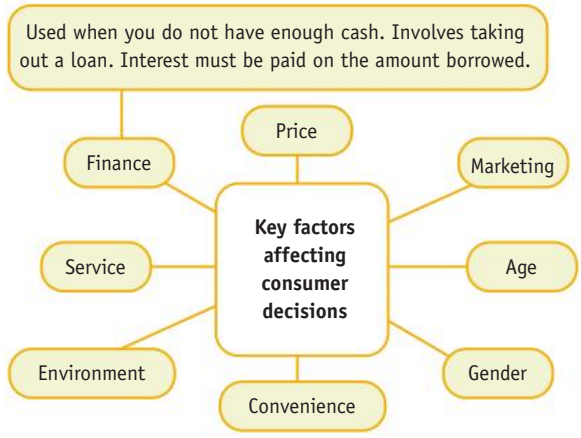
Activities

Understand

1 Survey the members of your family for instances of when they have been influenced by each factor opposite in deciding on a purchase. Use a table similar to the following example to present your information.

Factor	Consumer decision
Finance	My older brother purchased his first car through a loan with his bank because the interest rate was lower than other banks and he had been a customer for several years.

2 Add elements to the mind map below to summarise the factors affecting consumer decisions.



Communicate

3 In small groups, discuss why some consumers are prepared to pay a high price for a product while other consumers would not buy the product even if the price was low. What does this tell you about the relationship between price and customer tastes and preferences?

(a) In pairs, debate the following topic: 'Advertising is the most important factor affecting consumer decisions'. One person presents the affirmative case and the other person the negative case. Each person writes the key points for their case.

(b) Divide the class into two groups, those for the affirmative case and those for the negative case. Each group is to refine their arguments before a spokesperson presents the group's comments.

STUDENT WORKBOOK 1.6 Supermarket shopping — the hidden persuaders

STUDENT WORKBOOK 1.7 The art of persuasion

Glossary

interest the extra money you have to pay back when borrowing money

1.8

The need for consumer protection



Bait and switch advertising is misleading and deceptive.

Most consumers know what it means to be given 'a fair go'. It means being treated justly and honestly. For example, when you buy a product it should be of good quality, a sales assistant should not give you misleading information and once you have signed a contract all parties must abide by the terms and conditions.

The majority of businesses are trustworthy, honest and act ethically: that is, they conduct their operations in a fair and morally right manner. Occasionally, however, consumers are not given a fair go in the marketplace. Not everyone is treated justly and honestly nor are all business practices ethical.

It is for this reason the state and federal governments have passed laws that are designed to protect consumers in the marketplace. Two crucial pieces of protective legislation are the *Competition and Consumer Act 2010* (Cwlth) and the *Fair Trading Act* 1987 (NSW).

Scams and rip-offs: unconscionable conduct

Under the Competition and Consumer Act, an **unconscionable act** by a seller is any practice that is just not reasonable, such as **scams** and **rip-offs**. It is an act that is illegal. The majority of retailers have a fair and honest relationship with their customers. However, some traders act in such a way so as to gain an unfair advantage over the unsuspecting consumer. Every year, 1 in 20 Australians is victim to some type of scam. These consumers lose millions of dollars, and sometimes their identity, to the activities of scammers who use numerous types of telephone, mail, door-to-door and online scams. The aim of any scam is to trick you into giving away money or your personal details. Get-rich-quick schemes, fake lotteries and miracle health cures are some of the favoured methods used by scammers to rip off people of all backgrounds. New varieties of scams appear all the time. Scammers are creative and manipulative; they use tactics to lure you in and produce the result they want. As a wise consumer, you need to be aware of these unethical techniques so you can protect yourself from such practices. Remember the golden rule to help you beat scammers: 'If a deal sounds too good to be true, it probably is.' Some of the more common unfair scams and rip-offs include:

1. *Referral selling.* This illegal technique offers the consumer a 'special deal' if she or he buys the product and then supplies the names of potential customers to the trader. The 'special deal' usually takes the form of a discount or commission, which is not always paid.
2. *False and misleading advertising.* Two of the most common false and misleading advertising techniques are:
   - *bait and switch advertising.* This involves advertising a few products at reduced and, therefore, enticing prices to attract customers. When the advertised products quickly run out, customers are directed to higher priced items.
   - *misleading advertising.* Some advertisements use words that are deceptive or claim that a product has some specific quality when it does not. Such actions convey a false impression of the exact nature of the product.
3. *Unordered or unsolicited goods.* This practice involves sending unordered goods through the mail and then demanding payment for them. The Competition and Consumer Act protects you from having to pay for these goods.

You should write to the trader, explaining where the unordered goods can be picked up. The goods become your property after one month of mailing the letter. If you do not write, then the goods become your property after three months. You must not use the goods during this period.

4. *Special prizes and offers.* You scratch the prize coupon to discover you have won a 'mystery' prize. When you go to collect your prize, you are told you can receive it only if you purchase a certain number of goods. As a consumer you should be careful of any deal that involves free gifts, prizes, lucky numbers or 'free deals just for you'.
5. *Get-rich-quick schemes.* In this type of scam, a letter or email arrives offering you the chance to participate in the transfer of money from another country. For your help, you will receive a percentage of that amount. However, you are required to supply your bank account details for the transaction to occur, giving the scammer the opportunity to steal your money.
6. *Pyramid schemes.* The chain letter is the most common form of this type of scam. You are required to pay a joining fee with the opportunity of earning quick and easy money as you recruit new members. However, most participants will lose their money.



The NSW Fair Trading free mobile app Scam Buster

Activities

Understand

1 Name two important pieces of legislation that protect consumers.

2 Unscramble the following words and then use each one in a sentence to explain its meaning.
(a) rfai og
(b) anunooclecbisn cdnoctu
(c) lfrrreea lisegnl
(d) tbai nda htwsci
(e) dlienasmgi vtseagndrii

3 Write a brief report about a scam or rip-off in which either you or a member of your family has been involved.

4 Draw a series of comic strips to illustrate what happens when a bait and switch scam occurs.

5 What does the law say to do if you are sent some goods which you did not order?

Think

6 Outline some reasons why consumers may need protection.

Communicate

7 In small groups, brainstorm as many ethical issues as you can that relate to misleading and deceptive advertising. Share your responses with the rest of the class.

8 Create a poem or rap song that explains the meaning behind the golden rule of avoiding scams.

eBookplus

9 Use the **NSW Fair Trading** weblink in your eBookPLUS to:
(a) investigate the most recent scam alerts. Select a scam that interests you and present a brief oral report to the class as to how this scam operated.
(b) Summarise the ten golden rules that reduce the chance of being scammed.

10 Use the **Latest scams** weblink in your eBookPLUS to visit the federal government's 'Scamwatch' website and learn more about the latest scams targeting Australians.

Glossary

rip off to overcharge or swindle

scam an illegal business practice

unconscionable act any practice by a seller that is just not reasonable and often illegal

1.9

Features of a simple contract

Suppose you buy some groceries at the supermarket. You hand the seller the money and she or he gives you the groceries. In this situation, you and the seller reach an *agreement*. The seller agrees to supply you with a good at a certain price and you agree to pay that price. Another word used to describe an agreement is a contract.

What is a contract?

A **contract** is a legally enforceable agreement between two or more persons or parties. The contract outlines the details of the agreement and the *rights* and *responsibilities (obligations)* of each of the parties.

A contract is most often an oral (verbal) agreement. Agreements that involve large sums of money, such as when buying a house, are usually put in writing.

Elements of a contract

Three essential elements make a contract legally binding: the offer, the acceptance and the consideration.

1. *Offer.* An **offer** is a proposal. It involves one of the parties offering something of value (for example, money) to the other party in the agreement. The person making the offer (*offeror*) must clearly communicate their intention to the other party (*offeree*).



Every consumer transaction involves a contract.

Many consumers think that when a business displays items in the store or advertises something in a catalogue, the business is making an offer to sell. It is not. What appears to be an offer is in fact an *invitation to treat* and the business does not legally have to sell the good. The consumer makes an offer to purchase. The offer can be either accepted or rejected by the retailer. This applies to self-service situations particularly. In the supermarket example, you make the offer to purchase the groceries.

2. *Acceptance.* An **acceptance** occurs when the offeree agrees to the proposal. This involves either a written or oral statement or an act that clearly communicates acceptance of the offer, such as a shake of the hand. In the supermarket example, the seller accepts your offer to purchase when she or he hands you the groceries.
3. *Consideration.* **Consideration** is the final essential feature required to form a valid contract. This stage requires each party to the agreement to give up something of value. Consideration can take the form of a sum of money paid, or the promise to do something. In the supermarket example, you give up your money and the retailer gives up the groceries.



The three elements of a legally binding contract

Legalcase — offer

Pharmaceutical Society of Great Britain v. Boots Cash Chemist Ltd (1953)

This English legal case was the first to decide that the customer offers to purchase the goods when she or he takes them to the checkout. The customer's offer could be refused here, so a contract of sale exists the moment the checkout operator accepts the offer.

Legalcase — offer and acceptance

Carlill v. Carbolic Smoke Ball Co. (1893)

In this famous example of a contracts case, the manufacturers of a flu cure promised to pay 100 pounds ($200) to anyone who caught the flu after using the company's Carbolic Smoke Ball. This offer appeared in a newspaper advertisement.

Mrs Carlill bought the remedy from a chemist and used it as directed. However, she subsequently caught the flu.

The company argued there was no contract between Mrs Carlill and themselves as no offer was made because it was only an advertisement. The company also claimed that an offer cannot be made to the world at large.

Mrs Carlill won because the court decided the act of using the smoke ball was an acceptance of the company's offer. It also established the fact that an offer can be made to the general public.



The advertisement that Mrs Carlill responded to when she purchased a Carbolic Smoke Ball

Legalcase — consideration

Chappell & Co. v. Nestlé Co. Ltd (1960)

Sometimes the nature of consideration is not so straightforward. In this case, Nestlé offered a cheap music record to customers who sent them a small amount of money plus six chocolate wrappers. These wrappers, while of no real value, were determined by the court to be sufficient consideration for a contract to exist. It decided that something had been passed from one party to the other.

Activities

Understand

1 What is meant by the term 'contract'?
2 Identify the three elements of a valid contract.
3 Explain the significance of each of the legal cases outlined on this page.
4 Describe two contracts you have made recently and then answer the following questions about each one.
   (a) Was the contract oral or written?
   (b) Who were the parties in the contract?
   (c) What consideration was given by the parties?

Think

5 Examine the following hypothetical cases. State whether or not you think a contract exists. Discuss the legal reasoning behind your decision. Share your answers with the rest of the class.
   (a) Gemma offers to buy Zara's laptop computer for $850. It is agreed they will make the exchange when Zara delivers the laptop to Gemma's house. Once there, Gemma says she is no longer interested.
   (b) Hamaub agreed to sell his car to Colleen for $10 000. The agreement was written and signed by both parties, at which time Colleen paid Hamaub a deposit of $1000. Two days later, Colleen changed her mind and wanted her deposit back.
   (c) An art dealer mistakenly attached a price tag of $100 to a painting that was worth $1000. A customer offered to buy the painting for $100.
6 'Oral contracts are not worth the paper they are written on.' What is meant by this expression? Share your answer with the rest of the class.

Glossary

acceptance when the offeree agrees to the proposal
consideration the giving up of something of value
contract a legally binding agreement
offer a proposal

1.10

Legal rights and protective legislation for consumers

Legal rights

Consumers have four basic rights. These are:

1. *Safe products.* Directions for proper use are provided and products are tested by the manufacturer to ensure product quality.
2. *Accurate product information and descriptions.* Ingredients are clearly labelled on food containers.
3. *Full disclosure of the terms of sale.* The full price is always displayed, especially on any credit contracts.
4. *Consumer guarantees and warranties are honoured.* Customers can expect a refund or exchange if the product is faulty.

Protective legislation

In 2011, a single, national consumer law — the Australian Consumer Law (ACL) — was introduced, which operates using the *Competition and Consumer Act 2010* (Cwlth). This federal Act applies in the same way to all Australian consumers and businesses, regardless of where the business operates or where the consumer shops.

The Act's main purpose is to protect consumers against undesirable business practices, such as:

- misleading and deceptive advertising
- unconscionable (unreasonable and unethical) conduct
- misrepresenting the contents of products, their place of manufacture or their characteristics
- unfair trade practices that restrict competition and which can severely limit the rights of consumers
- false claims regarding goods and services.

The Competition and Consumer Act is administered and enforced by the Australian Competition and Consumer Commission (ACCC), each State and Territory's consumer agency, and the Australian Securities and Investments Commission (ASIC) with respect to financial services.

As we have seen on pages 18–19, of all the unfair trading practices, false or misleading advertising can be the most serious because of the influential nature of advertising. Even though consumer protection legislation makes false or misleading advertising



Consumers are now protected, under the Competition and Consumer Act, against misleading advertising or false claims on the part of the business.

illegal, there are still a number of methods used by some retailers. The most common are:

- *Fine print.* Important conditions are written in a small-sized print and are, therefore, difficult to read.
- *Before and after advertisements.* Consumers may be misled by 'before' and 'after' advertisements where the comparison is distorted so that 'before' images are worsened and 'after' images enhanced.
- *Tests and surveys.* Some advertisements make unsubstantiated claims; for example, stating '9 out of 10 people' prefer a product when no survey has been conducted.
- *Country of origin.* Accuracy in labelling is important; for example, 'Made in Australia' and 'Product of Australia' have two distinct meanings.
- *Packaging.* The size and shape of the package may give a misleading impression of the contents.

Comfact

The Competition and Consumer Act allows the courts to impose penalties of up to $1.1 million for companies and $220 000 for individuals for breaches of the Act.



The ShopSmart app provides consumers with easily accessible information on a range of consumer topics.

Consumer guarantees

The *Competition and Consumer Act 2010* provides **consumer guarantees** on certain goods and services. These guarantees are a consumer's automatic legal right. Consumers are guaranteed that the *goods* they buy:

- are of **acceptable quality**
- are fit for purpose (suitable for that which they are being sold)
- match the description, sample or demonstration model
- comply with any express warranty. A warranty is a voluntary promise made by a manufacturer or supplier about the goods.
- are legally owned by the seller without any charges (money owing on them)
- have spare parts reasonably available.

Consumers are guaranteed that the *services* they buy are:

- fit for purpose
- provided with reasonable skill and care
- provided within a reasonable time.

If something goes wrong, the consumer should seek a remedy from the business, usually in the form of a refund, replacement or repair.

Consumer guarantees have important implications for businesses. For example, signs that state 'no refunds given' are unlawful, because they imply it is not possible to get a refund under any circumstance — even when there is a problem with the good or service.

Caveat emptor

Even though there are many laws to protect you as a consumer, you are the one who has to accept most of the responsibility when you are buying something. The legal term for this is **caveat emptor**, which is Latin for 'let the buyer beware'. The seller does not have to tell you everything about the goods for sale. As a general rule, buyers purchase goods at their own risk.

Activities

Understand

1 Identify the four basic rights of consumers.
2 What is the name of the legislation that provides some protection to consumers, and what does it prohibit?
3 What is meant by the term 'consumer guarantees'?
4 List the features a (i) good and (ii) service must possess to be considered acceptable quality.
5 Under what circumstances is a business required to offer a refund?
6 In each of the following examples, state whether there has been a breach of the Competition and Consumer Act.
   (a) A company advertises a particular brand of television and states that it is at a cheaper price than a competitor. This statement is false.
   (b) A company advertises jumpers and claims that they are made in Australia when in fact they are made in China.
   (c) A company advertises that a special deal is for only one week when in fact it plans to extend it for two months.
7 How does the rule of caveat emptor affect consumers?

Communicate

8 Create and perform a roleplay for a situation in which the principle of 'caveat emptor' applies.

STUDENT WORKBOOK 1.8 The unfinished script

Glossary

acceptable quality a product fit for purpose, acceptable in appearance and finish, free from defects, safe and durable

caveat emptor a term meaning 'let the buyer beware'

consumer guarantees a set of rights and remedies for defective goods and services

1.11

Organisations that provide assistance for consumers

State government

New South Wales Fair Trading is the state consumer protection agency. It provides information and assistance to all consumers on areas such as consumer issues, shopping on the internet, home building and motor vehicle sales. The department has the responsibility for:

- assisting consumers to resolve their complaints
- checking that products meet Australian safety standards
- ensuring that scales, scanners and petrol pumps used to weigh and price products are correct
- warning the community about dubious business practices such as scams and rip-offs.

Ombudsman

The word 'ombudsman' is based on a Swedish word meaning 'agent'; someone who has the task of investigating and reporting on complaints. In the last few years, industry ombudsmen have been established to deal with disputes between consumers and specific businesses including finance, telecommunications and insurance.

Federal government

The two federal government commissions largely responsible for assisting consumers are:

1. *Australian Securities and Investments Commission (ASIC)*. This commission protects consumers in the areas of consumer credit, investment, life and general insurance, superannuation, and banking (except lending) in Australia. The aim of ASIC is to assist in reducing fraud (scams and rip-offs) in financial markets and financial products.
2. *The Australian Competition and Consumer Commission (ACCC)*. This commission operates nationally for the enforcement and administration of the Competition and Consumer Act, and acts as a watchdog on the pricing of goods and services. The ACCC is obligated to inform the public so that they are aware of their rights and responsibilities under the law.



All the stuff you need to know about your consumer rights can be found in the NSW Fair Trading moneystuff magazine. *The magazine can be viewed online at www.moneystuff.net.au.*

Comfact

The Telecommunications Industry Ombudsman (TIO) provides consumer advice and a dispute resolution service for problems with telephone and internet service providers.

Independent organisation: CHOICE

CHOICE is Australia's largest consumer watchdog organisation. It is independent, non-profit and not tied to any political party. When CHOICE was formed in 1959, there were no government consumer affairs departments and no laws governing fair trading.

Apart from its lobbying for the introduction and improvement of consumer legislation, CHOICE has conducted comparative tests on thousands of goods and services. The organisation also deals with consumer inquiries and investigates consumer complaints. The results of these tests, readers' letters and informative articles are published in its monthly magazine *CHOICE* and on its website.

CHOICE aims to provide consumers with information and guidance about goods and services. By providing this information, it helps consumers protect themselves and encourages them to lobby for their rights to adequate information, and to adequate resolution where products are unsatisfactory. By helping to educate the public, as well as making consumers aware of their rights, CHOICE is assisting consumers to get better value for money.

The media

Current affairs television programs sometimes investigate consumer complaints about poor quality products, shoddy or costly repairs, poor service, or scams and rip-offs. The bad publicity often causes the business to resolve the problem. Some newspapers have regular columns providing consumer advice and letters from consumers outlining individual complaints. Radio stations, especially talkback programs, will provide an expert to discuss consumer issues or advise callers on a particular problem.



CHOICE: independent information for smart consumers

Activities

Understand

1 List the government and independent organisations that provide assistance for consumers.
2 Choose one of the following and briefly outline how it assists consumers.
- New South Wales Fair Trading
- Australian Securities and Investments Commission
- Australian Competition and Consumer Commission.

3 Briefly outline the role of CHOICE.
4 In small groups, determine which of the organisations mentioned on these pages would be best suited to deal with the following situations.
(a) Gina has a complaint regarding her telephone account.
(b) Tim wants to read a comparative test on digital cameras.
(c) Zachary believes the local butcher's scales weigh in the butcher's favour.
(d) Eva wants some advice about the Competition and Consumer Act.
(e) Caro thinks that his insurance policy contains misleading information.

Think

5 Why do consumers need help and protection?
6 'The best protection a consumer has is to be well-informed about his or her rights and responsibilities.' Discuss.

eBookplus

7 Ask your teacher or librarian to source multiple copies of *CHOICE* magazine or use the ***CHOICE* magazine** weblink in your eBookPLUS to visit their website. Choose a product review that interests you and read the article. Why is information like this useful for consumers?
8 Use the **ACCC** and **NSW Fair Trading** weblinks in your eBookPLUS to find consumer information and advice provided by the Australian and NSW governments.

1.12

Processes of consumer redress

As you walk into a store, you see two large signs which say, 'Sorry, no refunds' and 'Choose carefully, no exchanges'. Does this mean you could not get a refund or exchange if the good was faulty at the time of purchase, or it did not do the job you were told it would do, or it was incorrectly labelled?



Such signs are meaningless and unlawful.

You take an electrical appliance to be repaired and the service person tells you that they will take all care but no responsibility. Does this mean that, if they accidentally drop your appliance and break it, there is nothing you can do about it? Have you ever bought a brand new item and it doesn't work, even though you followed the instructions carefully?

Remedies and their outcomes

Consumers have some basic rights. The signs referred to above are quite misleading. Under certain circumstances, a seller cannot refuse a refund or exchange. If the goods are different from how they are labelled, if they were faulty when manufactured or do not do what you were told they would do, then you can seek a refund or exchange. A repairer also may be liable for any damage that is caused if the service is not carried out with care and skill. Consumers can **redress** the things that are wrong.

Once you have established that the problem has not been caused by a mistake on your part, contact the trader either by phone or in person. You may be required to put your complaint in writing. Explain the problem in a calm, logical, but assertive manner. 'Losing your cool' tends to make a situation worse.

There are some important points to remember when making a complaint.

- If using the phone, always get the name of the person you are talking to.
- Keep a written record of all conversations and copies of letters and emails.
- File any receipts, dockets or credit accounts to show proof of purchase.
- Return the faulty good promptly.
- If you leave the good with the trader, request a receipt.
- Check your guarantee to determine whether it covers the problem being experienced.

Consumer, Trader and Tenancy Tribunal

If you have tried to redress the problem and are still not satisfied, then your next course of action is to contact your local NSW Fair Trading and seek advice. This will be an informal conversation where you explain the circumstances of your problem. If you wish to take it further, you must lodge a formal written complaint and ask the office to negotiate or mediate on your behalf. The office personnel will ask you to provide certain information and copies of any relevant documents.

The office will make contact with the trader and attempt to reach an amicable solution. The office will then contact you and inform you of the outcome.

If you are still not satisfied, you can lodge a claim with the Consumer, Trader and Tenancy Tribunal. This tribunal was established in 2002 to help settle small disputes between consumers, traders and landlords. Hearings are conducted by tribunal members who hear and determine cases in accordance with the law.

Whereas NSW Fair Trading negotiates or mediates, the Consumer, Trader and Tenancy Tribunal arbitrates. This means their decision is enforceable by law; it is legally binding.



The Consumer, Trader and Tenancy Tribunal can arbitrate on a dispute between two parties and the decision of the tribunal is legally binding.

Activities

Understand

1 Explain what you must do to make a formal complaint.
2 'Sorry. No exchange/refunds.' Explain under what circumstances a sign like this is invalid.
3 You buy a CD without hearing it first. The disc is not faulty, but when you play it you realise you do not like the style of music. Are you entitled to a refund? Why or why not?
4 Explain why losing your temper when asking for a refund or exchange will only make the situation worse.
5 Imagine you buy a laptop computer and find it is damaged. The store owner believes you dropped it and should pay for repairs. Construct a flow diagram showing the steps you can take to make a consumer complaint. Briefly outline what occurs at each step. Alternatively, prepare this as a PowerPoint presentation.

Communicate

6 A consumer bought a pair of jeans. The label recommended 'machine wash and tumble dry'. The consumer followed the instructions but the jeans shrank.
In small groups, roleplay the scene where the consumer returns the jeans for a refund. Conduct the roleplay three times with the consumer adopting:
(a) a passive manner
(b) an aggressive manner
(c) an assertive manner.
After the roleplay, list the strategies people used to be assertive.

eBookplus

7 Use the **CTTT** weblink in your eBookPLUS to locate the Consumer, Trader and Tenancy Tribunal website and answer the following questions:
(a) What types of matters does the CTTT handle?
(b) How much does it cost to make an application to the CTTT?
(c) Will the tribunal try to settle the dispute before making a decision?
(d) Who can appear at the tribunal?

Glossary

redress to set right

1.13

Payment choices (1)

Michelle really likes the colour and style of the jacket on display. It is on special at $125. She tries it on. A perfect fit! The decision to buy it is an easy one to make. After wrapping the jacket, the assistant asks, 'How would you like to pay for it?' This is an even more important decision.

A consumer can select from seven different methods of payment.

Cash

This is the notes and coins (money) issued by the federal government. Consumers normally use cash to pay for relatively inexpensive items such as a newspaper, bus fare or soft drink. Consumers rarely use cash for expensive items such as a car or a house.

Comfact

Notes and coins are legal tender and must be accepted as payment for goods and services.

Credit

Credit is the supply of money now in return for the promise of paying it back later. Credit allows you to buy what you want immediately and pay for it later, either in full or in monthly payments. Because you are using money you do not have, you will be charged interest for its use unless you pay the total balance back to the credit card company before the end of the interest-free period, usually one month.

The main advantages of paying by credit card are that they:

- avoid the necessity to carry around large amounts of cash
- are a convenient payment method for online and telephone purchases
- help you establish a good credit history
- offer cheap use of funds, provided you always pay your balance in full.

However, there are disadvantages. Credit cards can:

- make it easy to overspend and consequently build up your debt
- be more expensive than other forms of credit such as a personal loan
- damage your credit rating if you continually make late payments.

Care should be taken with your credit card. If the card is stolen, you must ring the bank immediately and cancel the card in case someone else tries to use it to purchase goods unlawfully.



One of the major credit cards. Some cards, such as MasterCard-branded cards, can also be debit cards.

Learning to use credit wisely is very important. Getting into debt can lead to many problems. You may end up losing your goods, being sued or even made bankrupt. Managing credit and debt is a necessary skill in today's complex commercial society. Whenever you use credit there is one important thing to remember: buy now, pay MORE later, unless you manage the credit carefully by repaying the total balance owing before the end of the interest-free period.



Casestudy

Store credit: the facts behind 'interest-free' and 'no repayments for 30 months' offers

Major retail stores allow customers to take advantage of flexible payment options such as 'interest-free periods' or 'buy-now-pay-later'. In these cases the customer is required to apply for a store credit card. Store credit cards — which carry high annual fees — have become increasingly popular in recent years.

However, an investigation by the consumer watchdog CHOICE has found that many such offers leave the customer worse off because the stores did not disclose the full cost of the credit, charges or fees. This results in the customer paying a lot more than the original price of the product. As well, if the amount owing is not paid off in full by a fixed date, the customer could be liable for the full interest amount, plus ongoing charges, until the purchase is paid for. As further obstacles for the customer, the retailer is not required to remind the customer when the interest-free period finishes and making early payments incurs a penalty.

Just like any other credit arrangement, even interest-free deals will cost you something.

Electronic funds transfer: debit cards and BPAY®

There is a great deal of difference between a debit and a credit card. With a credit card, you use other people's money and are charged interest. With a debit card, you are using your own money, by electronically accessing money already in your account. You pay no interest, only an account operating fee, and can spend up to your account balance. The most common way of using your debit card for purchases of goods is by **EFTPOS** (electronic funds transfer at point of sale).



A customer using an EFTPOS machine to make a payment

EFTPOS is a computerised system in which money is transferred from a consumer's account to the business's account. It is important that EFTPOS receipts are kept for checking against account statements. Often businesses will also allow you to withdraw extra cash with EFTPOS.

BPAY® is another type of electronic payment method. This system uses the telephone or internet to transfer funds from your cheque, savings or credit card account to the account of the business you wish to pay. First a consumer keys in a login and password to access their internet or phone banking account. Then they enter the transaction details, including a special customer reference number written on the bill, to pay the bill from their bank account to the business's account directly.

Activities

Understand

1 What is meant by the term 'legal tender'?
2 Why should credit be used wisely?
3 What are the advantages and disadvantages of using a credit card?
4 What is the difference between a *debit card* and a *credit card*?
5 What do the letters EFTPOS represent?
6 Draw a diagram showing what happens when a BPAY® transaction occurs.

Think

7 What advice would you give a friend who wanted to take up a store credit offer?
8 What method of payment should Michelle (referred to at the beginning of this spread) use to purchase the jacket? Justify your choice, and take into account the following factors: She has
- $364 in her savings account
- a credit card with a limit of $500
- $130 in her wallet
- a part-time job and earns $135 per week.

Communicate

9 Set up a class debate to consider the following topic: 'Careless consumers, and not credit, are to blame for debt problems'. Share roles so that those not debating are involved either in assisting with research, or in running the debate and keeping notes on the arguments on both sides.

STUDENT WORKBOOK 1.9 Give me credit!

Glossary

EFTPOS **e**lectronic **f**unds **t**ransfer at **p**oint **o**f **s**ale

1.14

Payment choices (2)



Lay-by: paying for something by instalments

Direct debit

Many consumers have bills that arrive at regular intervals such as telephone, rates, car insurance and so on. By using a direct debit system, you can schedule bill payments from your nominated bank account. The bank automatically withdraws (debits) the funds from your account and electronically transfers the funds to the business requiring payment. It is a convenient method of payment that helps overcome the problem of forgetting to pay an account. Written notification terminating the arrangement may be made at any time.

Cheque

A **cheque** is a written communication ordering your financial institution, called the **drawee**, to pay a person a specific amount of money. The person being paid is called the **payee**. The person authorising the transaction is termed the **drawer**. Cheques are issued in a numbered order, called a chequebook.

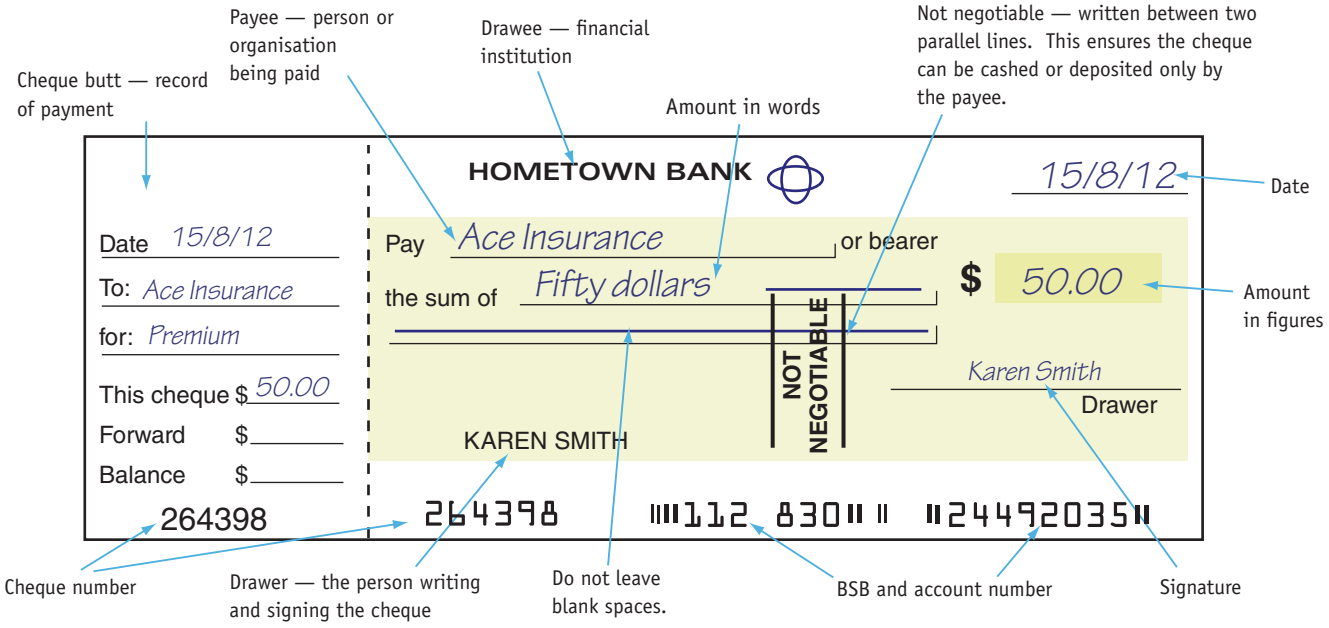
When writing a cheque, no blank spaces should be left before or after the amount. This prevents words or numbers being added later.

Lay-by

When you buy goods using lay-by, you first pay a deposit and then the store puts aside the good for you. You then make regular payments over a fixed period of time. Unlike cash or credit card purchases, you do not take possession of or own the good until you pay off the last instalment owing.

If you cancel the lay-by before paying the full purchase price, the store must be notified in writing. The store is required, under the Lay-By Sales Act, to provide a refund after deducting storage, handling and depreciation costs. If you do not complete payment by the agreed date, the store can cancel the lay-by. After receiving written notification from the store, you have seven days to decide to either pay the full amount or receive a refund, less costs.

Lay-by is a good option when you want to secure something you desire. As there is no interest charged, it is a cheaper option than using a credit card.



A not negotiable cheque cannot be cashed by anyone other than the payee named on the cheque.

Book-up

Book-up is credit provided by a retailer so that you can purchase goods from the retailer's store and pay the account at a later date. You must pay back this amount within a set period of time.

Tradespeople such as plumbers and builders usually have an account with a hardware supplier where they can book up materials and equipment. Indigenous communities living in remote locations also use book-up because they experience difficulty in accessing alternative methods of payment.

The main advantages of book-up are:

- you can purchase goods and pay for them later
- interest is not charged unless you apply for an extension of time
- you can spread your purchases over a week or fortnight.

However, there are some disadvantages including:

- some form of security may be required
- unless you keep accurate records, you may overspend
- charge accounts can be used only in that store.

Casestudy

Book-up — Jill's corner shop

Jill had been booking-up items with a corner shop. When she went to check how much her account was she questioned why her bill was so high. The trader told her he had been letting her relatives book-up on her account. Jill told the trader that she was not responsible for the items that she had not authorised. The trader said she was. Jill told the trader that she gave approval only for her daughter and aunty to book-up on the account. Jill was able to show the trader her copy of the letter stating who could use the account. The trader still wanted the full amount owing from Jill.

Jill contacted Fair Trading to get information on how to solve the problem. A Customer Service Officer was able to help her resolve the matter with the trader. This was possible because Jill had kept all her receipts and the agreement she had with the trader.

Source: NSW Fair Trading, *Book-up*.

Activities

Understand

1 What is required to terminate a direct payment arrangement?
2 What is a cheque?
3 When writing a cheque, why should no blank spaces be left before or after the amount?
4 Study the cheque on page 30 and then answer the following questions.
   (a) Who is the drawer of the cheque? Who is the drawee?
   (b) What is the name of the payee?
   (c) What is the number of the cheque?
   (d) Suggest reasons why the amount for the cheque is written in both words and figures.
   (e) What effect do the words 'Not negotiable' have on a cheque?
5 When you buy an item through lay-by, when do you have possession and ownership of the good?
6 What must you and the store do if you cancel the lay-by before paying the full purchase price?
7 What are the advantages and disadvantages of using:
   (a) lay-by
   (b) book-up?
8 What method of payment would you prefer for the following purchases? Why?
   (a) A microwave oven from a department store
   (b) Groceries at a store in a remote community
   (c) The annual car registration

Think

9 Errors can be made when filling in cheques. Which of these errors would cause the cheque to be worthless to the payee?
   (a) The cheque date was left blank.
   (b) The cheque butt was filled out incorrectly.
   (c) The drawer forgot to sign the cheque.
10 Why are retailers prepared to offer lay-by services without any charge?
11 What would stores want to know about you before allowing you to book up a good or service? How would they find this out?

Investigate

12 In small groups, research the options that could be taken to improve financial services for people living in remote communities. Present the group's research to the rest of the class.

Glossary

book-up a charge account operated by a trader

cheque a written communication ordering your financial institution to pay a person a specific amount of money

drawee the financial institution that provides cheque account facilities

drawer the person who writes and signs a cheque

payee the person who is to receive the money from a cheque

1.15

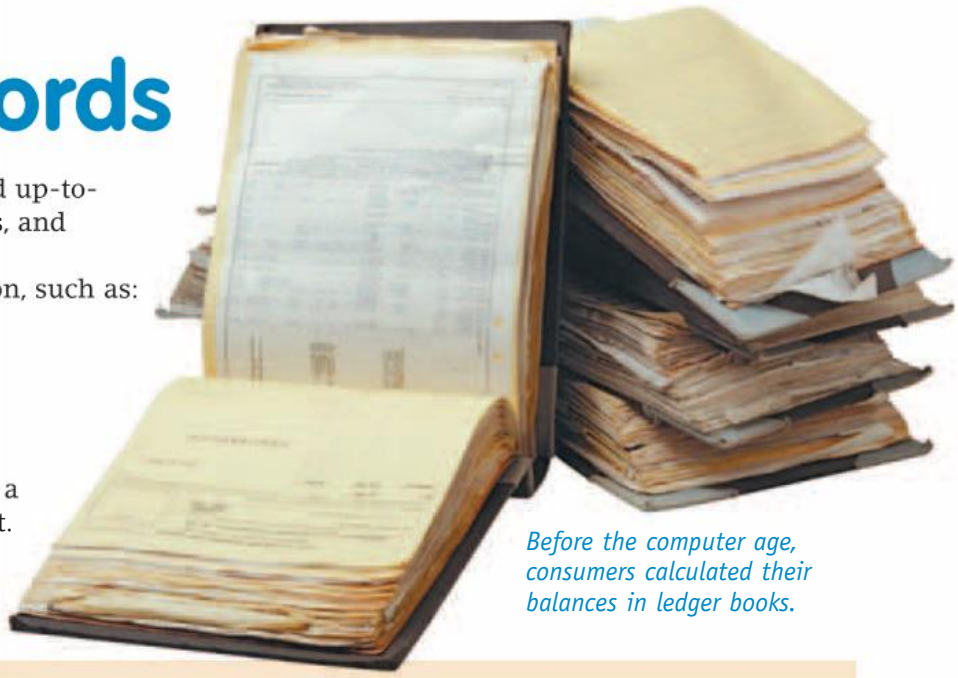
Methods of keeping records

All consumers should keep accurate and up-to-date records of purchases and payments, and receipts to show proof of purchase.

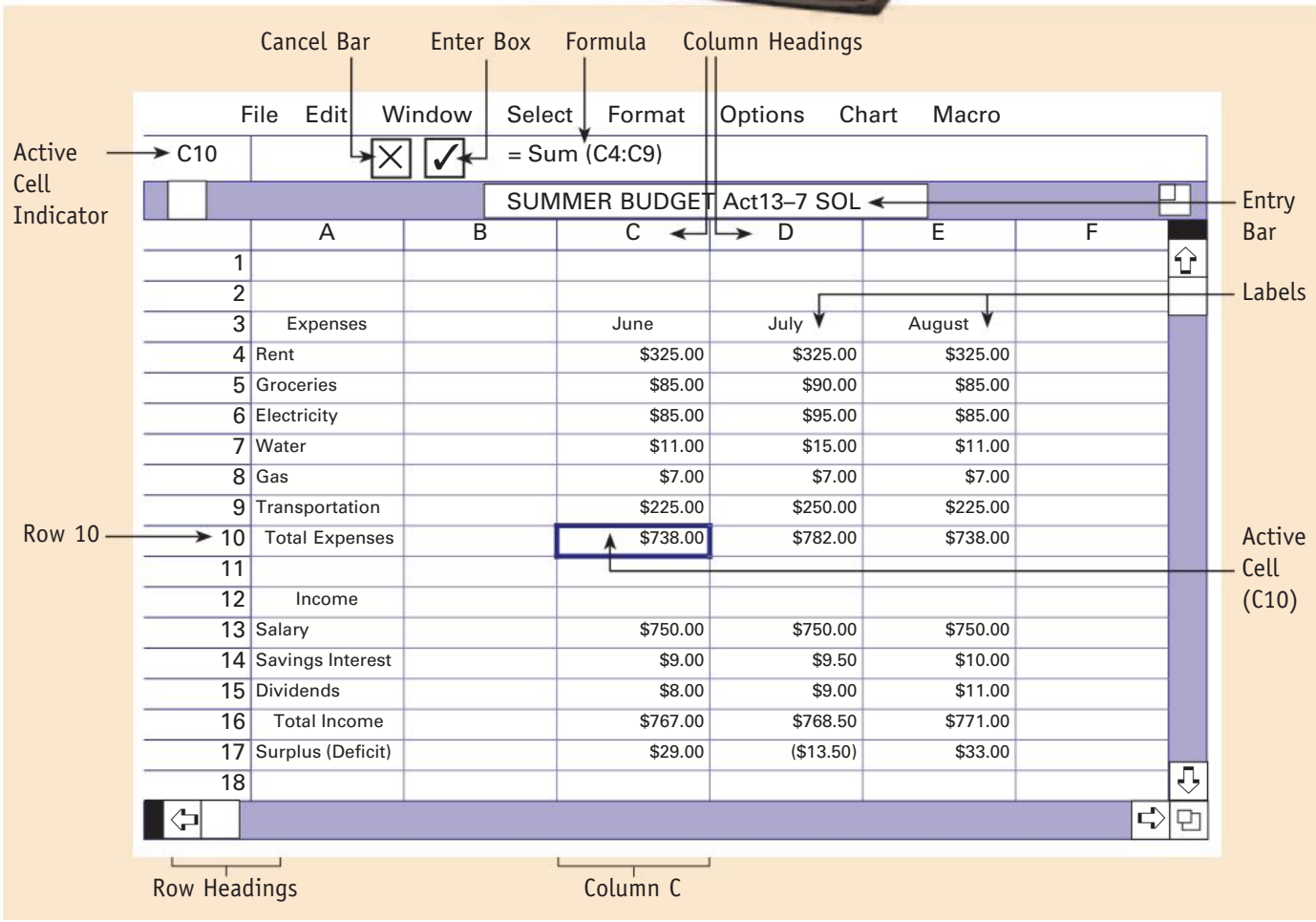
Records provide important information, such as:

- which accounts have been paid
- any outstanding accounts
- total expenses
- cash balance
- date, amount and item purchased.

You need such information if there is a dispute over non-payment of an account. Your only proof of any financial transaction will be your set of records.



Before the computer age, consumers calculated their balances in ledger books.



	A	B	C	D	E	F
1						
2						
3	Expenses		June	July	August	
4	Rent		$325.00	$325.00	$325.00	
5	Groceries		$85.00	$90.00	$85.00	
6	Electricity		$85.00	$95.00	$85.00	
7	Water		$11.00	$15.00	$11.00	
8	Gas		$7.00	$7.00	$7.00	
9	Transportation		$225.00	$250.00	$225.00	
10	Total Expenses		$738.00	$782.00	$738.00	
11						
12	Income					
13	Salary		$750.00	$750.00	$750.00	
14	Savings Interest		$9.00	$9.50	$10.00	
15	Dividends		$8.00	$9.00	$11.00	
16	Total Income		$767.00	$768.50	$771.00	
17	Surplus (Deficit)		$29.00	($13.50)	$33.00	
18						

Parts of a spreadsheet

Today a range of computer spreadsheet and database programs makes record keeping easier for individuals and businesses. These computer programs automatically add or subtract numbers, reduce the need for large bulky books, minimise the time required to complete financial statements, allow changes to be easily made and, if the data are entered correctly, ensure greater accuracy of records.

Spreadsheet

A spreadsheet is a series of rows and columns displayed on a computer screen. It allows the operator to perform mathematical calculations. A spreadsheet could be used to calculate a personal budget showing monthly transactions.

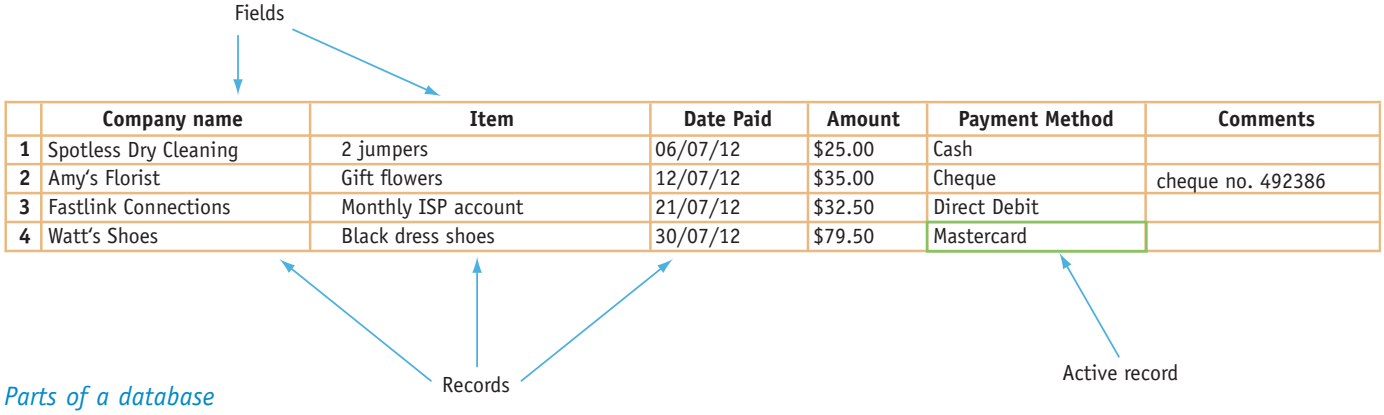
The place where a piece of data is entered on a spreadsheet is called a cell. It is the intersection of a row and a column. Each cell is individually identified by its column letter and row number. An active cell is the selected cell in which data are entered or edited.

The greatest advantage of a spreadsheet is that, once it is set up to include all the necessary labels, values and formulas, if any number has to be changed the program will automatically recalculate totals.

Database

A computerised database is like electronic folders and filing cabinets. The main advantage of a database is that a consumer can quickly search through a large number of files to locate specific information.

A database can be used to keep a list of credit or debit purchases, accounts paid or the details of goods purchased. It is important to update the database regularly as new purchases are made or existing accounts are paid.



	Company name	Item	Date Paid	Amount	Payment Method	Comments
1	Spotless Dry Cleaning	2 jumpers	06/07/12	$25.00	Cash	
2	Amy's Florist	Gift flowers	12/07/12	$35.00	Cheque	cheque no. 492386
3	Fastlink Connections	Monthly ISP account	21/07/12	$32.50	Direct Debit	
4	Watt's Shoes	Black dress shoes	30/07/12	$79.50	Mastercard	

Parts of a database

Activities

Understand

1 Unscramble the following words and then use each one in a sentence to explain its meaning.
   (a) eeessprhdat
   (b) bdtaseaa
2 What is an active cell on a spreadsheet?
3 What is the main advantage of using a database to record and monitor financial transactions?
4 Construct a simple database showing a record of ten different cash, credit card, debit card and cheque purchases. Give the database an appropriate title. The database should contain fields for date, name of the store or company, good purchased, amount, method of payment and comments.
5 Draw up a page in your notebook with six columns and fifteen rows. Label the columns A–F and the rows 1–15. Label the page 'A Personal Two-Month Record of Expenses and Income'.
   Put the following headings into these cells: A2 EXPENSES, C2 JANUARY, D2 FEBRUARY, E2 MARCH, A8 TOTAL EXPENSES, A10 INCOME, A13 TOTAL INCOME, A15 SAVINGS. Under the heading EXPENSES in A2, write the words 'Lunch', 'Fares', 'Entertainment' and 'Car', each in a different row. Under the heading 'INCOME' in A10, write the words 'Wages' and 'Interest'. Lunches are a constant $65 a month as are fares at $40. Entertainment decreased from $115 in January to $65 in February and $40 in March. Car increased from $55 to $65 to $80 respectively. Wages are a constant $275 a month while interest earned is $5 a month.
   (a) Complete this budget calculating all totals.
   (b) In which month were you able to save:
      (i) the most
      (ii) the least?
   (c) What are the advantages of recording this information in this format?
6 Complete question 5 using a computer spreadsheet application. Change some of the figures and describe what happens.

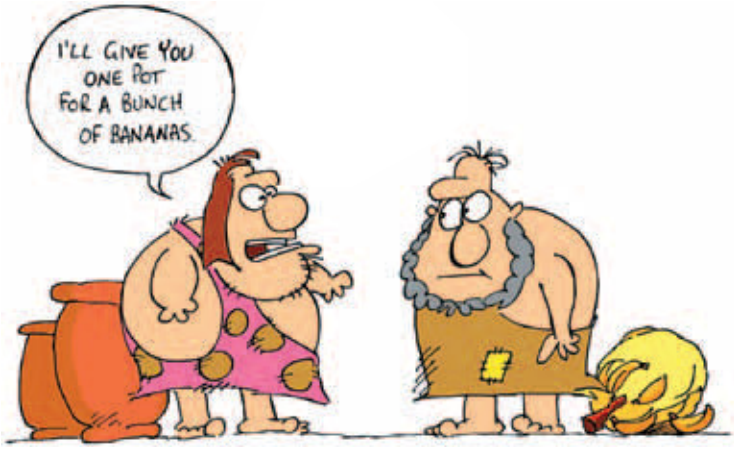
1.16

Changes over time and the impact of technology

The methods that consumers use to pay for goods and services have constantly changed over time. Most of the changes are due to the impact of technology.

Barter

Before coins and notes were used, a system called **barter** existed. Barter was swapping or exchanging one good for another. Barter still exists in some parts of the world. Many indigenous people still use the barter system.



Barter — an early method of payment

However, there are a number of problems with barter. Trying to calculate the value of an item is difficult. Finding someone who wants what you have and has what you want is known as 'double coincidence of wants'.

The development of money overcame the problems of barter.

Money

Money — anything people generally accept as payment in exchange for goods and services — gave consumers greater freedom in satisfying their needs and wants. Earlier societies used items they valued, such as gold, shells, rum, salt, cattle or even coloured stones, as money. They were scarce or rare and accepted by everyone as a form of payment.

Nowadays, we think of money as notes and coins. This has also evolved with time and technology. Money transactions with 'plastic money' (credit and debit cards) are now a preferred method of payment by consumers.

Comfact

According to Chinese historians, China was the first country to issue paper money. Called 'flying notes' their use was first recorded about AD 800.

Evolution to a cashless society



Impact of technology

Developments in computer technology have virtually turned Australia into a cashless society. The modern consumer typically prefers to use **electronic transfer** both to receive money and to pay for purchases. Some of the current technological methods that can be used to make electronic (cashless) payment include:

1. **Visa payWave** and **MasterCard *PayPass***. This 'tap and go' technology allows for payment of under $100 simply by tapping your debit or credit card, keyring or mobile phone against a specialised contactless terminal.



Simply 'tap and go' to make a quick electronic payment

2. **Smartphone apps**. There are numerous apps such as the Commonwealth Bank's 'Kaching' aimed at allowing consumers to make mobile credit card payments using smartphones. The mobile phone is becoming an extension of the purse or wallet.



The Commbank Kaching iPhone app can be used for mobile payments.

3. **Dial and pay**. This is the ability to buy goods with a mobile phone. This payment uses a mobile phone to dial a specified number and then the cost of the good is added to your mobile phone bill.

When using any new technology to make payments, it is important to remember the safety issues involved with electronic transactions. Keep track of your spending by checking your statements regularly and contacting your bank if there are irregularities.

Financial institutions are structuring their transaction fees and charges to encourage customers to adopt electronic banking.

Activities

Understand

1 Describe, using two examples, how technology has affected the way in which consumers can pay for their goods and services.

2 Conduct a bartering session in your class. Each class member can bring along something to barter, such as pieces of food. Display the goods on the desks.

3 After the session, complete these sentences:
- (a) Double coincidence of wants occurs when ...
- (b) Agreeing on the value of something is ...
- (c) Some people were disappointed with their barter because ...
- (d) Money makes trading easier because ...

4 How are banks encouraging customers to use technology rather than over-the-counter transactions?

Think

5 Banking and paying bills electronically is very convenient. However, what problems might arise for customer privacy and security?

6 How might older people and the poor be disadvantaged if over-the-counter transactions attract higher bank fees than electronic banking?

Investigate

7 Using your library and the internet, research an early form of money. Find out where and when it existed, who used it and what it was like.

Communicate

8 As a class, discuss the advantages and disadvantages of using 'tap and go' technology to buy goods.

STUDENT WORKBOOK 1.10 SWOT analysis

Glossary

barter the swapping or exchanging of one good for another

electronic transfer the transfer of funds from one account to another via the internet or telephone

Check

Commerce and choice

1 Complete the statements in your notebook by selecting the correct word from the list below.

budget	services
consumer	need
labour force	goods
wants	consumer gurantees

(a) A _____ is someone who purchases goods and services to satisfy needs and wants.
(b) Something that is necessary for survival is called a _____.
(c) _____ are not essential for survival but are the things we would like to have.
(d) Items that you can see or touch are called _____.
(e) _____ cannot be touched but are provided for you by other people.
(f) A financial plan is called a _____.
(g) The _____ is made up of people aged 15 and over who are either employed or unemployed.
(h) _____ _____ are a set of rights and remedies for defective products.

Consumer decisions

2 Draw a diagram to show the distribution process from the manufacturer to the consumer.
3 Outline the situations where:
(a) mail order
(b) internet shopping
is the most appropriate way to purchase goods.

The need for consumer protection

4 What are the main elements of a simple contract?
5 Study the illustration at right carefully.
(a) Fill in the empty boxes using the image as a guide.
(b) Explain how each practice helps a person to become a wise consumer.
6 Outline the role of the Consumer, Trader and Tenancy Tribunal.



Practices of a wise consumer

Payment choices

7 Explain the difference between a *credit card* and *direct debit*.
8 What are the advantages of keeping an up-to-date record of your purchases and payments?

Challenge

Consumers

9 Explain why needs and wants vary between:
   (a) people in the 1890s and people today
   (b) a teenager living in Goulburn and an elderly person living in Sydney
   (c) a middle-aged executive earning $300 000 a year and a young sales assistant earning $23 000 a year.

10 Research the changes that have occurred in the way we shop. Present your information by completing the following timeline.

Middle Ages **Online**



5th–15th century **21st century**

11 Explain how specialty stores are able to exist in competition with large department and discount stores.

12 Find three examples of persuasive advertisements and paste them in your notebook. Under each one, explain how the advertisement might influence the consumer to buy the product.

13 Read the article 'Supermarket shopping — at your convenience' then answer the questions that follow.

14 List and explain some techniques retailers use to tempt us into impulse buying. The first one has already been completed for you.

Techniques used by retailers to encourage impulse buying	
Technique	**Explanation**
1. 'Sale' prices	You think you are getting a good bargain.

15 Explain why it is important to know who has ownership of goods when they are being bought on credit. You may need to refer to some legal studies books and websites.

16 Explain how consumer guarantees provide some protection for a consumer.

17 Prepare a database of the local people and organisations that can provide you with advice about consumer protection.

18 Answer the following questions:
   (a) What does the term 'plastic money' mean?
   (b) What are some advantages and disadvantages of using debit cards?
   (c) Why is a debit card better than a cheque for both the consumer and business?
   (d) Will cashless shopping create any difficulties for society? Explain your answer.

19 In small groups, construct a flow diagram to indicate the steps involved in using an ATM.

20 Does the law provide sufficient protection to consumers who buy goods and services online or by the telephone? Explain your view.

Supermarket shopping — at your convenience

As you enter the supermarket you encounter your first obstacle: a shopping trolley with a mind of its own. After taming the 'beast', you set off cautiously, for you have entered into a game of enticement where the retailer has cleverly set traps to ensnare the unsuspecting consumer. Traps such as music, lighting, pleasant aromas from the bakery, eye-catching display techniques and, worst of all, the rearrangement of the store to divert you to new aisles, pepper your journey. After dodging the tempting specials, you make your way to the checkout. Which aisle to line up in? The 'express' aisle moves at a snail's pace and the self-service counter is extremely busy. Never mind, just pick up (and later purchase) a magazine while you wait — another trap. With the trolley unloaded, and goods scanned and bagged, you now take a leap of faith and hope the EFTPOS transaction is accurate. Leaving, you push the errant trolley to your car, once you remember where you parked it. You breathe a sigh of relief. How can this be called 'convenient'?

(a) Do you agree with the sentiments expressed by the writer? Give reasons for your answer.
(b) Is this article based on fact or impression? How can you tell?
(c) Investigate and report on the changes that have occurred in supermarket shopping over the last 50 years. Why have these changes occurred and who has benefited, the consumer or the retailer?

STUDENT WORKBOOK 1.11 Wrap up!

projectsplus

Best Biz Association Award

SEARCHLIGHT ID: PRO-0131



Scenario

The Best Biz Association Award, better known as the BBAA, is a world-recognised consumer body that acknowledges excellence in consumer products. These products come from businesses that provide products that are high quality, good value, readily available and produced to strict environmental, social and ethical standards. Each year the BBAA recognises businesses from different industries.

Task

The BBAA is due to be presented in the next three months. This year, the BBAA has chosen to recognise excellence in the following industries: electronic equipment, surf wear and women's apparel. Three businesses have been short-listed for this prestigious award in each category. Each business has been recognised as a business that has developed products of high quality and to strict environmental, social and ethical standards.

As one of the consultants on the panel, your first task is to select which industry you would like to judge. Once you have chosen an industry you then need to assess the businesses that have been short-listed in that industry and select a business to receive this award. You must provide a detailed report to the BBAA using the template provided, outlining why you chose that business over the others in the short list. You have a lot of research and work heading your way.

Process

1. Form a group with other members of your class. Open up your ProjectsPLUS application for this chapter, located in your eBookPLUS. View the Project Brief and then click the 'Start new project' button and set up your project group. Save your settings and the project will be launched.
2. Select which industry you would like to judge: electronic equipment, surf wear or women's apparel.
3. Navigate to your Media Centre and visit the websites of the businesses that have been short-listed for your industry to find out about each business. You should also undertake further research about each business from a variety of sources such as: internet, advertising material, magazines, newspapers, etc. Keep a record of any sources you have referred to as you will need to include them in the bibliography in your final report.
4. Prepare a summary of your findings for each business and enter this information as an article under each topic in your Research Forum. In your summary, comment on the following:
   - quality
   - value for money/price
   - marketing strategies
   - convenience
   - service
   - environmental, social and ethical considerations.

5. Once you have submitted your summary, print a copy. Each group member's summary must be submitted with the final report.
6. View and comment on other group members' articles, and rate the information they have entered.
7. Come together as a group and evaluate your research on each business and, finally, choose the company that you believe deserves to win the BBAA.
8. Navigate to your Media Centre and select 'Templates'. Use the 'Best Biz Association Award Report' template to help you create your final report. Each member of your group could be responsible for a different section of the report.
9. Print your 'Best Biz Association Award Report' and each student's research summary, and submit them to your teacher.





projectsplus

Your ProjectsPLUS application is available in the Student Resources section inside your eBookPLUS. Visit **www.jacplus.com.au** to locate your digital resources.

Suggested software
- ProjectsPLUS
- Microsoft Word

Media centre
Your Media Centre contains:
- video segments from two Australian companies
- a 'Recommendations to the Best Biz Association' template
- an assessment rubric.

DIGITAL
resources for this chapter



THE LIFE AND TIMES OF MONEY

Money flows constantly throughout our economy. Many centuries ago, when human society was based on hunting and gathering, people would barter with goods, exchanging things of similar value. The ancient Greeks first used coins between 600 and 700 BC. The first paper money was used in China around AD 1400. Australia was the first country to have a complete system of bank notes made from plastic. This video eLesson will tell about the history of money and its exciting journey from printing press to pulp.

Searchlight ID: eles-0140



REVELATION: METHODS OF PAYMENT

There are many possible methods of paying for the things you choose to buy. Some, such as cheques, have been around a long time. This interactive Revelation game will challenge you to identify key payment methods. Success rewards you with a fun animation.

Searchlight ID: int-0784

Chapter 2

CORE

Personal finance



Summer is here! It is time to throw on the sunglasses, wax the surfboard, jump in the car and head for the beach. No cares, no responsibilities, just fun in the sun. For teenagers, summer can be exciting, with opportunities to enjoy the company of friends doing a whole range of activities.

Along with the many exciting challenges of being a teenager, though, come new responsibilities. To get to the beach or pool, teenagers need to manage their money wisely. Pocket money or wages earned through casual work may help to provide the sunglasses and the boardshorts; however, the purchase of a car will probably be the result of a longer term savings plan. To put petrol in the car and pay for repairs also requires careful financial management.

It's possible — and the earlier we start to organise our personal finances, the better!

STUDENT WORKBOOK 2.1 Start up!

Focus

On completion of this chapter, you will have developed knowledge, understanding and skills that will assist you in achieving financial independence by developing the ability to make informed judgements and take effective actions regarding the use and management of money.

Glossary

bankrupt when a person is judged by a court to be insolvent; i.e. unable to pay her or his debts

cash flow money coming into and going out of a business

commission the percentage of a sales price received by a salesperson for her or his services

credit bureau an organisation that keeps on file the credit records of consumers

creditor a person who is owed money

debtor a person who owes money

default notice a document from a lender stating that a person has failed to carry out the terms of the contract

dividend sum payable as profit for shares

equities stocks and shares held by an individual

fee money paid to others for their services

fixed expenses expenses that are the same amount every time

garnisheed when a certain amount of money can be taken out of a borrower's wages

guarantor someone who guarantees to pay back the money if the borrower does not

impulse buying buying something without giving much thought as to whether you really need it

income money received on a regular basis from work, property, business, investment or welfare payments

interest a payment made for the use of money that has been borrowed

investment putting money into something in order to make a profit

mortgage a loan for goods or a property

net income the amount a person has left after income tax is deducted

overtime time during which work is done outside regular working hours. Such time is usually paid at higher rates.

portfolio a range of low-risk and high-risk financial investments

premium the amount of money to be paid to receive insurance cover

profit what remains after all business expenses are deducted from sales revenue

rent regular payment made by a tenant to an owner for the use of the owner's building or land

repossess to take back goods bought on credit if repayments have not been made

royalty a sum paid to authors, musicians and so on, as a percentage of the proceeds from their work

salary a fixed amount of money paid on a regular basis (usually fortnightly or monthly) to a permanent employee of an organisation

savings plan a commitment to regularly put aside some money for future use

secured loan something deposited as a guarantee to fulfil the payment of a loan

social welfare payment a payment made by a government to help people in need

superannuation a way of saving so an employee has some money in retirement

unsecured loan nothing is deposited as a guarantee to fulfil the payment of the loan

variable expenses expenses that change over time

wage money received by workers, usually on a weekly basis, for services they provide to an employer

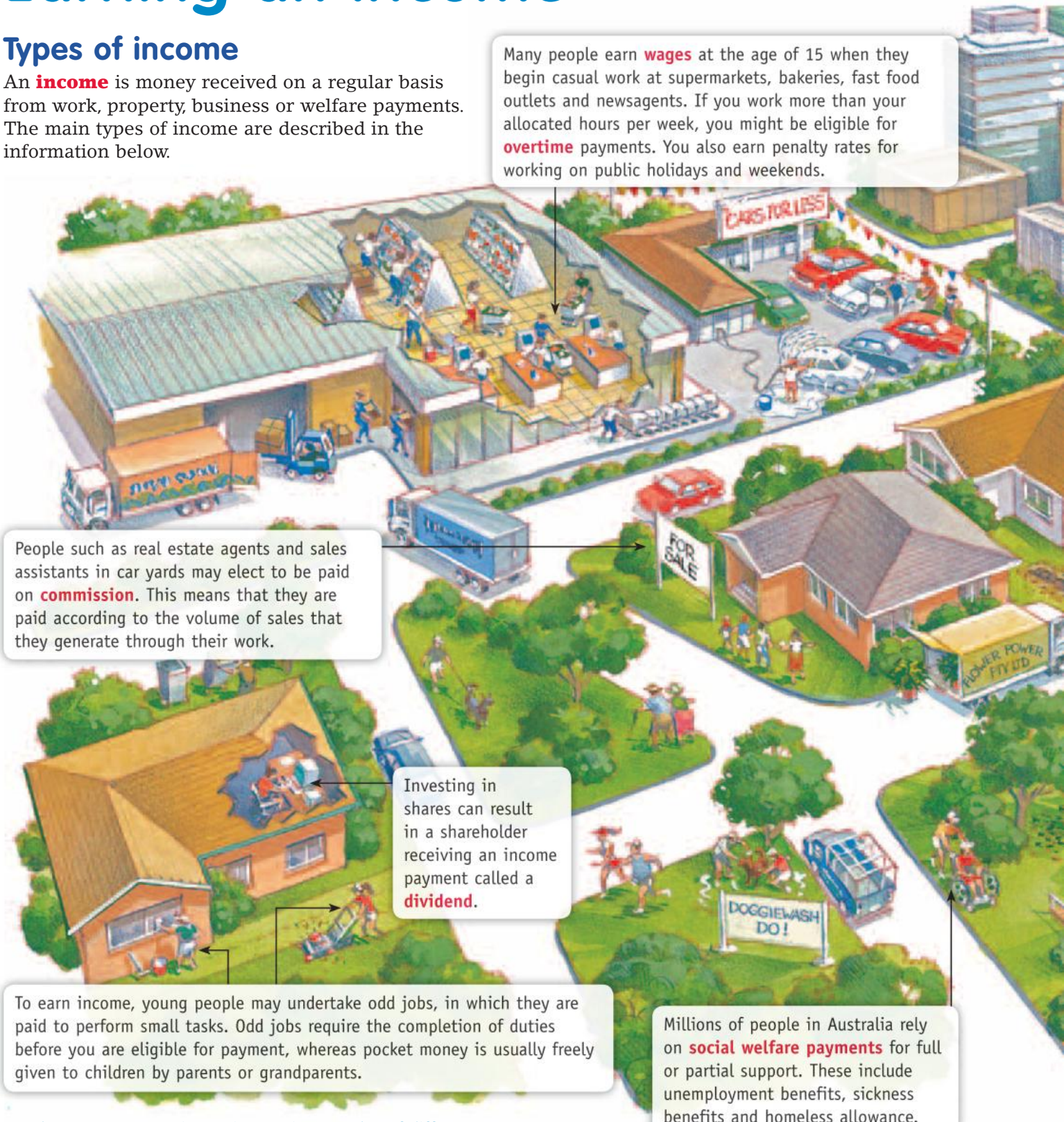


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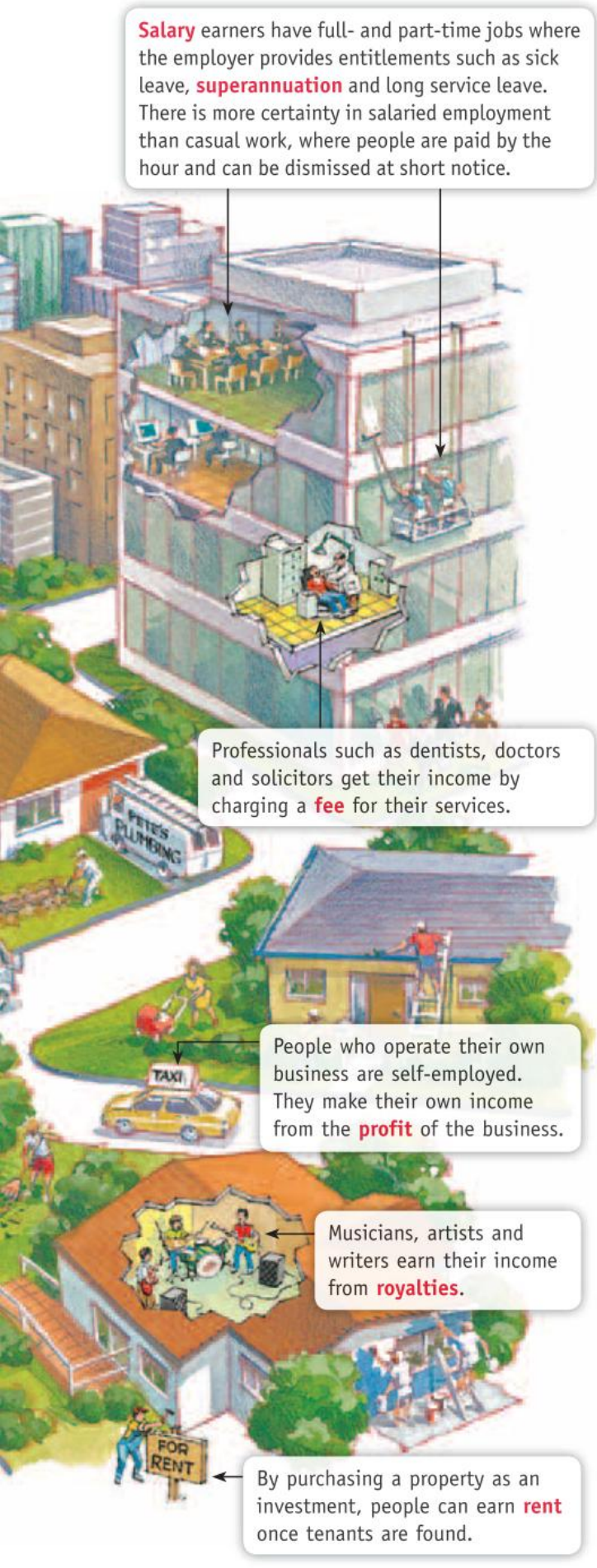
Earning an income

Types of income

An **income** is money received on a regular basis from work, property, business or welfare payments. The main types of income are described in the information below.



People can earn or receive an income in a number of different ways.



Activities

Understand

1 Explain what is meant by the term 'income'.

2 Complete the table below.

Term	Meaning
A. Wage	.....
B.	Payment for a service performed
C.	Saving for retirement
D. Royalties	.....
E. Commission	.....
F.	A payment for someone who is unemployed

3 In the illustration at left find an example of people who may receive an income through:
- social welfare payments
- wages
- commission
- profit.

4 Kayako's wage is $14.50 per hour. She works a 38-hour week.
(a) What is her total weekly income?
One week, she worked three hours overtime at time-and-a-half.
(b) What was her total income for that week?

5 A real estate agent sells a house for $825 000. Her commission is 3 per cent. What is her total commission income from this sale?

6 Using cuttings from the employment section of a newspaper, prepare two collages. One will display occupations that are paid a salary, and the other occupations that are paid a wage.

STUDENT WORKBOOK 2.2 Occupations and income

Glossary

commission the percentage of a sales price received by a salesperson for her or his services

dividend sum payable as profit for shares

fee money paid to others for their services

income money received on a regular basis from work, property, business, investment or welfare payments

overtime time during which work is done outside regular working hours. Such time is usually paid at higher rates.

profit what remains after all business expenses are deducted from sales revenue

rent regular payment made by a tenant to an owner for the use of the owner's building or land

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salary a fixed amount of money paid on a regular basis (usually fortnightly or monthly) to a permanent employee of an organisation

social welfare payment a payment made by a government to help people in need

superannuation a way of saving so an employee has some money in retirement

wage money received by workers, usually on a weekly basis, for services they provide to an employer

2.2

Spending and saving income

Expenditure

People who earn money may wish they could spend it on whatever they choose, but the reality is quite different. Taxes and charges, bank fees, rent, mortgage payments and bills quickly take a large proportion of the money that we earn. These expenses are **fixed expenses**; that is, they are the same amount every time. For example, on your mobile phone plan you may have to pay a minimum charge of $40 per month. Other types of expenses are **variable** and change over time. For example, you may buy a DVD this month and go to the movies next month. The secret to managing money is to keep careful records of these deductions from income and to minimise them wherever possible.



FINANCIAL NEWS

MONDAY 28 FEBRUARY — SYDNEY

SAVING AND SPENDING

We at the *Financial News* have wanted to interview these two sisters for some time now. There is a lot to learn from their stories. Let's hear about their financial lives.

Sasha Spendmore and Lizzy Spendless are twin sisters who may look the same, but could not be any more different when it comes to their finances.

Sasha Spendmore loves to go shopping. She and her good friend Aly Super Shopper are often seen together, buying the latest clothes, accessories and beauty products.



Lizzy and Sasha — so alike, yet so different!

With a good job at Telstra, Sasha Spendmore loves to live for the moment. She earns a good salary at Telstra of $1900 per week. Of this amount, Sasha predicts that she would spend most of it.

'Shopping is my stress release,' says Sasha. 'When I am not working I like to see the latest clothes and accessories. After all, I have a reputation to look after. I am never seen in the same clothes twice.

'I live in an apartment in the city that costs $500 per week in rent. I always eat out at restaurants, and I buy my lunch when I am working. I bought my car, which is a BMW convertible, and the furniture for my apartment with loans from the bank.

'My motto in life is to live for the moment; after all, there is no point being the richest woman in the grave!'

Sasha ended the interview because her mobile phone rang.

Lizzy Spendless has a different philosophy when it comes to money. She works as a manager in a retail store earning $950 per week.

'It is my dream to own a home,' she says. 'I have been looking around Bexley, Prospect and Dundas. Places in those areas start at around $650 000, so I am going to have to save a lot of money. I think that in life you need to have a dream, and once you know what that dream is you can begin to save for it.

'My four-step plan is to firstly establish what my priorities are. My priority at the moment is to save for a house.

'Secondly, I want to evaluate my spending and savings routine.

'Thirdly, I want to begin saving now. I have opened up a goal saver account with the Bank of Frewen. I aim to save at least $5000 each year.

'And finally, if necessary, I will seek some advice from an expert who can help me.'

We looked a bit closer at Lizzy's four-step plan.

Lizzy's priorities

Unlike Sasha, Lizzy has always been careful with her money. Over the years she has saved and paid cash for a LED TV, iPad and computer, and last year Lizzy purchased a new car. Her goal now is the biggest she has ever aimed for — saving for a home unit. Lizzy knows that she is going to have to be more careful with her money than she ever has been in her life, and implement a financial plan that she will stick to.

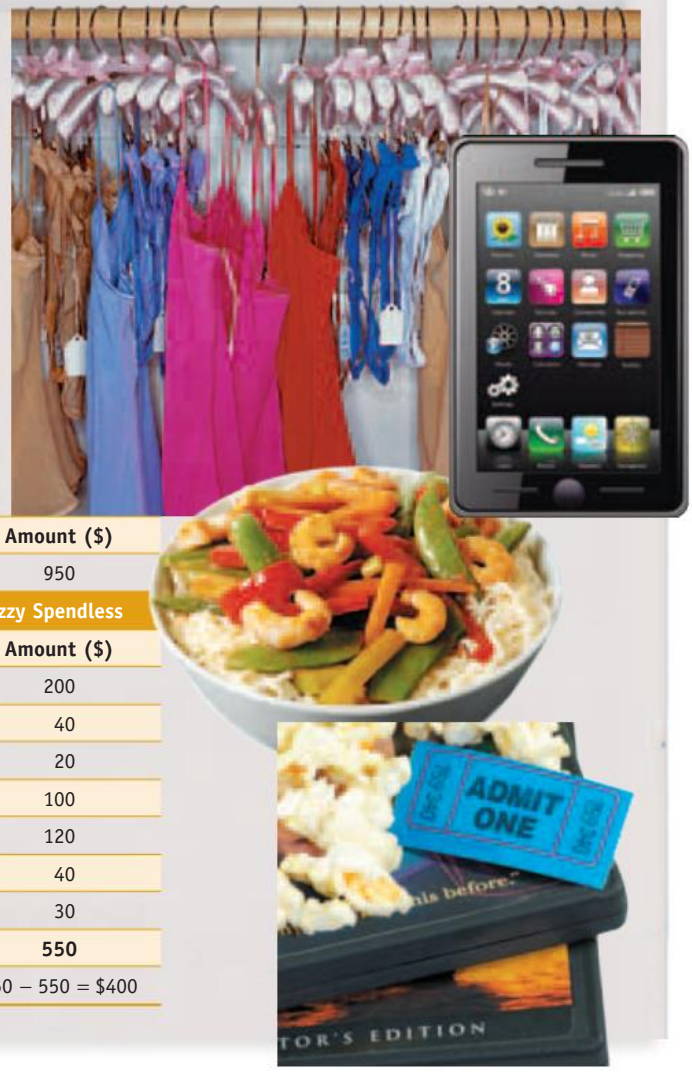
Lizzy's current performance

Lizzy likes to record all her spending in a table, so that she knows how she is spending her money.

Lizzy allocates money towards her bills. If she sees an item of clothing she likes, she will buy it if she has enough money allocated for clothing. Lizzy likes to think that she still has fun and goes out with her friends, but she is careful about the amount she spends. Lizzy takes her lunch into work because it saves lots of money.

Lizzy's saving plan

Using the table at right, Lizzy points out that she can save $400 per week — provided nothing goes wrong. Last month her car broke down and she had to pay repairs of $200. This meant that she only saved $200. Lizzy accepts that these things happen. The important thing is that she has a plan.



Income	Amount ($)
Salary	950
Weekly expenses for Lizzy Spendless	
Expenditure	**Amount ($)**
Rent	200
Electricity	40
Telephone	20
Food	100
Car expenses	120
Clothes	40
Entertainment	30
Total	**550**
Savings	950 − 550 = $400

Activities

Understand

1 Use examples to explain the difference between *fixed* and *variable* expenses.
2 Outline the advice that Lizzy provides on managing finances.
3 Of the two sisters, who:
  (a) earns more money
  (b) spends more money
  (c) has the highest debt?

Think

4 Why is it important to save?
5 Sasha spends most of her income. Is this a problem? How can Sasha reduce her spending?
6 How could Sasha benefit from Lizzy's financial plan?
7 George's parents provide him with $50 per week to live on. From this he needs to pay for tuckshop lunches ($20), mobile phone ($10), iTunes, clothing and comics ($5). He wants to buy the latest James Bond DVD and a Billabong T-shirt.
  (a) Prepare a list of George's expenditure and savings potential.
  (b) What should George save for first? Justify your answer.
  (c) If George purchased the DVD for $30, how could he finance it?

eBookplus

8 Prepare a poster urging young people to keep track of their expenses. It should be visually attractive and appealing to young people. Include a warning about the temptation to overspend. For some good ideas, use the **Money Stuff** weblink in your eBookPLUS to locate NSW Fair Trading's website and access the 'Just the Facts' section.

Glossary

fixed expenses expenses that are the same amount every time

variable expenses expenses that change over time

2.3

Factors that influence the need for saving

Russell rips open his first pay slip — his first wage of $64.50 has been paid into his bank account. He finds an ATM and draws out $50 cash. First stop is the music shop where he buys a DVD, then a T-shirt that he sees 'on special'. He plays two video games and buys some lunch. As he nears home, the reality hits him. Out of his $50, he has only $3.50 left.

Russell has just learned a valuable Commerce lesson: you can do two things with money — spend it or save it. Russell can, however, do both by spending some of his earnings responsibly and working out a regular **savings plan**.

Why save money?

There are many reasons why people save and the reasons change at different stages of life. For example:

- Teenagers might save for a sound system, a car or a big holiday at the end of Year 12.
- Houses are so expensive that not many people can afford to pay cash for them. First home buyers must save for a deposit and arrange the rest through a loan.
- For wage or salary earners with children, the saying 'to save for a rainy day' means that it is important to have some money saved in case illnesses, accidents or other emergencies affect them or their dependants.
- Older people save for their retirement by putting funds aside in a superannuation plan. They want to have a good lifestyle and to feel secure in their old age.
- On leaving school, young people may wish to experience the excitement of living in an inner city location. The cost of living in such areas can be high, especially accommodation costs, and may make it difficult to save. People living in remote rural communities also experience high living costs, especially for food and household items, due to the added expense of transporting supplies to isolated areas.
- Whatever the age, saving money gives some people a sense of satisfaction and pleasure. When you look at your savings balance you might feel a sense of achievement.

Budgeting and saving: a strategy

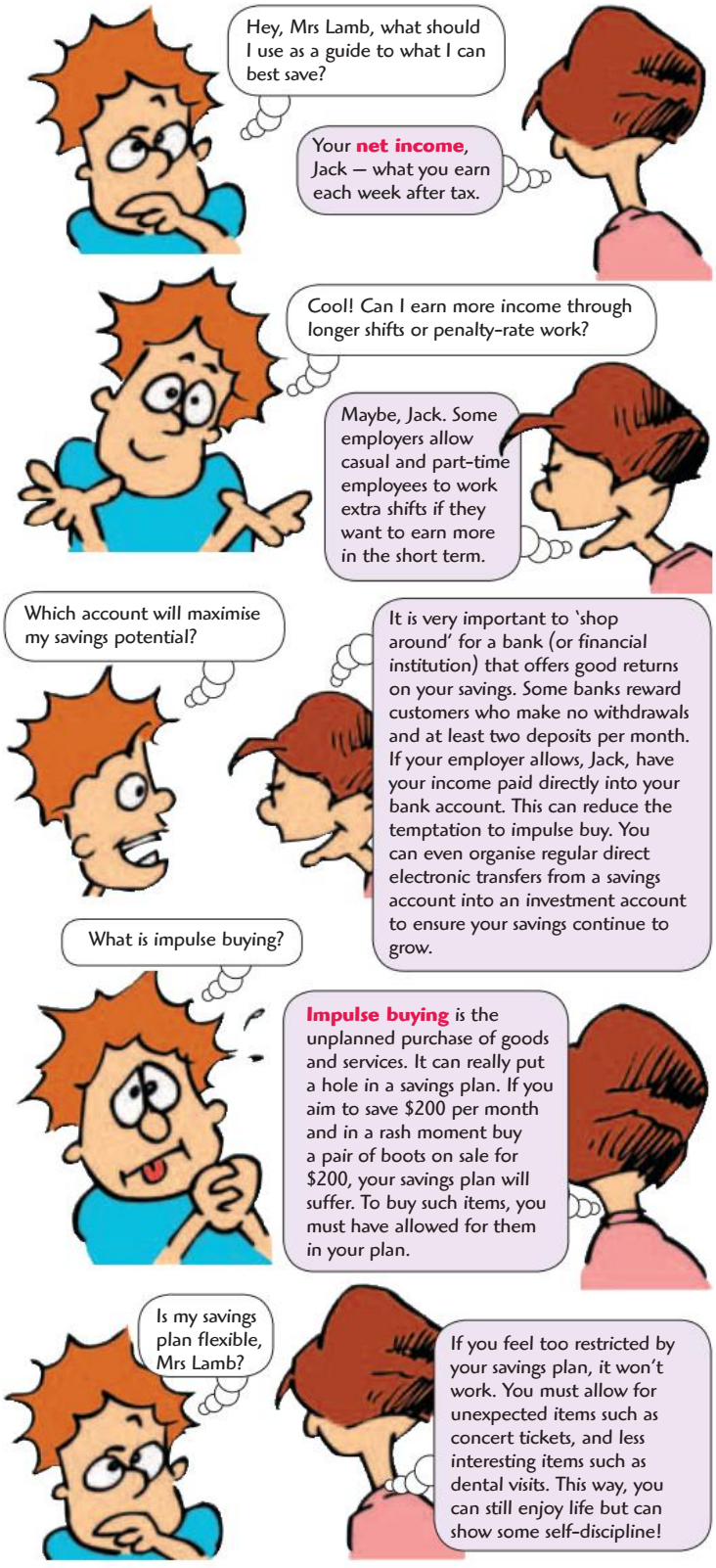
Saving is easy for some people; hard work for others. Those who do not save usually use the excuse that they do not earn enough. In general, the more people earn, the more they can save. However, most people can afford to save some money without too great a sacrifice. The problem with establishing a savings plan is that you have to show some discipline! If you have a strict budget to save for a holiday and you hear that your favourite band is touring at a cost of $80 per ticket, you shouldn't give in to temptation. If you have a flexible savings plan, you might be able to save for your holiday *and* see the band!



To spend on a concert ticket . . . or to save for that holiday? A responsible savings plan might allow for both.

Responsible spending and saving

Saving involves being committed to a medium- to long-term plan and allowing for the occasional financial 'hiccup' or spending indulgence along the way. Here are some questions you need to ask when developing a savings plan.



Activities

Understand

1. What two things can you do with your income?
2. What is a 'savings plan'? Why is it important?
3. Why is it important that a savings plan not be too restrictive?
4. Explain how impulse buying can quickly damage a person's savings plan.
5. Explain how preparing a savings plan could help Russell save some of his money.

Think

6. Why do you think Russell spent most of his first pay within half an hour?
7. Elsa Piccoli says that she does not save regularly because the amount she can afford to save is too small. Is this a good reason? Explain.
8. What is the relationship of wise money management to a savings program?
9. Savings hidden in a jar is money that is not working for you. What other reasons can you give why savings should not be kept in a jar?

Communicate

10. Add extra elements to the mind map started below to summarise the reasons for saving.



11. In small groups, advise people of the dangers of spending all their money by either:
    (a) creating a collage poster
    (b) preparing a PowerPoint presentation.
12. As a class, brainstorm other reasons for saving that have not been mentioned in the text.

Glossary

impulse buying buying something without giving much thought as to whether you really need it

net income the amount a person has left after income tax is deducted

savings plan a commitment to regularly put aside some money for future use

2.4

Borrowing money: credit (1)

Reasons for borrowing money

Most people borrow money (use credit) at some time. For example, very few people can pay cash for the home or car of their choice.

Some of the reasons for and against borrowing money are given in the table below.

Borrowing money	
Reasons for	**Reasons against**
1. ***Immediate satisfaction.*** You can have the use of an item and pay for it later.	1. ***Interest charges.*** The cost of borrowing is usually high.
2. ***Convenience.*** If you use a credit card, you do not have to carry large amounts of cash.	2. ***Impulse buying.*** Because you do not hand over any cash, you may be tempted to buy more goods or expensive items.
3. ***Possible savings.*** You can take advantage of special sales or discount offers.	3. ***Additional costs.*** Retailers can now pass on to you their merchant fee costs.
4. ***Emergencies.*** Access to money can help you meet unexpected expenses.	4. ***Loss of control.*** You may lose control of your finances and overcommit yourself.
5. ***Improve your quality of life.*** Acquiring more assets may improve your standard of living.	5. ***Inability to repay.*** This can make you very unhappy and ruin your quality of life.
6. ***Forced 'saving'.*** You have to put money aside to meet the regular repayments.	6. ***False sense of security.*** You may have an unrealistic perception of how wealthy you are.



Borrowing allows you immediate use of an item.



Borrowing too much may make it difficult to meet your repayments.

Comfact

You should borrow money only when you are certain that you can make regular repayments.

Getting a loan

Once you have decided to take out a loan, there are four important steps you should take, as shown below.

1. Decide how much you need to borrow.
2. Decide if you have enough savings for a deposit.
3. Decide if your income is sufficient to meet the repayments.
4. Shop around for the best deal — compare the advantages and disadvantages of different types of loans and lenders. To make this easier, you could use the services of a finance broker — someone who acts as a financial intermediary (liaison) between the consumer and financial institutions, usually charging a commission.

Cost of credit: interest

When you use credit you are borrowing other people's money and therefore have to pay for it. This extra amount is called **interest**. You should always be aware of the interest charge by comparing how much the cost of an item will be for cash and how much it will be for credit.

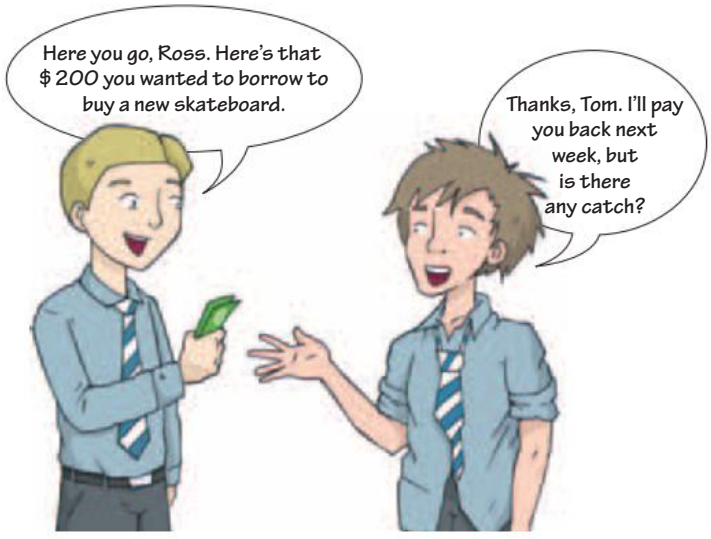
Interest is usually expressed as a per cent, such as 12 per cent or 18.5 per cent. This is the interest rate. Unless otherwise stated, interest is usually quoted as an annual charge and expressed as 'per annum' (p.a.)

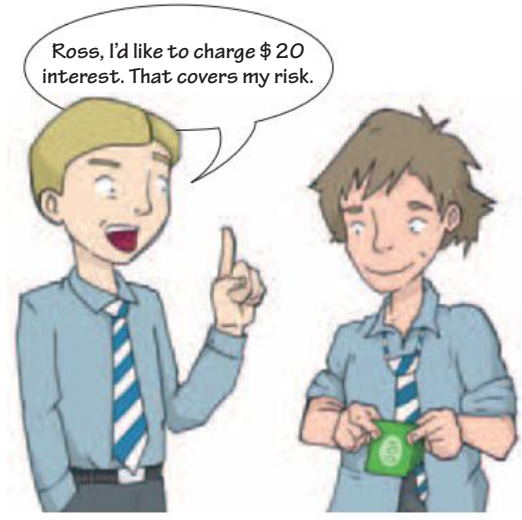
Consider this example: a DVD recorder costs $550 cash or $100 deposit and $48 per month for 12 months.

Deposit	$100	
Total monthly repayments	$576	
Total amount paid	**$676**	
Less cash price	$550	
Cost of credit (interest charged)	$126	
Interest rate	22.9% p.a.	$\left(\frac{\$126}{\$550} \times \frac{100}{1}\right)$

The total cost of an item will depend on the period of the loan, the amount borrowed, the rate of interest and whether any additional charges have been made. Therefore, the higher the rate of interest, the longer the period of the loan or the larger the amount of money borrowed, the higher the cost of the loan will be.

Before agreeing to any credit contracts you should be fully aware of the interest rate being charged.





Next week...



The next week...



Activities

Understand

1 (a) What is credit?
(b) Why is credit used?
2 What do you consider to be the main (a) advantage and (b) disadvantage of borrowing money?
3 What is meant by the term 'interest'?
4 From any newspaper or catalogue:
(a) List five major items that can be purchased on credit.
(b) What deposit is required?
(c) What repayments are asked for?
(d) What is the difference between the cash price and the final total payment for each item?
(e) What is the interest rate for each item?
5 Why is it important to know how much you will have to pay for credit?
6 Lee Tan is interested in buying a digital camera. If he pays cash, he can buy the camera he wants for $895. Or he can buy it on credit for a deposit of $100 and $85 a month for twelve months. What is the (a) total cost and (b) interest rate of using credit?

Think

7 Examine the cartoon above.
(a) Why does Tom have a right to charge Ross interest?
(b) What is the rate of interest Tom charges Ross?
(c) Why was Ross charged extra? Do you think it was reasonable for Tom to do this? Explain your answer.
(d) If you were a financial counsellor, what advice would you give to Ross?
(e) Do you think it is appropriate to borrow money from a friend? Explain your answer.
8 Why should you only borrow money when you are certain that you can make regular repayments?

Glossary

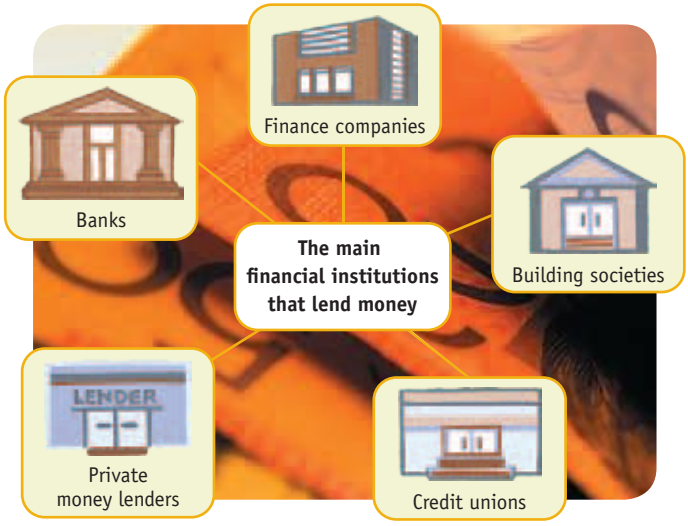
interest a payment made for the use of money that has been borrowed

2.5

Borrowing money: credit (2)

Types of loans and lending institutions

There is a wide variety of financial institutions that provide many different types of loans. The main types are shown in the diagram below.



The sources for borrowing

Wise consumers should always select the most appropriate type of loan for what they want to buy.

1. *Personal loans.* These are available as:
   - **secured loans** — something is deposited as a guarantee to fulfil the payment of the loan
   - **unsecured loans** — nothing is deposited as a guarantee to fulfil the payment of the loan.

   Personal loans are mainly used to purchase such things as cars, furniture or travel. The interest rate on an unsecured personal loan is normally high because the lender accepts a higher risk that you may not be able to pay it back. The security for a secured personal loan is usually the asset being purchased and, if you fail to pay the loan, the lender can take the item back from you.
2. *Mortgage loans.* A home is the biggest single purchase most families ever make. Few buyers have enough savings to pay cash. Most of them only have enough for a deposit; then they borrow the balance. The loan you take out when purchasing a house or land is called a **mortgage** or home loan. Under the terms of the loan, the bank has the property as security. If you are unable to repay the loan, the lender will sell the property to get back what it is owed.



Mortgage loans may run as long as twenty or twenty-five years.

3. *Bank overdraft.* Sometimes people are allowed to write cheques greater than the amount in their account. This is referred to as an overdraft and must be arranged with the bank. This is especially useful for businesses that might have a **cash flow** problem and need to pay their suppliers.
4. *Credit cards.* This is a popular form of borrowing. Credit cards normally have a credit limit; that is, a specified level the cardholder is allowed to spend. If the account is not paid by the due date, interest is charged on the outstanding amount. The major credit cards are MasterCard and Visa, while charge cards (a credit card for which the balance must be paid off each month) include American Express (Amex) and Diners Club. Charge cards do not incur interest but have a set fee for use of the card plus large penalties on any unpaid balances.
5. *Store credit.* The major retailers offer store cards that allow you to purchase goods on credit at their stores. There is usually minimal credit checking on these cards and consequently they are offered to a wide range of people. Because of the greater risk of customer default, these cards charge a higher interest rate.
6. *Payday loans.* This type of loan is basically a cash advance against your next pay slip. These loans are normally for a few hundred dollars and usually must be paid within two to four weeks. If possible, avoid this type of loan as the interest charges and fees are extremely high.

Credit rating

When you apply for your first loan, you will have no credit history and you will have to convince the lender of your credit worthiness. Just as you need to know all about the terms and conditions of the loan, the lender wants to know all about your ability to repay: your credit rating (worthiness).

In deciding whether or not to extend credit, and to determine your credit rating, lending institutions are guided by 'three 'C's' of credit'.

1. *Character* refers to the person's reputation for honesty and reliability in paying debts. Credit will be extended only to those who have a reputation for paying their bills promptly or have not defaulted on previous loans.
2. *Capacity* is the ability to pay the debt. A borrower may be honest and willing to pay a debt but lack the ability to pay it. The main measure of capacity includes income and the number of existing debts.
3. *Collateral* is the assets used as security for the payment of the loan, which will be forfeited if the borrower is unable to pay back the credit.

Your credit reputation is therefore important because it is a record of your credit history. Your success in gaining credit depends largely on how responsibly you have used it in the past.



Activities

Understand

1 What is the difference between:
(a) a *secured* and an *unsecured* loan
(b) a *personal* and a *mortgage* loan?

2 Why is the interest rate on an unsecured loan normally higher than on a secured loan?

3 What can the lender do if you fail to repay a:
(a) secured personal loan
(b) mortgage loan
(c) credit card debt?

4 What factors determine a person's credit rating?

5 Why is it important to maintain a good credit rating?

Think

6 Explain why all credit is a form of borrowing.

7 Why do you think lenders rely on the 'three C's' when determining a person's credit rating?

8 Should a person buy on credit just to establish a credit rating even though he or she has the money? Why?

Communicate

9 As a class, prepare a series of questions to determine a person's credit rating. Record the questions on the board.

10 In pairs, obtain and read an application form for a credit card, and then answer the following questions.
(a) Why does the bank want to know this information about an applicant?
(b) What are the conditions regarding the maximum credit limit, minimum monthly repayments and annual charge?
(c) What is the interest rate and interest-free period for this card?

11 Search the websites of the major banks and record in a table the types of personal loans they offer. Compare their features and terms. Which loan would you choose if you wished to borrow $5000 to help pay for a car?

eBookplus

12 Use the **InfoChoice** weblink in your eBookPLUS to investigate the range of credit cards available and find out which one has the lowest interest rate and the best interest-free period currently offered.

STUDENT WORKBOOK 2.3 Excuse me, I'd like to apply for a credit card

Glossary

cash flow money coming into and going out of a business

mortgage a loan for goods or a property

secured loan something deposited as a guarantee to fulfil the payment of a loan

unsecured loan nothing is deposited as a guarantee to fulfil the payment of the loan

2.6

Borrowing money: credit (3)

How much debt can you afford?

It is impossible to make a rule for everyone about how much debt is acceptable because so many factors are involved. For example, a childless couple living in a small unit can handle more debt than a couple with a large house and six children, even if their incomes are equal. Ultimately, each consumer must establish his or her own credit limit based on the level of risk they are prepared to take and their ability to repay.

Ability to repay

As a school student, if you applied for a $1000 personal loan, your application would probably be rejected. However, if Australia's richest person wanted to borrow $10 million, a number of institutions would be very eager to lend the money because the person has the ability to repay the debt. This is the main factor lending institutions take into account when determining whether to approve a loan.

Your ability to repay is linked to your financial position, that is:

- your present and future income (what you earn)
- the value of your assets (what you own)
- any outstanding debts (what you owe).

A wise borrower will limit the amount they borrow to how much they can repay.



A warning on borrowing

If you fail to repay your debts for any reason, you stand to lose a great deal. The lender may **repossess** the item for which payment is overdue. The lender has the legal right to do this since, in most cases, the item belongs to them until it is paid for. Therefore, you should use credit wisely.

Before using credit of any kind, you should be aware of all the risks involved. Of course, the more debt you take on, the greater the risk. Unfortunately, some lenders make it so easy to obtain credit that many consumers get into difficulties by taking on more debt than they can handle.



One of the main risks involved in using credit

Going guarantor

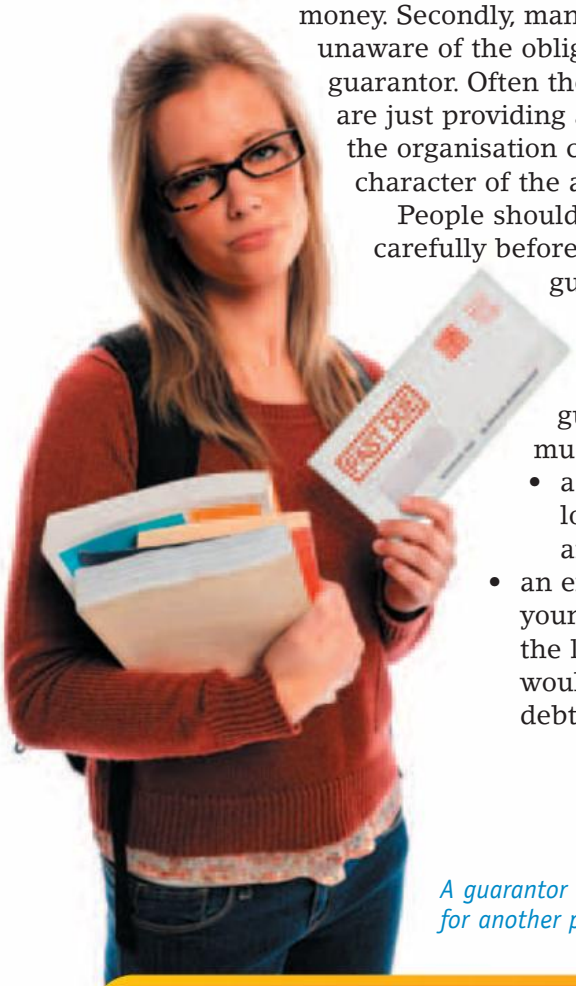
Someone with a poor credit rating may ask you to 'go guarantor' for her or his loan.

A **guarantor** is someone who guarantees to pay back the money if the borrower does not. 'Going guarantor' therefore can be risky, because people cannot always be relied upon. For example, a friend or relative may become ill and be unable to pay the debt even if they wish to. Alternatively, the borrower may prove to be unreliable or untrustworthy and intentionally not pay back the loan. There have been cases of adult children defaulting on their loans, requiring their parents to repay the outstanding amount. So why would anyone 'go guarantor'?

Firstly, people go guarantor because they love or trust the person who is applying for the loan. They believe they can be trusted to repay the money. Secondly, many people are unaware of the obligations of a guarantor. Often they think they are just providing a reference to the organisation checking the character of the applicant.

People should consider carefully before agreeing to guarantee a loan for someone. Before signing as a guarantor, you must receive:

- a copy of the loan contract, and
- an explanation of your rights and the liabilities you would incur if the debt is not paid.



A guarantor may be liable for another person's debts.

Casestudy

A young couple applied for a personal loan of $10 000 for a holiday but a credit check showed they had defaulted twice. Consequently the loan application was rejected. Nevertheless, four months later they applied for $55 000 to purchase a car. The lender's check showed the couple had unsuccessfully applied with two other credit companies for loans during the last three months. The lender, however, approved the $55 000 loan on the condition that the girl's mother, who was an elderly widow receiving an age pension, go guarantor. The daughter did not tell her mother about the previous defaults. The credit company also required a mortgage be taken over the mother's house, which meant that her house was the security for the loan.

Fortunately, the mother was advised by a neighbour to seek independent financial advice and have the loan documentation checked. Her financial adviser warned her that she had put herself in a very risky situation. He advised her not to sign the contract of guarantee as it was. His words of advice — 'love can be blind when it comes to credit obligations' — were a sobering warning to her.



Activities

Understand

1 Why is it difficult to say how much debt consumers can afford to carry?
2 What factors determine a person's ability to repay a loan?
3 Under what circumstances will the lender have the right to repossess goods bought on credit?
4 Explain what it means to be a guarantor on a loan and what the consequences are if the loan contract is broken.

Think

5 Alex Fischer claims that only people earning $70 000 or more a year should be allowed to use credit. He believes credit is a luxury that only those on higher-than-average incomes can afford. Do you agree or disagree? Why?
6 'Getting a loan is too easy; people do not fully realise the difficulties they may face if they overcommit themselves.' Do you agree or disagree? Why? Share your answer with the rest of the class.
7 Read the case study above and then answer the following questions.
   (a) Why do you think the mother was tempted to go guarantor?
   (b) Do you believe the credit company should have allowed the mother to go guarantor? Justify your answer.
   (c) Would you have approved the $55 000 loan if you were the credit company's representative? Justify your answer.
   (d) Explain what the financial adviser meant by his words of advice to the mother.

Communicate

8 As a class, devise a list of guidelines that you believe credit providers should have to follow when getting a person to sign a contract of guarantee.

Glossary

guarantor someone who guarantees to pay back the money if the borrower does not

repossess to take back goods bought on credit if repayments have not been made

2.7

Managing your money

Budgeting

No-one wants the worry of overspending and ending up in debt. By careful budgeting, you can make sure your spending is not greater than your income.

If your spending is too high or your income is too low, you will need to cut back some of the things you would like to buy. Normally, you will find it easier to cut back non-essential, variable expenses.

If you are still not satisfied, you will have to modify some fixed expenses; for example, walk to work or school, and make your own lunch.

If you are not able to reduce your spending, you either have to earn more income, borrow money or go without. Remember though, borrow only if you are certain you can make the repayments.

If you are a compulsive shopper, you will need to monitor your spending very carefully, especially if you use some form of credit. Set up a budget, try to save on a regular basis no matter how small the amount, keep accurate and up-to-date records, monitor your spending and avoid overcommitments. Following these practices will help you manage your finances responsibly and provide greater financial security.

A budget should follow a number of steps.

Comfact

Some tips on responsible financial management:

- prepare a budget
- save some of your income
- monitor and record your income and expenses
- avoid overcommitment.

Step 1 Calculate your total income

Calculate and record all the income you are likely to receive. Your budget can be recorded either in a book or as a computerised spreadsheet. (Refer to page 33 for a detailed description of how to set up a spreadsheet.)

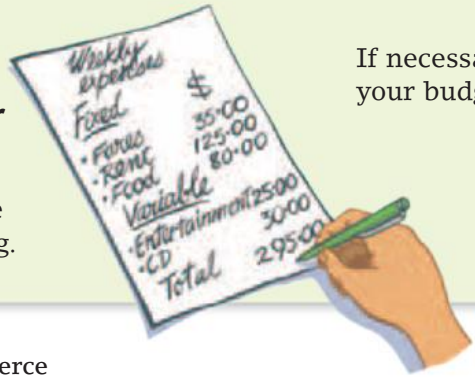


Step 2 Record your expenses

Make a list of all your expenses. These should be divided into two types: fixed and variable.

Step 3 Total your expenses

Calculate and record the total of all your spending.



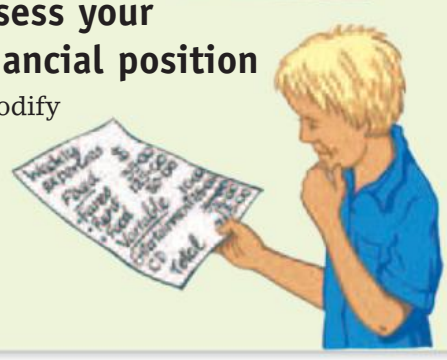
Step 4 Compare your total income with your total expenditure

Calculate whether you have sufficient income to meet your list of intended expenditures.



Step 5 Assess your financial position

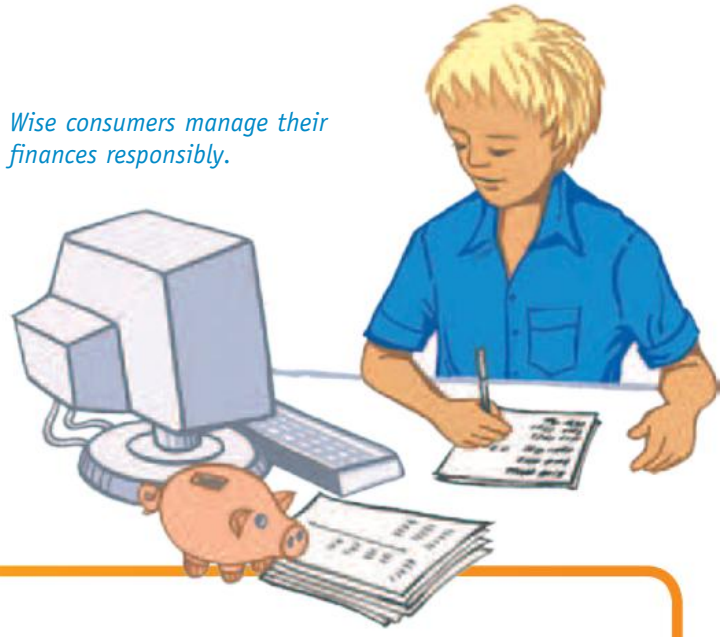
If necessary, modify your budget.



Responsible financial management

Some people mistakenly think that responsible financial management means being miserly and doing without all luxuries.

Responsible financial management actually means making the best use of our limited amount of money. This involves making sensible choices. For example, saving a part of your income is a responsible thing to do. However, those people who try to save all their income are no more sensible than those who spend all theirs. Ultimately, responsible financial management means using money so as to obtain the greatest possible amount of satisfaction in return.



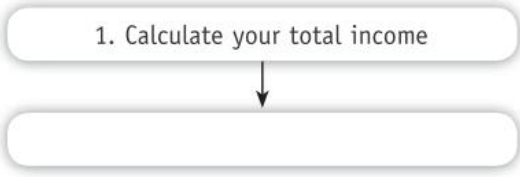
Wise consumers manage their finances responsibly.

Activities

Understand

1 Why is it necessary to prepare a budget?

2 Construct a flow chart to show the steps in preparing a budget. Alternatively, prepare this as a PowerPoint presentation. The first step has been done for you.



3 Copy the following budget into your notebook and fill in the missing spaces.

Budget for 9–15 September			
Income	$	.....	$
Wages	50	*Fixed*	
Babysitting	.....	Train fares	20
		Lunches	15
		Variable	
		Entertainment	10
		Presents	.....
Total income	70	.....	60
Savings (income – spending = $.....)			

4 (a) Use the following information to draw up a budget either in your notebook or using a spreadsheet program.

Ethan earns $100 a week working at Coles part time. He also receives $30 weekly mowing the neighbour's lawn. He has to pay his mother $20 board and gives her another $10 a week to help her pay bills. He spends $5 a day on food and another $4 a day on travel. He is saving up to buy a motorbike. Draw up his weekly budget.

(b) Do you consider Ethan good at budgeting? Can his budget be improved? Explain your answer.

5 In two or three paragraphs, outline some of the consequences of poor budgeting. Discuss your answers as a class.

Investigate

6 Using a computer spreadsheet, record all your income and spending over a two-week period.

(a) What was your balance for each week?

(b) Were you satisfied with how you managed your finances?

(c) Predict changes you would make over the next three months.

(d) What changes would you make if you wanted to increase your savings?

7 (a) Working in pairs, construct a form to complete Antonia's budget for the month. Your form must be capable of displaying the following details:

Antonia earns $2800 a month (after tax). She also earns $200 a month coaching tennis. She has some money invested in a term deposit where $60 in interest is paid each month. Monthly expenses include: mortgage $1200, food $500, car expenses $400, medical $50, entertainment $250, telephone $150, electricity $75, insurance $110, presents $25 and books or CDs $60.

(b) Antonia would like to buy some new clothes next month and anticipates spending $300. Can she afford to do this? Explain your answer.

eBookplus

8 Use the **ASIC MoneySmart** weblink in your eBookPLUS to access the 'Quizzes' section and complete two quizzes that interest you. Compare your score with those of other class members.

STUDENT WORKBOOK 2.4 Making a budget

STUDENT WORKBOOK 2.5 Visual learning

2.8

Insurance

Life can be a risky business. Every day you and members of your family face the possibility of a financial loss. A car may be damaged in an accident, or it may cause injury to people; a home and all its contents could be destroyed by fire or a flood. Personal possessions may be stolen. Income may be lost as a result of an injury, disability or death.

People protect themselves from such situations by taking out insurance. This means paying an annual or monthly amount to an insurance company in return for the company's guarantee to pay for certain damages or losses.

Insurance is simply a system of protection that works by spreading risks. Instead of one person taking all the risk, an individual pays other people to share some of the risk. When people purchase any type of insurance, they pay a **premium** (a sum of money) to an insurance company to protect them against a possible future loss.

The cost of insurance

The level of risk involved is the main factor determining the amount of the premium. The greater the risk, the higher the premium will be. Insurance companies study their records of past losses to determine what they might have to pay for future losses. From their records, for example, they can estimate how many of their policy holders will *probably* have a car accident; how many homes will *probably* catch fire and what the average loss will be; how many will *probably* become ill and so on. These estimates determine the amount to charge in premiums.

Life insurance
Hanwar, 35, was cautious by nature. He wanted to make sure that if he died unexpectedly his wife and two young children would not be left with debts and with insufficient money to support themselves. Hanwar decided to take out a life insurance policy. He shopped around for the best premium and a policy that suited his needs.



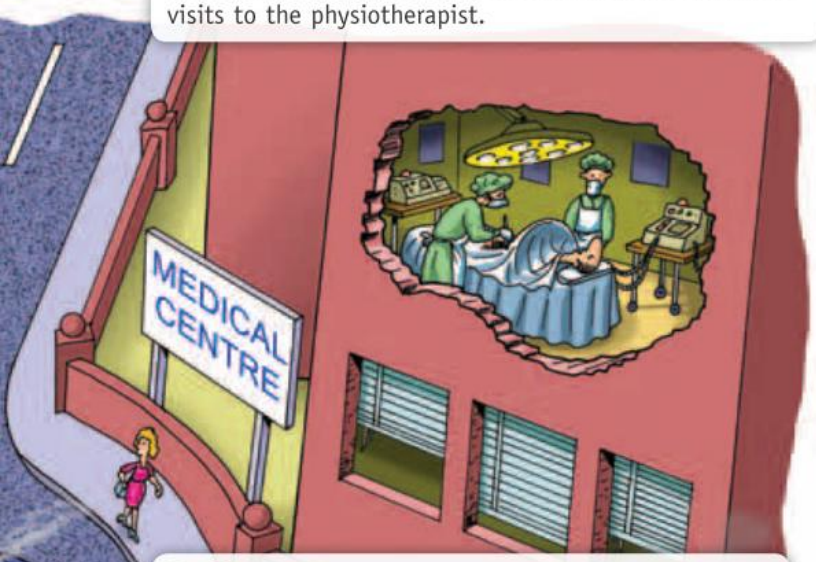
Travel insurance
Fayez was excited about his trip to Peru, especially the four-day trek along the Inca Trail to Machu Picchu. To be on the safe side, Fayez decided to take out travel insurance in case he needed medical assistance overseas, lost his luggage or had to cancel the holiday unexpectedly.

TYPES OF INSURANCE

Income protection
Rachael had a car loan of $30 000 and a credit card debt of $3500. As a single person, she was concerned about how she could meet the repayments if she was to suffer a long-term illness or accident. After contacting a local insurance company, she decided to take out insurance for sickness and accident. This would provide her with some income if she could not work for a while.

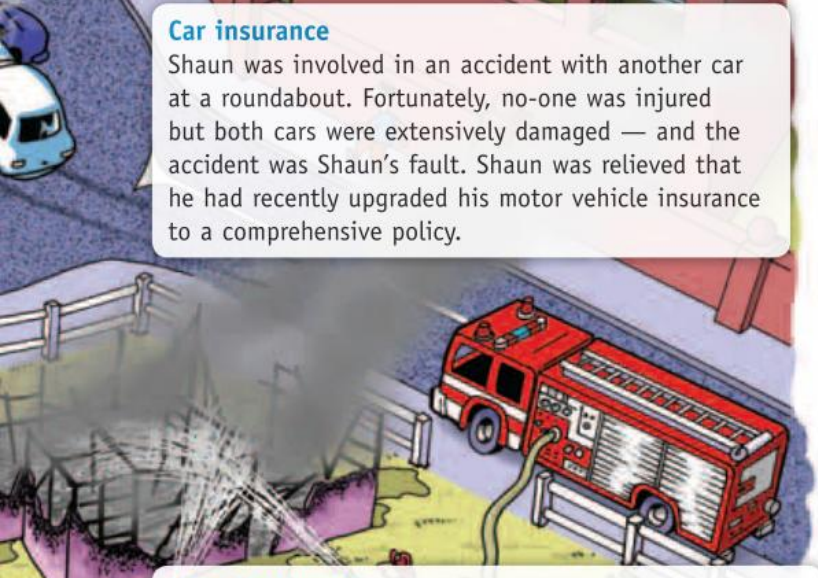
Health insurance

As a regular player in the local football team, Steve considered himself to be fit and healthy. However, before the start of the season he had taken the advice of a friend to join a private health insurance fund, just in case he was injured while playing. As he lay in hospital awaiting an operation for a knee reconstruction, he felt relieved that his health insurance would cover most of the cost of the doctor's fees, the hospital bill and future visits to the physiotherapist.



Car insurance

Shaun was involved in an accident with another car at a roundabout. Fortunately, no-one was injured but both cars were extensively damaged — and the accident was Shaun's fault. Shaun was relieved that he had recently upgraded his motor vehicle insurance to a comprehensive policy.



Home insurance

The fire officer comforted Mrs Rideau as the Captain of the Tarlo Rural Bushfire Brigade, Angelika, and her crew worked hard to save the house. However, the wind was too strong and there was very little they could do. Mrs Rideau was devastated. She had meant to insure her home and contents but had not got around to doing it. She had lost it all!

Glossary

premium the amount of money to be paid to receive insurance cover

Activities

Understand

1 What is the purpose of insurance?
2 Identify some economic risks that people face daily.
3 What is the difference between *health insurance* and *life insurance*?
4 How does an insurance company determine what premium it must charge policyholders?
5 Determine whether the following statements are *True* or *False*.
   (a) The main purpose of insurance is to spread the risk.
   (b) All insurance companies charge the same premium for similar types of policy.
   (c) Comprehensive motor vehicle insurance covers only damage to other people's property.
   (d) A premium is the amount of money a person has to pay for an insurance policy.
   (e) Accident and sickness insurance will protect a person's income.
6 In small groups, discuss and decide if you agree or disagree with the following statements about insurance. Be able to provide a reason for your selection.
   (a) Insurance is for only wealthy people.
   (b) Life insurance is more important for a man than a woman.
   (c) You do not need to worry about insurance if you are young.
   (d) It is better to take a risk than pay a premium for insurance.
   (e) Insurance is a better protection than savings against possible personal losses.

Investigate

7 Look through newspapers and business magazines and cut out five advertisements for insurance companies. Paste them into your notebook. Beside each one, identify what type of insurance is being offered.

eBookplus

8 Mike, a 20-year-old apprentice carpenter who lives in Dubbo, wants to take out comprehensive motor vehicle insurance for his 5-year-old V8 Holden which is valued at $25 000. Research the cost of the premium. To help you, use the **National Roads and Motorists' Association (NRMA)** weblink in your eBookPLUS for information about motor vehicle insurance.
   (a) Change things to see if you can lower the premium; for example, a smaller engine size or a newer model.
   (b) What is the premium if Mike decides to take out insurance only for third party property damage?
   (c) Which type of insurance would you recommend for Mike?
   (d) Compare the cost of an identical policy from another insurance company.

2.9

Consequences of poor financial management (1)

Managing your personal finances and staying within a budget takes a great deal of self-discipline, especially if you see friends 'spending up big'. Credit can be very easy to arrange, but paying it back is the hard part.

Getting into debt can lead to many problems. People may end up losing goods, being sued or even being declared bankrupt.



Hooked on credit! Make sure you control the credit and the credit does not control you.

Financial consequences

It is sometimes necessary when taking out a loan to mortgage the goods being purchased because the lender wants some security. You sign a mortgage over the good being purchased, such as a car. As part of the contract you, the mortgagor, give the mortgagee, usually the lender, the right to repossess the car if you fail to keep up the repayments. Repossession means the lender will take the goods away from you. In addition to losing the goods, you may have to pay what it costs the lender to repossess them. If the goods are resold for less than the amount of the debt, you are still responsible for the difference.

Comfact

Each year more than 800 000 motor vehicles in Australia are purchased on credit; more than 12 000 of these vehicles are subsequently repossessed.

Sometimes people who owe money have their wages **garnisheed**. This means that a lender has applied to get a legal order so that a certain amount of money can be taken out of the borrower's wages. This money is deducted until the debt is paid. This is a serious situation and a responsible consumer should always try to repay debts on time.



Credit cards are often blamed for putting people into debt, especially swipe-happy young Australians. They are often susceptible to persuasive marketing campaigns and too readily sign up for a card on impulse. The temptation then becomes too great: they see the credit limit as a target to reach rather than something to keep to a minimum.

With around 250 different cards on the market, you should select a credit card that best matches the type of user you are: a revolver or transactor (see page 59). At all times you should control your card and not let it control you. Remember, debt at an early age can affect your financial independence later in life.

What should you know about your credit card?

1. What is the interest rate?
2. Do you have interest-free days?
3. Do you pay an annual fee? How much is it?
4. When are the repayments due?
5. What happens if you miss the repayment? Are there charges?
6. What is your limit? Do you need a limit this high?
7. Shop around. Are there other cards that offer cheaper rates?

THE TRAPS OF SPENDING ON A CREDIT CARD

1. Impulse buying rather than planning your purchase. You may buy more than you intended, or purchase a more expensive item.
2. An inability to pay back the debt by the due date. Some credit cards allow you 15–55 days interest free. If you cannot pay within that time, you will be charged interest.
3. Having to pay interest on a credit card, plus any other transaction fees.
4. Thinking that you are wealthier than you actually are.

HOW DO YOU REPAY DEBT?





Revolver

- makes repayment on their credit card each month, on time
- repays only the minimum amount each month
- needs a card with a low interest rate.

Transactor

- pays the full balance off their card each mont
- needs a card with a long interest-free period (e.g 55 days) — this means they can avoid incurrin any interest.

Do you have many different types of loans ? You may have a credit card a store card, a personal loan and a mortgage. For some people, debt consolidation is the best way to get out of the mess of trying to repay many different types of credit at high interest rates.

Debt consolidation means to use a single form of debt to pay for the credit cards, store cards and personal loan. The form of debt is normally a mortgage, because it has the lowest interest rate. Then, all repayments can go into paying one form of debt.

LIVE YOUR LIFE, USING CREDIT SENSIBLY

Credit cards are a handy way of paying for goods and services, but we must be able to afford them before we begin to use them. Plan your purchases and budget your money so that you can keep track of your finances.

Activities

Understand

1 Why do people sometimes find it difficult to manage their finances?

2 Use the following words in a sentence to explain their meaning:
- mortgage
- mortgagee
- mortgagor.

3 What losses do you suffer when goods are repossessed?

4 What happens when a person has his or her wages garnisheed?

5 What type of credit card is best suited to the following type of users:
(a) revolver
(b) transactor?

6 A friend has many different loans and is in financial difficulty. Why would you advise her to consolidate her loans?

Think

7 Do you think it is fair for the lender to have the right to repossess goods or garnishee wages? Why? Share your answer with the rest of the class.

8 Which one of the four traps of spending on a credit card do you consider the most dangerous? Give reasons for your answer.

9 'Unwise consumers, and not the easy access to credit, are to blame for debt problems.' Give reasons why you agree or disagree with this statement.

Communicate

10 Draw a cartoon explaining the consequences of poor financial management.

eBookplus

11 Use the **Coles Group Card** weblink in your eBookPLUS and find the following information:
(a) the interest rates on the card and how they vary
(b) card benefits
(c) how repayments are made and the minimum repayment.

Glossary

garnisheed when a certain amount of money can be taken out of a borrower's wages

2.10

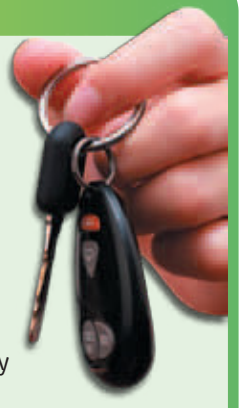
Consequences of poor financial management (2)

Legal consequences

Any money you owe is a debt. The person who owes the money is called a **debtor** or borrower and the **creditor** is the person who is owed the money. As a debtor, you have certain liabilities or obligations to the creditor. These obligations must be fulfilled. Failure to do so will result in the creditor taking legal action against you to recover the money owed.

Case*study*

Nick's car loan



Nick left the bank feeling pleased that his loan had finally been approved and he could buy that new car. Nick was sure he was doing the right thing.

However, Nick lost his job and this forced him further into debt. Eventually, Nick was unable to pay any of his debts. He decided the only way out was to apply to the courts to be declared **bankrupt**. This meant that some of his goods, including his much-loved car, could be sold off so the creditors could receive some of their money back.

Nick also discovered that being declared bankrupt could permanently affect his ability to get credit in the future. Nick's bankruptcy was also on the public record as it would be listed on his credit report for seven years. Once declared bankrupt, Nick remained legally classified as bankrupt for three years, and a trustee was appointed by the court to take control of his spending.

While Nick realised bankruptcy was not a quick and easy way of getting out of debt, it did offer him another chance.

Com*fact*

Approximately 25 000 people declare themselves bankrupt each year.

Social consequences

The financial pressures created by being overcommitted may have a number of social consequences. The pressure of debt may cause stress at home and work. As the debts mount up, a person can feel as if they are caught in a spiral with no way out. This can seriously affect their wellbeing. Pressures of debt are seen as an important cause of domestic violence, physical and emotional illness, family breakdown and even suicide.

What if I cannot repay my loan?

Ignoring the problem will only make it worse. Therefore you should contact the lender as soon as possible to explain your situation. If you receive a **default notice**, or legal proceedings have started, you need to seek advice from a lawyer or financial counsellor.

There are a number of options available to you if you are in this position. These are:

1. ***Pay the amount owing.***
   Clear the debt by the due date listed on the default notice.
2. ***Negotiate a change in your repayments.***
   Seek the assistance of a financial counsellor to help you with this.
3. ***Apply for a hardship variation.***
   You may be eligible for this even if the lender does not want to negotiate.
4. ***Negotiate a postponement of repossession.***
   You may be able to stop the repossession of your goods while negotiating a new payment plan.
5. ***Refinance the loan.***
   Try to get a better deal on a new loan.
6. ***Sell your goods and repay the loan.***
   You do need the lender's approval for this.
7. ***Voluntary surrender.***
   Give the goods to the lender and ask them to sell them. The price will normally be lower than if you sell them yourself.
8. ***Apply for bankruptcy.***
   Use this option only as a last resort as it has serious consequences.

Financial counselling

If you find yourself in financial difficulty with credit, contact either the Financial Counsellors' Association of NSW (FCAN) or the Consumer Credit Legal Centre (CCLC). These voluntary organisations are staffed by financial counsellors and advocates, who aim to assist people in managing their finances. They offer free advice on dealing with a range of financial issues including bankruptcy, credit card debt and rental problems.



The Consumer Credit Legal Centre (NSW) Inc. is a community legal centre which has a particular focus on issues that affect low-income and disadvantaged consumers.

Debt collectors

If you fall behind with your payments, your debt may be transferred to a debt collector: a business that operates to recover money that is owed on overdue accounts, for which they are paid a fee. You will then owe the debt to that business. It is important to get financial advice if you receive a letter demanding payment.

Credit bureaus

Credit bureaus such as Veda Advantage — which has the country's largest database of credit files for more than 16.5 million consumers — hold details of people's credit history. The bureau assists its members in deciding whether to accept or reject credit applications. The consumer who fails to pay her or his accounts at one business usually finds credit will be refused at other businesses.

The following information is usually recorded on a consumer's credit file:

- previously overdue accounts which have been brought up to date or settled
- court judgements or bankruptcy orders
- records of some current credit accounts
- records of any previous application for credit
- any previous defaults with members of the bureau.

Individuals can apply to a credit bureau to see a copy of their credit file.

Activities

Understand

1 What is the difference between a *debtor* and a *creditor*?
2 Define the term 'bankrupt'.
3 (a) What is a default notice?
(b) What should you do if you receive a default notice?
4 What is the first thing a person should do if she or he is unable to make a repayment on time?
5 Which one of the eight options (on page 60) would you select if you were unable to repay your loan? Give reasons for your selection.
6 Outline the role of a credit bureau.

Communicate

7 You have been employed as a finance reporter with the local newspaper. You are asked to prepare an article about the problems consumers can find themselves in because of poor financial management. The headline of your article is 'Caught in the debt trap'. Share your article with other class members.
8 In small groups, roleplay a situation where you approach a lender for help with your inability to meet the repayments on your personal loan. You may wish to video the roleplays and view and discuss them as a class.

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9 Prepare a flow chart on 'Dealing with debt'. Be sure to refer to repossession and financial counselling. To help you, use the **Redfern Legal Centre** or the **Consumer Credit Legal Centre** weblinks in your eBookPLUS.

Glossary

bankrupt when a person is judged by a court to be insolvent; i.e. unable to pay her or his debts

credit bureau an organisation that keeps on file the credit records of consumers

creditor a person who is owed money

debtor a person who owes money

default notice a document from a lender stating that a person has failed to carry out the terms of the contract

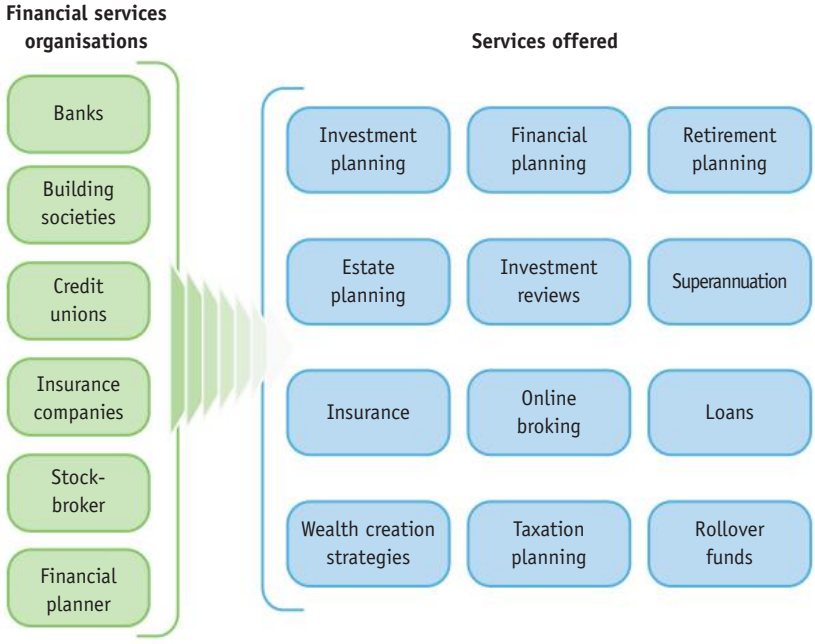
2.11

Sources of financial advice

Throughout your life you will need to make informed financial decisions and often need up-to-date specialist advice to ensure you understand the impact of these decisions on your financial future. As well, the world of finance is complex with many ways of investing your money, from relatively simple term deposits to complicated financial derivatives. With so many options available, it is difficult to select the most suitable one. You need expert financial advice.

The financial services industry

There is a wide variety of financial organisations that would like to look after your money. Each type of organisation offers a different type of financial advice and service.



Organisations and services of the financial services industry

Casestudy

Tamzin is with some friends at a café.

Tamzin: What do you think I should do with the $50 000 redundancy payment I recently received? I don't want to waste it. Do you think I should put some into superannuation?

Steve: Why don't you talk to a stockbroker about investing it in the share market? I know a friend who can help you.

Tamzin: No, shares seem too risky. This money has to last for quite a while. I want something a bit safer.

Luke: Recently, my brother went to a financial planner attached to one of the big banks. He said this adviser gave him good advice.

Tamzin: Yes, but I've heard they charge a lot for their service.

Luke: He said the first interview was free.

Steve: Why don't you go and see your accountant? She might be able to give you some advice or tell you who to see.

Tamzin: I guess so. Last Saturday, I looked in the financial pages of the newspaper but it's so confusing! I did a search on the internet for financial advisers and got about 6500 hits!



Getting the right advice can sometimes be difficult.

Luke: It seems to me you need expert advice. Why not access the Financial Planners of Australia website and find a local financial planner? Or contact your bank and ask for some brochures on financial planning?

Steve: I saw a TV ad last night for an insurance company called Northcorp, which said it specialised in wealth creation and financial advice. Why don't you contact them?

Tamzin: Yeah, I'll think about it.

Banks are the most widely recognised organisations within the financial services industry. Over recent years, they have developed many new financial products and provide a range of financial planning services.

Responsibilities and legal obligations of lenders and financial advisers

Any advice provided by a licensed financial planner/adviser or proposal from a lender must:

1. be realistic and suit your needs
2. be honest, fair and reasonable
3. take into account your long-term goals and present financial position
4. follow strict legal safeguards, such as a cooling off period, if applicable.



A financial planner should regularly review your plan to ensure that it suits your current and future needs.

Additionally, all licensed financial planners/advisers must:

1. hold a current licence from the Australian Securities and Investments Commission (ASIC) or be employed by a licence holder
2. supply you with a copy of the Financial Services Guide, which outlines how the adviser is paid and who the adviser works for
3. advise you how complaints will be handled
4. renew your agreement to ongoing fees every two years
5. provide you with a product disclosure statement (PDS) informing you of the risk, cost and features of the financial product, and providing taxation information
6. advise you of the total costs or fees charged, showing any commission gained by the adviser
7. determine your attitude to risk
8. provide you with a written copy of any plans, recommendations and receipts for any money paid
9. abide by full confidentiality with your financial details
10. inform you of their qualifications and experience
11. act ethically and professionally.

Ultimately, a licensed financial planner/adviser can, by helping you manage your assets, maximise your net worth over time. They do this by:

- interpreting and explaining complex financial issues including appropriate tax structures
- identifying your short- and long-term goals
- preparing a financial plan customised to your specific needs.

Activities

Understand

1 List the financial organisations referred to in the conversation between Tamzin and her friends.

2 If you were Tamzin, what would you do in regard to seeking financial advice? Why?

Think

3 Imagine you are going to interview the loans manager at a local financial organisation. Draw up a table with two columns in your notebook. In the left-hand column, write a list of questions you would ask the manager about the loan. In the right-hand column, write a list of questions the manager would ask you if you were applying for a loan.

4 Why must any financial advice or loan proposal take into account your long-term goals and present financial position?

5 Why should consumers be aware of the responsibilities and legal obligations of financial advisers and lenders?

Communicate

6 Take cuttings from the financial pages of a newspaper and make a collage illustrating the range of financial organisations and the services they offer. Display your collages in the classroom.

eBookplus

7 Use the **NAB Financial Health Check** weblink in your eBookPLUS and complete the financial health check to determine how financial planning can benefit you.

2.12

Laws that regulate and monitor the financial services industry

The Australian Securities and Investments Commission (ASIC) is responsible for:

- monitoring the financial services industry
- monitoring the provision of financial services such as investment advice
- providing consumer protection in financial services including shares, managed funds, superannuation, insurance, credit and deposit taking.

As a consumer or investor, you can access free, independent information about money matters through ASIC's consumer website. Use MoneySmart to help find lost money, or MoneySmart's calculators to compare products, test advice and help plan your financial future.

Key tips for getting advice

1. Deal only with a licensed financial advisory business.
2. Take the time to find the best person for your needs.
3. Make sure the advice suits you and offers value for money.

Some tips from ASIC to help consumers with their financial planning



MoneySmart — ASIC's website that provides information to help people make smart choices about their personal finances

The *Financial Services Reform Act (FSRA) 2001*

The federal government's *Financial Services Reform Act (FSRA) 2001* extensively reformed the financial services industry. Administered and monitored by ASIC, this law resulted in three key changes to consumer laws that protect individuals buying financial products. The changes are:

1. provision of a product disclosure statement (PDS)
2. licensing of all financial organisations
3. licensing of financial planners.

This Act also sets out the minimum standards of conduct for financial advisers. The most important element for consumers is the full disclosure measures contained in the product disclosure statement. Included in the PDS are:

1. information on risks
2. the level of fees charged
3. a full description of the financial product
4. tax information.

You must receive a copy of a PDS before making any final agreement. As well, there are strict regulations making it unlawful for financial organisations and advisers to use false or misleading information. The PDS makes it easier for consumers to compare financial products, making it possible to select the financial service that best suits their needs.

If you purchase managed funds, superannuation, life insurance or general insurance, you generally get a 14-day cooling-off period in case you change your mind and want your money back. There are some exceptions, such as buying shares.

National Consumer Protection Act 2009

The *National Consumer Credit Protection Act 2009* (Cwlth) establishes a single, standard, national system for the regulation of consumer credit. As part of this, state and territory governments have adopted the *National Consumer Credit Code*, which improves consumer protection for a wide range of credit activities by requiring:

- credit transactions and practices be standardised across Australia
- responsible lending conduct to ensure consumers are not enticed into credit contracts they cannot afford
- information to be presented in a clear and easy-to-understand format
- lenders not to increase credit card limits to customers who they know would find it difficult to manage a higher limit
- the stopping of exploitative practices by predatory lenders, such as using household items as security for cash loans
- lenders to truthfully disclose all fees, commission and interest rates in a written contract.

The Code also protects consumers if they get into difficulty with their credit. For example, if you lose your job or are sick, you can ask to have your contract changed so that you can better meet your repayments.

The Australian Securities and Investments Commission (ASIC) manages external dispute resolution (EDR) schemes for consumers who have a complaint about a possible breach of the Code.

The Future of Financial Advice (FoFA) legislation

In 2012, the Future of Financial Advice (FoFA) package of legislation was passed by the federal government, which provides greater protection for investors by tightening up on the:

- duties and commission payments of financial planners
- types of products they are allowed to recommend to customers.

FoFA requires financial advisers to send a renewal notice to clients every two years. This reduces the risk of clients paying ongoing fees unknowingly for services they are not getting. Most importantly, FoFA also requires that a financial adviser must act in the best interests of the client, even if it is in conflict with the interests of their company or products.

Comfact

The *National Consumer Credit Code* is based on the concept of truth-in-lending which allows borrowers to make informed choices when purchasing credit.

Activities

Understand

1 Complete the statements in your notebook by selecting the correct words from the list below.

risk	product disclosure
ASIC	dispute
Code	fees

(a) _____ has the function of monitoring the financial services industry.
(b) A _____ statement must be given to a consumer before she or he makes a final agreement.
(c) Consumers must be informed of the _____ involved with any investment advice or product and the level of _____ to be charged.
(d) ASIC manages external _____ resolution (EDR) schemes for consumers who have a complaint about a possible breach of the National Consumer Credit _____.

2 (a) What do the letters PDS represent?
(b) What information is contained in a PDS?

3 Outline the main roles of the:
(a) National Consumer Credit Code
(b) FoFA legislation.

Think

4 In small groups, brainstorm these questions:
(a) Why was a new law dealing with financial information and advice needed?
(b) What are the benefits of the FSRA and FoFA to consumers?
(c) Why is the concept of truth-in-lending an essential feature of consumer credit?

eBookplus

5 Use the **ASIC** weblink in your eBookPLUS to find out more about the role of the Australian Securities and Investments Commission. Use the navigation tools to look for interesting articles contained in the ASIC and consumers section.

6 Locate a financial adviser in the Yellow Pages and use the **FPA** weblink in your eBookPLUS to find out if they are accredited by the Financial Planning Association.

STUDENT WORKBOOK 2.6 Financial scavenger hunt

2.13

Investing money

Before you complete these pages, assess your attitude to saving and investing. Decide whether you agree, disagree or are undecided for each of the following statements. Keep a record of your responses.

	Agree	Disagree	Undecided
1. Saving and investing are possible only if you are rich.			
2. Every person should save at least 10 per cent of her or his income.			
3. For most people, financial security depends mainly on a long-term saving and investment plan.			
4. Because people can access the old age pension, they do not need long-term investment plans.			
5. Saving only a small amount each week is worthwhile.			
6. Instead of saving and investing for the future, a person is better off spending the money and enjoying it while they can.			
7. Individuals should try to achieve the highest rate of return on their money and not be concerned about the level of risk.			

If you check the responses of other students, you may find they are different from yours. This is because people have a variety of attitudes to financial security. However, regardless of what it may mean to you, it is important to make plans for it early in life.

What is investment?

Investment is a type of saving, but it is more than just saving. It is the next step after saving.

Some people do not spend all of their income on their immediate needs but save some of it. These savings are the beginning of investment because investment means putting money into something in order to make a profit.



Money not invested eventually loses its value.

Suppose you put all the money you save under your mattress. If you do, as prices rise over time (inflation) your money loses some of its value; that is, it can buy less than previously. Your money is not 'working' for you. If, however, you put your savings into some type of investment, you are putting your money to work and it will grow — your money will go further.

Comfact

If inflation continues at 10 per cent over a 10-year period, every $1000 of your money will be reduced to $348. If your money is not earning interest, inflation will cut its spending power by about 65 per cent over that time.

Naturally, how much you are able to save at one time will limit your choice of an investment. Some investments require a large initial outlay of money. A savings account, on the other hand, is one investment in reach of everyone who can save anything at all. At most banks, credit unions and building societies, a savings account can be opened with a few dollars.

As your savings grow, you may want them to work harder and give you a higher return. Consequently, you may look for more profitable ways to invest your money. Remember though, make sure you avoid the few sharks out there circling and waiting to entice you into their risky scams.

Casestudy

Share scams

Rosa became involved in the Share Market Game at school and from there developed an interest in shares. So when she was told about a company that had developed a new share computer package, Rosa invested all her savings from her part-time job at McDonald's. It cost her $3000 to buy the share software, and another $2000 to invest in shares in the company. Rosa was assured that the share software was a 'sure thing' and would alert her to the companies that would only increase in value.

Rosa soon discovered that there are no guarantees with the share market. She borrowed money from her parents to invest in a mining company that went broke a few weeks later, and learned the hard way that the share software did not always highlight sharemarket winners.

She tried to contact the software company, but discovered that her initial $3000 had been invested in an overseas company that did not exist.



Reasons for investing

There are three main reasons why people want to invest and improve their financial situation.

Major purchases

Most people have to save for expensive items such as a car or house. Regardless of how small the amount invested, in time these small amounts will grow into larger sums.

Extra income

By investing, you can gain extra income. For example, if you purchase some shares in a company and the company makes a profit for the year, then you will normally receive a dividend.

Retirement

People want to invest so they can have a financially secure life in their old age. By investing, they can safeguard their future welfare.

Today, many people plan to retire in their mid-to-late fifties. Coupled with improved health which results in people living longer, this means that some Australians will spend more time in retirement than in the workforce. Consequently, they need to plan early and invest wisely.



Activities

Understand

1 Why is a savings account a good investment for anyone who can save only a small amount at a time?
2 Explain the effect that inflation has on the value of your money.
3 What are the three main reasons for investing?
4 Describe the relationship between saving and investment.
5 Now that you have completed these pages, revisit the opening statements on page 66. For a second time, record your response to each statement and note any difference from your first attempt.
   (a) Have you changed any responses? If so, why?
   (b) What does this tell you about changing an individual's attitude to saving and investing?

Think

6 Why is it wise for young people to start saving and investing as soon as possible?
7 A friend says that he does not save regularly because the amount he could afford to save is too small. Is this a good reason? Why or why not?
8 What is meant by the expression 'It takes money to make money'?
9 'Saving and investing require individuals to give up something now so they can gain more in the future.' Explain.

STUDENT WORKBOOK 2.7 Generation Y and the Six Thinking Hats

Glossary

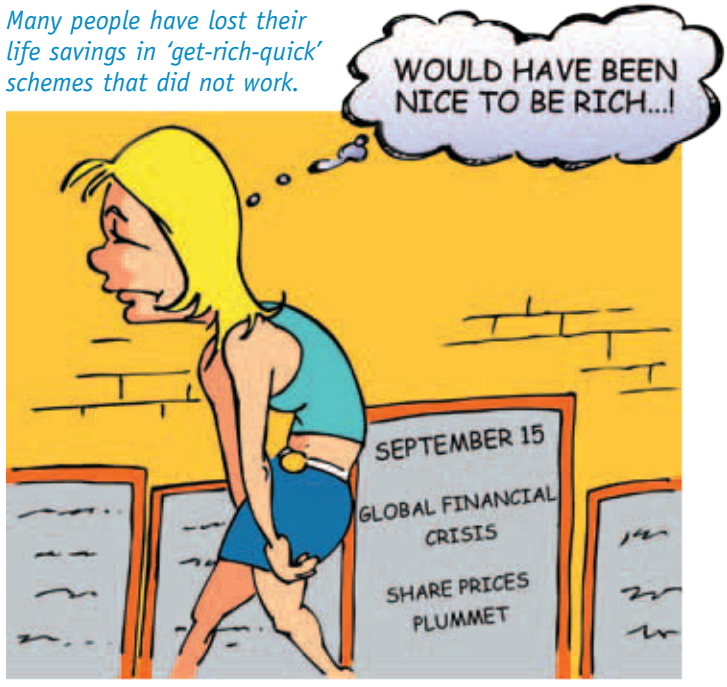
investment putting money into something in order to make a profit

2.14

Overview of investment options



Many people have lost their life savings in 'get-rich-quick' schemes that did not work.



Play it safe or take a risk?

The simple rule with investing is that the higher the promised rate of return, the higher the risk. If an institution promises you a return of 20 per cent per annum on your investment, this would be an excellent result (you invest $1000 today and have $1200 this time next year). The reality is that such investments are sometimes risky, because your money is placed into markets that may be subject to wide fluctuations (rises and falls).

Most investors try to achieve a balanced **portfolio** (range of investments). They take a risk on some investments that could fetch higher returns, while playing it safe in other areas.

Types of investments

There are four main types of investments available.

1. *Shares* involve purchasing **equities**, which represent a small slice of the ownership of a company. In return for your holding in the company, you are paid a dividend, which is money paid to you by the company based on its performance. The higher the profit, generally the better the dividends received.

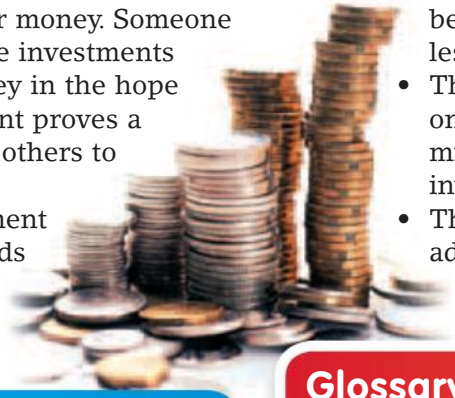
   Shares are usually purchased online or through a stockbroker, who arranges the purchase of shares via electronic share dealing processes. Investors can find out how their shares are performing by examining the *All Ordinaries Index*, which is a summary of each day's share trading in our major companies. The Index is drawn from the share prices of about 500 major Australian companies and is the principal means used to measure sharemarket performance in any one day.
2. *Property* involves purchasing land or buildings in the expectation that they will increase in value over time — known as capital appreciation. People who buy land may not receive any annual income from the investment, whereas purchasing a property and then renting it generates income for the investor.
3. *Managed funds* are available through major financial institutions and they usually offer a higher rate of return than term deposits. The reason for this is that your money is placed in both high-risk and low-risk investments. If the high-risk investment 'pays off' you can expect a good result overall.
4. *Superannuation* has become very popular in Australia and most employees are now required to join a 'super fund'. The aim of superannuation is to set aside a percentage of your income each year to contribute towards your income when you retire. While you are free to make voluntary contributions, it is now compulsory for employers to pay an additional 9 per cent of your gross earnings into your super fund.

Choose investments carefully

Some investments are suitable for long-term goals but not for short-term ones. Some require a large outlay of money all at one time. Others provide an opportunity for the small investor. With some investments, you can get your money back almost anytime you want it. With others you might have to wait or lose part of the money you have invested.

The less money a person has to invest, the less risk she or he can afford to take. That is why many first-time investors select an investment option that offers the greatest safety for their money. Someone who already has one or more safe investments may be willing to risk some money in the hope of making a gain. If the investment proves a failure, then they still have some others to fall back on.

Ultimately, whether an investment is a wise or unwise choice depends on the circumstances of the investor.



Why do some investments fail?

Some investors fail to obtain the best return on their money for the following reasons:

- They may be inexperienced and fail to carry out sufficient research into the range of investment options.
- They may be poorly advised, especially if the advice comes from a friend who is a novice in regard to investing.
- Economic conditions may change, resulting in some investments becoming more attractive and others less so.
- They do not regularly check the return on their investments and consequently miss out on better performing investment options.
- They do not keep up-to-date or adequate records.

Comfact

Words of wisdom from a wise investor: 'Never buy shares with money you can't afford to lose'.

Glossary

equities stocks and shares held by an individual

portfolio a range of low-risk and high-risk financial investments

Activities

Understand

1. What is meant by the terms 'equities' and 'portfolio'?
2. Explain the relationship that exists between the rate of return (the interest rate payable) on an investment and the degree of risk involved.
3. What is the All Ordinaries Index? What purpose does it serve in helping people to decide whether to buy shares?
4. Which of the four main types of investments do you most prefer? Why?
5. Why should your first investment be one that provides the greatest safety for your money?
6. What determines whether a particular investment is wise or unwise?
7. List the main reasons why some investors fail to obtain the best return on their money.

Think

8. Would you expect the return to be higher or lower on a safe investment? Explain.
9. Some people say that there is no such thing as a 'perfect' investment. Explain why.

Investigate

10. Suppose you have $40 000 to invest in shares. Using the stockmarket report in a newspaper, choose three companies to invest in. Use the database below to record your transactions.
    (a) At the end of each week, modify the portfolio using changes in share prices.
    (b) At the end of the four-week period, sell all your shares.
    (c) Calculate your total gain or loss at the end of the four weeks.

STUDENT WORKBOOK 2.8 Reading a stockmarket report

Company name	Purchase price	Number of shares bought	Amount paid (Price × number of shares bought)	Date sold	Selling price	Amount received (Price × number of shares sold)
1.						
2.						
3.						
Total amount invested: $_____; Total proceeds from sales: $_____; Gains or losses: $_____.						

Check

Earning an income

1 Copy the following list into your notebook. Write next to each occupation the usual income type the occupation falls into.
   (a) Teacher
   (b) Labourer
   (c) Self-employed electrician
   (d) Accountant
   (e) Shareholder
   (f) Elderly retired person
   (g) Pop group
   (h) Landlord

Spending and saving income

2 Briefly outline the reasons why people save.
3 List three fixed and three variable expenses.
4 Why are variable expenses easier to modify than fixed expenses?
5 Complete these sentences:
   (a) You should save part of your income because . . .
   (b) Preparing a budget should help me . . .
   (c) To stop money 'burning a hole in my pocket' I can . . .
   (d) Saving money is sometimes difficult because . . .

Borrowing money

6 Who are the two parties to every credit transaction?
7 How does a person establish a credit rating?
8 Study the photographs at right and explain which type of loan is best suited for each item.
9 Do you think teenagers should have credit card accounts? Why?

Managing finances

10 What may a person lose in addition to the goods if she or he fails to keep up the payments on a personal loan?
11 Draw a diagram to show how insurance shares the risk between policyholders.
12 Give examples of different kinds of risk that may be covered by insurance.

Investing money

13 Explain the relationship between risk and return.
14 Why is it advisable to have a balanced portfolio (range of investments)?
15 Why are some people willing to buy risky investments?







Which type of loan might be best for each of these situations?

Challenge



Personal finance

16 Collect some articles on Australian consumer debt from newspapers or the internet. Select one of the articles and read it carefully. Make up your own comprehension questions on the article. Swap these with another student and answer her or his questions.

17 Complete the following tips.



18 Financial organisations that offer savings accounts do not all pay the same rates of interest. Why don't all consumers always deposit money where it will gain the highest rate of return?

19 Use a spreadsheet to prepare your monthly budget. Do you save money or spend it all? Suggest how your budget could be improved.

20 Write a letter or email to the editor of a newspaper, arguing either for or against restrictions on credit facilities for teenagers.

21 Write a story in which you imagine that you are unable to pay your mobile phone account. Explain how you came to be in this position and what you plan to do.

22 Fleur recently received an inheritance of $5000. She would like to invest in some shares but she is unsure how to go about it. Explain to Fleur the process by which shares are bought and sold using either a stockbroker or electronic trading.

23 You should only buy shares with money you can afford to lose. Do you agree or disagree with this statement. Why?

24 Prepare a database of organisations that provide advice for people who are experiencing difficulties with credit.

25 The Choi family is typical of many Australian families. Let's meet them.

Father (Alex)	Engineer — earns $1000 per week (net)
Mother (Angela)	Part-time nurse/home duties — earns $200 per week (net)
Matthew	Eldest child — aged 11 years
Daniel	Youngest child — aged 6 years

A few key facts about the Choi family:

- They live in a home valued at $420 000.
- They have two cars, and bank accounts totalling $1800.
- They have a mortgage of $180 000 and pay $1200 per month to the bank.
- Alex has just been retrenched from his job. He received a termination payment of $100 000.
- A friend has offered Alex a share in a new company he is forming. Alex's entire termination payment would be used to start the operation.

The current state of the financial markets:

- Interest rates are expected to rise over the next 12 months.
- Managed funds can earn a return of between 5 and 6 per cent, but the rates fluctuate depending on international trends and events.
- The All Ordinaries Index has performed strongly over the past three months, but events such as threats of terrorism have seen shareholders become nervous.
- Superannuation is returning a rate of between 2 and 4 per cent due to heavy losses by super funds on overseas investments.

The Chois have come to you for advice. Prepare a 300-word report for them, setting out the following:

(a) the current state of the financial markets
(b) your recommendation for the best way(s) to invest the $100 000
(c) an explanation as to whether the strategies that you are adopting are high, medium or low risk.

STUDENT WORKBOOK 2.9 Ups and downs

STUDENT WORKBOOK 2.10 Going guarantor

STUDENT WORKBOOK 2.11 Wrap up!

eBookplus

Using ICT

projectsplus

Smart financial management

Searchlight ID: PRO-0132



Name: Madison McMulligan
Age: 24
Education: BA Hospitality Management
Employment: Function Coordinator, Luxury International Hotel Group (Full-time)
Income: $50 000 per year (gross) plus superannuation

Scenario

You are an experienced financial adviser and a client has come to you looking for advice on how to maximise her financial situation. Madison is a young professional who is planning her wedding, which is to be held in four months' time. Madison and her fiancé, Taylor, are planning to buy a house within the next two years. Madison's job as a Function Coordinator is well paid and she prides herself on being very well organised not only in her personal life, but also in her money management. In your role as a financial adviser, you must take into account your client's short, medium and long-term financial goals, before making a recommendation.

Task

Madison has a number of goals with varying time frames for achievement. To offer her sound advice, you will need to gather information from a variety of sources about different types of credit cards, personal loans and term deposits. You are provided with information about Madison's financial situation, her goals for the future and a video interview with Madison. You must provide Madison with a recommendation on how she should proceed in order to reach her goals.

Process

1. Form a group with other members of your class. Open up your ProjectsPLUS application for this chapter, located in your eBookPLUS. View the Project Brief and then click the 'Start new project' button and set up your project group. Save your settings and the project will be launched.
2. Navigate to your Media Centre, and open the 'Monthly Budget for Madison McMulligan' template. Using the spreadsheet template provided, you must complete a monthly budget for Madison using the information below. Ensure you use correct formulas to calculate the totals. Print the budget once you have completed it and make sure that you submit this with your final project.



Madison is a Functions Coordinator for a luxury international hotel and earns a salary of $50 000 net. She is lucky that she lives at home; paying her parents $100 a week for board. She has recently bought a new car and has a monthly repayment of $280. In addition to this, she pays $70 a month for her car insurance. She has calculated that every month she spends about $200 on fuel and car maintenance. Madison eats out for lunch every working day, on average spending about $15. She has also calculated that she spends about $400 a month on clothes and about $200 on entertainment. Added to these expenses is the cost of a mobile phone on a $75 monthly plan and a private health insurance plan that costs $47 a month.

3. Help Madison to finance her wedding, based on the following information:

Madison is yet to save any money at all towards her wedding. The wedding planner has estimated that this most important day will cost about $14 000 in total. Madison and her fiancé will share the cost equally.

Look at the budget you created for Madison and calculate how much money she could save in the next four months. Navigate to the Media Centre and open the 'Recommendations to Madison McMulligan Template'. Refer to Part 2 of the template and outline how much money you believe Madison could save, as well as your recommendations for some cutbacks in Madison's expenses.

4. If she looks like running out of time, she may need to find another source of finance. Use the internet to find a range of credit card and personal loan options for Madison and enter your findings as articles under these topics in your Research Forum. Refer to the weblinks provided in the Media Centre to get you started. You can view and comment on other group members' articles and rate the options they have entered. When you have decided on the best credit card and best personal loan, refer to Part 3 of the 'Recommendations to Madison McMulligan Template'. Complete the table provided and then make recommendations on what Madison should do to finance her wedding.
5. After the wedding, Madison and Taylor will be concentrating on saving their pooled money to buy their first home. As their financial advisor, your role is to propose the best type of term deposit. Research the term deposit options that are currently available from Australia's lending institutions and enter your findings as articles under the 'Term Deposits' topic in your Research Forum. Refer to the weblinks provided in the Media Centre to get you started. Rate and comment on the options that have been entered.

   As a group, decide on the best option and then refer to Part 4 of your 'Recommendations to Madison McMulligan template' where you will need to propose and justify which term deposit Madison should use.
6. Print the Research Report, Monthly Budget for Madison McMulligan and Recommendations to Madison McMulligan documents and submit them to your teacher

projectsplus

Your ProjectsPLUS application is available in the Student Resources section inside your eBookPLUS. Visit **www.jacplus.com.au** to locate your digital resources.

Suggested software
- ProjectsPLUS
- Microsoft Word
- Excel

Media centre
Your Media Centre contains:
- a video interview with Madison McMulligan
- a 'Recommendations to Madison McMulligan' template
- an assessment rubric.

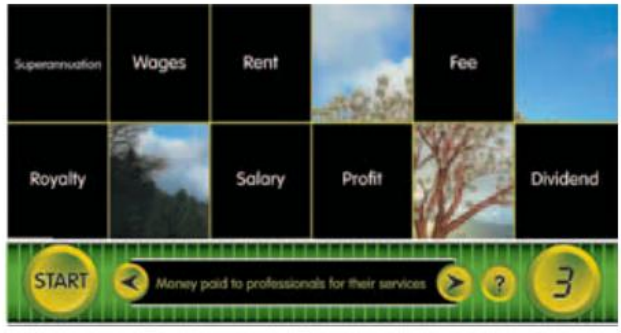
DIGITAL
resources for this chapter



SHARE MARKET BASICS

Many Australian's choose to invest their money in shares. Buying shares in a company means that you are investing in its future. As the value of a company's shares goes up or down, so too does the value of your investment. Owning shares also means that you benefit from the company's profits, which can be given to you as dividends or as extra shares. Shares are bought and sold in a share market. This video eLesson will help you understand how a share market works and teach you the skills you need to read a share market chart.

Searchlight ID: eles-0256



REVELATION: TYPES OF INCOME

There are many different ways that people can earn an income. This interactive Revelation game will challenge you to identify the main types of income. Success rewards you with a fun animation.

Searchlight ID: int-3071

Chapter 3

CORE



Law and society

You have probably never committed a serious crime. Hopefully, you are not planning a robbery or an assault. Most likely you are not wanted by the police and have not been required to attend a court hearing. Like the vast majority of Australians, you are a law-abiding citizen.

Why, then, do you need to know about the law? The answer is because laws affect everything you do: the wearing of a helmet when riding a bike, the age you can leave school, the movies you are permitted to watch and the rights you have as a citizen. Therefore, you should know something about the law. Ignorance is no excuse. You can be found guilty of breaking a law even if you didn't know about it.

The law is a set of legal rules that the government and the courts have made for everyone to follow.

STUDENT WORKBOOK 3.1 Start up!

Focus

On completion of this chapter, you will have developed an understanding of how laws affect individuals and groups and regulate society.



Glossary

access equal opportunity for all people to make use of the legal system

adversarial system system in which two opposing parties present their arguments to a magistrate or judge

anarchy disorder or confusion due to the absence of government or laws

appeal an application for a legal decision to be reviewed in a higher court

bail to release an accused person who is awaiting trial

balance of probabilities the standard of proof in civil trials

beyond reasonable doubt the standard of proof required in a criminal trial

committal hearing a hearing in a Local Court to decide whether there is enough evidence to put a person on trial for an indictable (serious) offence

common law system of law based on the previous decisions of judges, or precedents

constitution a document which sets out how an organisation or a country will be governed

court a place where people can resolve disputes relating to law

defendant the party in a criminal or civil trial against whom an action has been brought

discriminate to treat somebody differently or less favourably because of her or his personal characteristics such as gender, ethnicity or religion

double dissolution a decision made by the head of state to dissolve both houses of parliament

hierarchy a grading system based on order of importance

indictable offence a serious criminal offence

judge a court official who has the power to make decisions on matters brought before a court of law

jury a group of people (either 12 or six) selected to hear the evidence in a court case

kinship traditional indigenous rules that outline the correct way of living

laws a set of legal rules

magistrate a court official who hears cases in the lowest court of law

military law rules applicable to people in the armed forces

plaintiff the party that commences a civil action

precedent a previous legal decision that serves as a rule or pattern in future cases

private law deals with disputes between private citizens

prosecutor the party bringing a criminal action against the accused; usually the state

public law deals with disputes that affect the community

statute law laws made by parliaments

sue to bring a civil action against another person for causing damage or injury

tort a civil wrong

trial a process to determine whether someone committed a criminal act or caused another person a loss

3.1

Reasons for laws

You decide to go the Big Day Out rock concert or a football match. You may not be aware but there are laws in place to control the behaviour of the crowd. Crowd surfing, for example, is forbidden at most rock concerts. Similarly, Cricket Australia has banned the Mexican wave at its events in order to stop unruly fans from throwing potentially dangerous objects such as ice and drink containers in the air. Many argued the wave had become part of a culture of anti-social and occasionally violent behaviour. Others, however, believed it was a restriction on their freedom to participate in one of the great contemporary spectator traditions of cricket. Whatever your view, it seems that most of what we do is regulated by some type of law.



In Australia, laws are part of every aspect of our lives.

Rules and laws

You have to obey rules at school, within your family or on the sporting field. These rules are non-legal rules and are imposed by schools, families, sporting associations or clubs. They apply only to people directly involved and do not attract serious penalties if broken.

Society also has a set of rules called **laws**, which everyone in the community is expected to obey. For example, motorists have to obey traffic laws. There are also laws to stop people under a certain age from entering premises where alcohol is served. The difference between a rule and a law is that the police and the courts can enforce laws. Laws, therefore, are legal rules. This means that a person can be taken to court and penalised if he or she breaks the laws.



Without laws, society would be in a state of anarchy.

Why do we need laws?

Imagine what could happen if there were no laws and people could do whatever they liked. Confusion and chaos would occur. In extreme cases of conflict, a state of **anarchy** would develop. The person with the most strength would start to dominate, and the weak and helpless would suffer. However, when people obey the law, a sense of order is created, resulting in a society where people can live peacefully.

The law therefore has four main roles:

1. *Establish boundaries* of acceptable behaviour and determine which actions will not be tolerated. For example, drink-driving laws reflect society's attitude that placing other road users at risk through intoxication is unacceptable.
2. *Protection* from the actions of others as well as our own behaviour. It does this by telling society what people *cannot* do. For example, we cannot commit assault, murder or robbery. We cannot drive while drunk or ride a bike without a helmet. In this role, the law restricts our individual freedom but provides safety for all individuals in society.
3. *Freedom* to do many things by telling society what people *can* do. For example, the law allows us to own and operate a business, drive a car, get married or divorced, or leave school.
4. *Resolving disputes* in order to stop people taking the law into their own hands. The legal system



provides a police force (or service), court system and correctional centres (jails and juvenile detention centres) to enforce and administer the law.

If society has too many laws, people's freedoms are severely restricted. However, a society that does not have enough laws turns to chaos, and people become very unhappy. So it is important for society to achieve a balance between too many and too few laws.



The police force, like the courts and correctional centres, is part of our legal system.

Activities

Understand

1 What are laws?
2 How are laws of the land different from school or sport rules?
3 What can happen to a person who breaks the law?
4 What is meant by the term 'anarchy'?
5 Why does society need laws?
6 List the law's four main roles.
7 Provide three examples of things the law says you
   (a) cannot do, and
   (b) can do.

Think

8 Imagine you have been elected ruler of Australia. What three laws would you introduce to make sure people live in harmony? Explain why you would choose these particular laws.
9 Write a short story or create a cartoon about a city that has no traffic laws.

Communicate

10 Obtain a copy of your school rules. In small groups, answer the following questions:
   (a) Do you think your school rules are laws? Why?
   (b) Who makes these rules?
   (c) What happens if someone breaks the rules?
   (d) Are there too many or too few rules? Why?
   (e) What rules would you like to get rid of? Why?
   (f) What rules should be introduced? Why?
11 Are there situations in which breaking a law could be acceptable? For example, what do you think about a group of environmental activists who break the law when protesting against tree clearing?
   With this in mind, debate the following topic: 'It is acceptable to break the law sometimes'.

eBookplus

12 Use the internet to find out the age at which a person in Australia can legally:
   (a) drive a car on a public road
   (b) drink in licensed premises
   (c) get married
   (d) buy cigarettes
   (e) sign a contract
   (f) vote in an election.
   You will find the information you need by using the **LawAccess** weblink in your eBookPLUS.

Glossary

anarchy disorder or confusion due to the absence of government or laws

laws a set of legal rules

3.2

Origin of Australia's laws

Every country has different laws because each society has different beliefs, values and cultures, and the law has to reflect this. Even within Australia, we have different laws made by different communities. The society we live in today has existed for just over two centuries. Our present laws are British laws brought out by the first settlers from Britain. However, laws already existed in Australia prior to this, developed by the Aborigines and suited to Aboriginal culture.

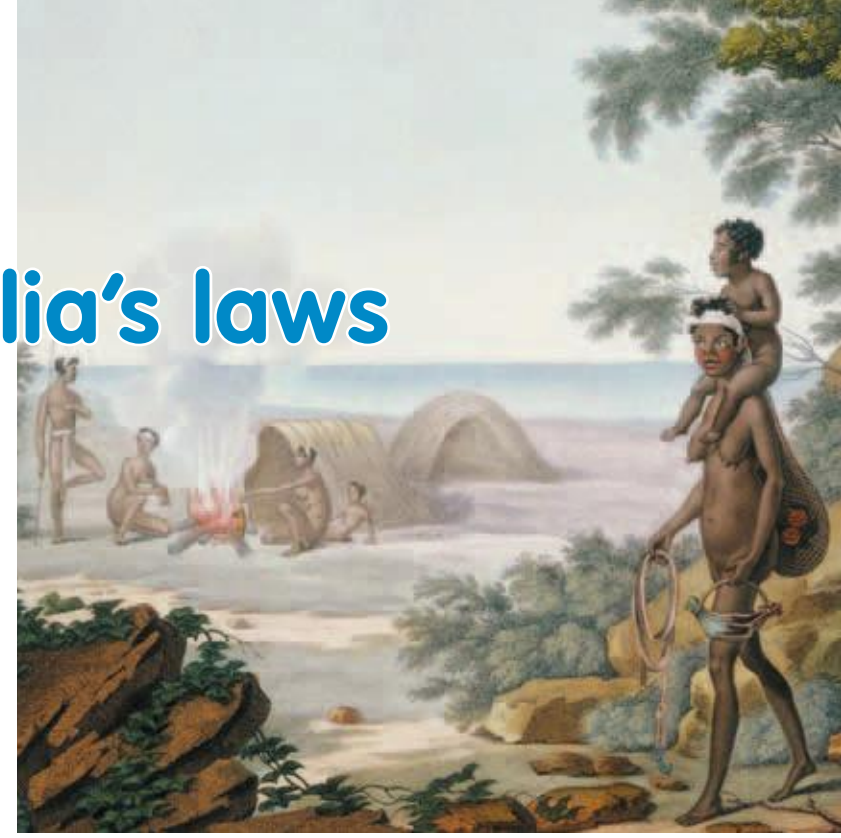
Aboriginal law

Before the arrival of Europeans in 1788, law in Australia existed as traditional Aboriginal law, passed on by word of mouth. This oral law was very important and helped maintain a stable society. It was a legal system based on customs and rituals, and varied between the approximately 600 different Indigenous groups living in Australia.

Incorrectly, the early white colonists thought that Aboriginal society had no law because there were no written rules, parliaments, courts, police and prisons. However, traditional Aboriginal peoples lived according to a complex set of customary laws that outlined the correct or appropriate way of living. A group of elders who knew the customs administered this law and could punish offenders. When a law was broken, the person who had committed the offence (the accused) would meet in public with the person who had been affected by the conduct (the victim). Members of the tribe would witness the meeting. Once a penalty was decided, the tribe would carry out the punishment. Punishments ranged from being banished from the tribe to death.

Aboriginal law was, and is, based on **kinship** — rules that outline the correct way of living in everyday situations such as the sharing of food, marriage, education and trade. The British colonists did not understand the system of kinship, which made it difficult for English law and Aboriginal law to coexist.

With the arrival of Captain Cook at Botany Bay in 1770, who took possession of 'The Great Southern Continent' for England, Aboriginal law was displaced and English law established. The clash between two different legal systems has caused much conflict over the years.



Aboriginal customary law is largely expressed through the obligation of kinship.

Comfact

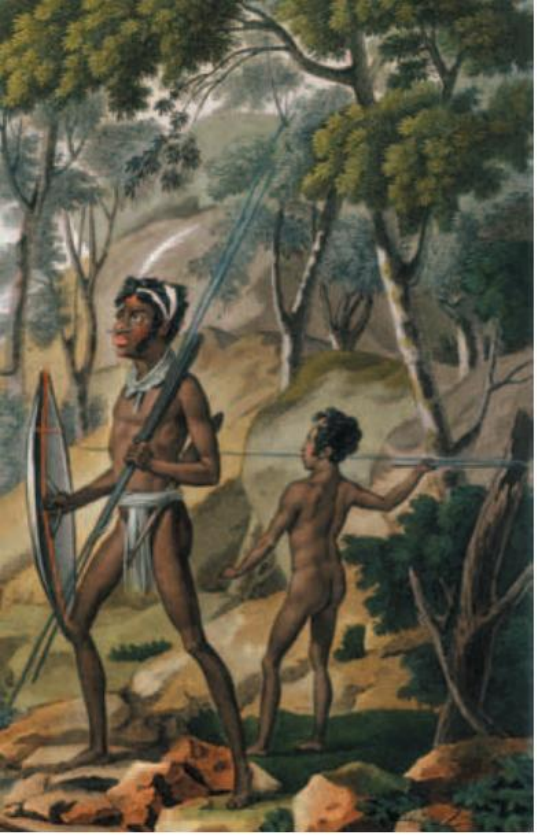
The British Parliament most probably intended that English law should apply to the colony of New South Wales as the continent was regarded as *terra nullius* (uninhabited territory) since Captain Cook's east coast voyage.

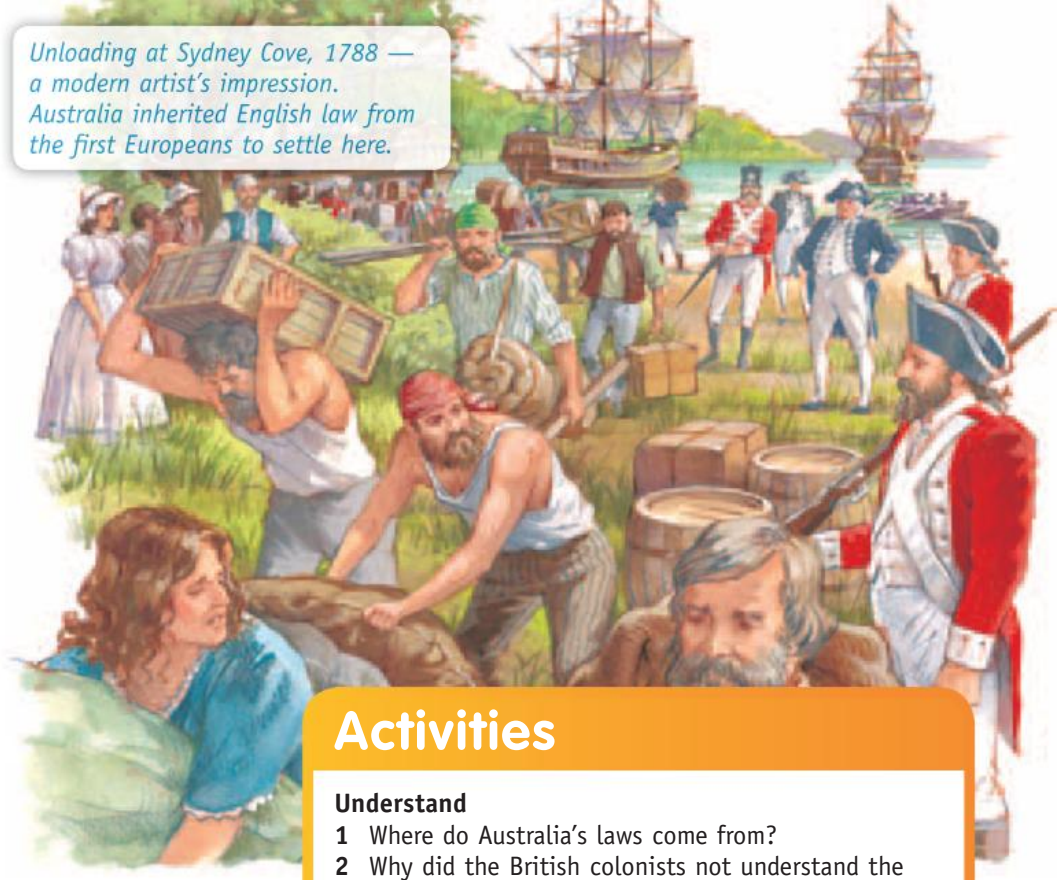
The arrival of English law

The first British settlement in Australia began with the arrival of the First Fleet on 26 January 1788, when a penal colony was established at what is now Sydney Cove. The First Fleet brought the English legal system to Australia. This is why our laws are very similar to those of England.

The early settlement was under the command of a British Governor, Arthur Phillip, who ruled according to **military law** rather than the general law of England. The governor had ultimate authority within the colony and was the administrator of justice. This was especially so in the early years, as there were very few free settlers and most of the population were either convicts or soldiers.

Gradually, as the population grew, the increasing number of free settlers began to demand their rights under English law as well as the right to govern themselves.





Unloading at Sydney Cove, 1788 — a modern artist's impression. Australia inherited English law from the first Europeans to settle here.

In 1828, the colony of New South Wales achieved some measure of self-government. It adopted all the English law that was in existence at that time. From 1828 onwards, however, the colony had the power to make its own laws.

The First Fleet, therefore, brought with it more than convicts and soldiers. It brought the English legal system and transplanted it in the new continent. English law had become Australian law.



Australia's legal system is mainly derived and inherited from the British legal system. British traditions clearly influenced the legal development of Australia.

Activities

Understand

1 Where do Australia's laws come from?
2 Why did the British colonists not understand the traditional Aboriginal system of law?
3 Traditional Aboriginal law had no written record.
   (a) How did Aborigines know what their laws were?
   (b) How was a 'trial' of an accused person conducted?
   (c) What types of punishment were used?
4 What is meant by the terms (a) kinship, and (b) military law?

Think

5 What impact did Captain Cook's arrival have upon Aboriginal customary law?
6 Why do you think Governor Phillip used military law rather than the general law of England?

Communicate

7 In small groups, prepare a list of the rules that you think would have been necessary in the penal colony at Sydney Cove to preserve law and order. Keep in mind that there was no regular contact with England, food was in short supply and convicts outnumbered soldiers and free settlers. Compare your list with other members of the class.
8 Set up a class debate to consider the following topic: 'Indigenous people should be able to live under their tribal laws if they so wish'.

Glossary

kinship traditional indigenous rules that outline the correct way of living

military law rules applicable to people in the armed forces

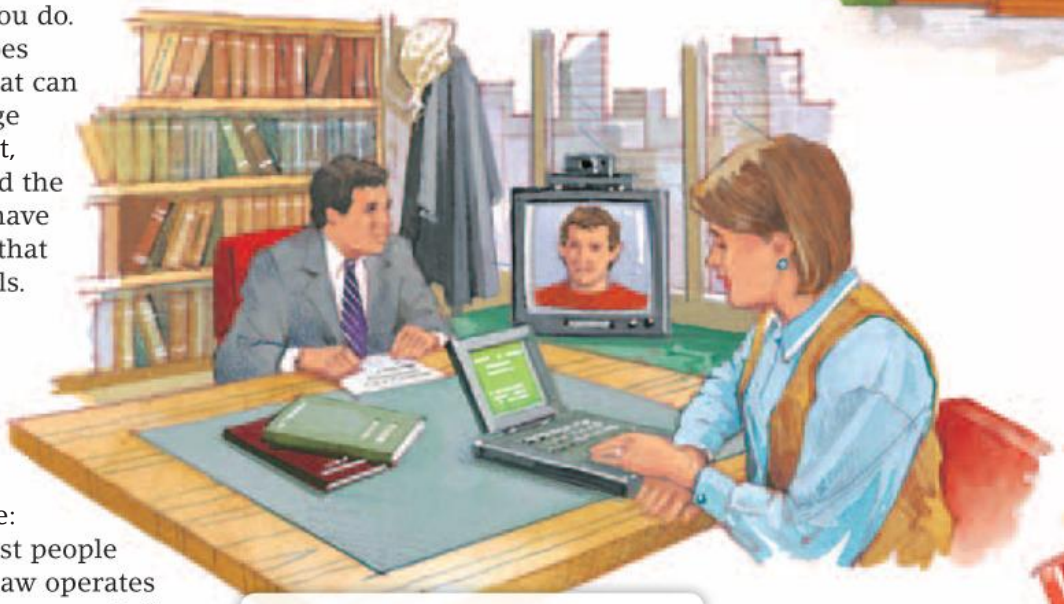
3.3

The legal system

The law affects almost everything you do. If you buy a mobile phone and it does not work properly, there are laws that can help you get it fixed, get an exchange or receive a refund. If you rent a flat, there are laws that say what you and the landlord can and cannot do. If you have an accident at work, there are laws that say who has to pay your doctor's bills.

In each of these situations, the law is there to protect you. The law therefore empowers you to seek a solution to your problem. Without the protection of a legal system, enforcement of a person's rights would be based on physical violence: 'might is right'. In this situation, most people would be powerless. Of course, the law operates in the background, waiting for you to access it if you should need its assistance.

The legal system consists of a number of institutions such as parliaments, courts and prisons. It also includes people who work within this system: judges, lawyers, police officers, prison officers and politicians.



Legal advisers specialise in the law

- Lawyers (solicitors and barristers) provide legal advice and assistance.
- They represent their clients and conduct their cases at a court hearing. This is their advocacy role.
- Their duty is to argue a case in the best interests of their clients.

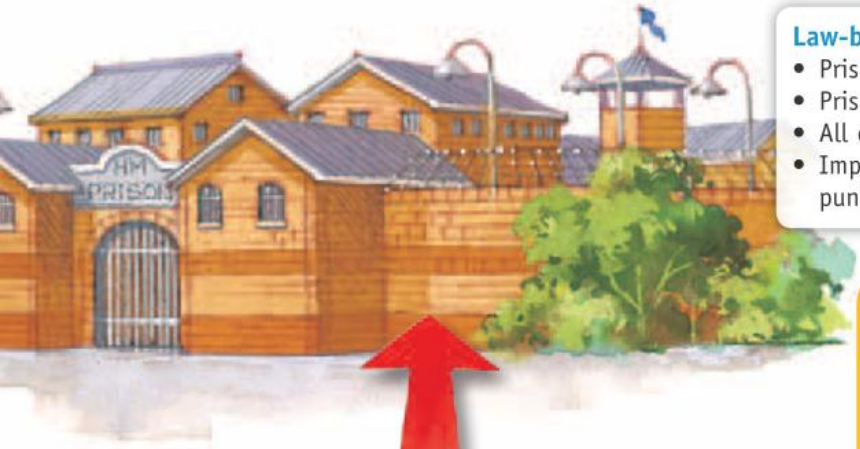


Politicians make laws

- Parliament is our main law-making institution.
- It can make new laws and change existing ones.
- These laws are binding on all courts and judges.
- Parliament responds to pressures (lobbying, petitions, demonstrations etc.) to make new laws or change existing laws.



The people and institutions that make up Australia's legal system



Law-breakers are punished by court

- Prisons hold people convicted of a crime.
- Prison staff manage the prison.
- All offenders must be given the opportunity of rehabilitation.
- Imprisonment — loss of freedom — is the harshest form of punishment that can be imposed.



Courts interpret laws

- Courts settle disputes according to strict rules of evidence and procedure.
- Court officials are responsible for the administration of the court and the efficient running of a case.
- Judges have the ability to create law through the decisions they make when hearing a case: an act of precedent.
- Most courts are open courts; people may enter and listen to the case.



Police enforce laws

- Police do not make the laws; they only enforce the laws.
- They also prevent and investigate crime, protect life and property, and maintain peace and order.
- Police assist in the prosecution of suspected offenders.
- There are rules that outline police powers and how they do their job.

Activities

Understand

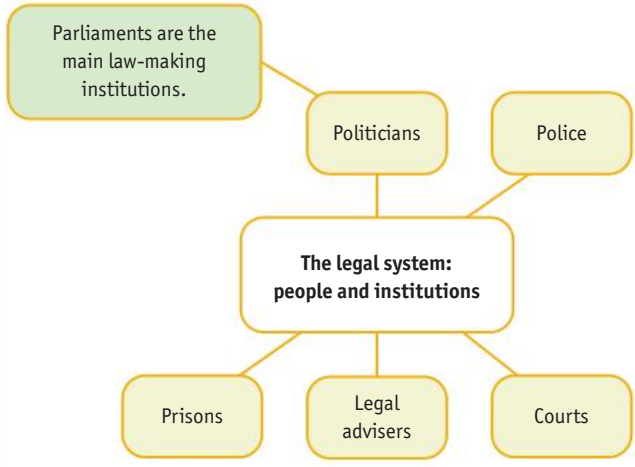
1 In the past, disputes were often resolved with the belief that 'might is right'.
   (a) What is meant by this expression?
   (b) Why is this system of resolving disputes unfair to most people?
   (c) What advantages are there for individuals and society in having a comprehensive legal system?
2 What is the role of police in our society?
3 What do you think would happen in our society if police went on strike?

Think

4 Vigilantes, private citizens who take on the role of guardian of society, take enforcement of law into their own hands. Explain why it is better that the police and courts, rather than individuals, resolve disputes.
5 Why should offenders be given the opportunity of rehabilitation?

Communicate

6 As a class, brainstorm how laws empower individuals and groups in our society.
7 Add extra elements to the concept map started below to summarise the people and institutions that make up the legal system.



Investigate

8 Research the legal system of another country and compare it with what you know of the Australian legal system. What are the similarities and differences? Present your information either as a PowerPoint presentation or a word-processed report.

STUDENT WORKBOOK 3.2 Join the police force

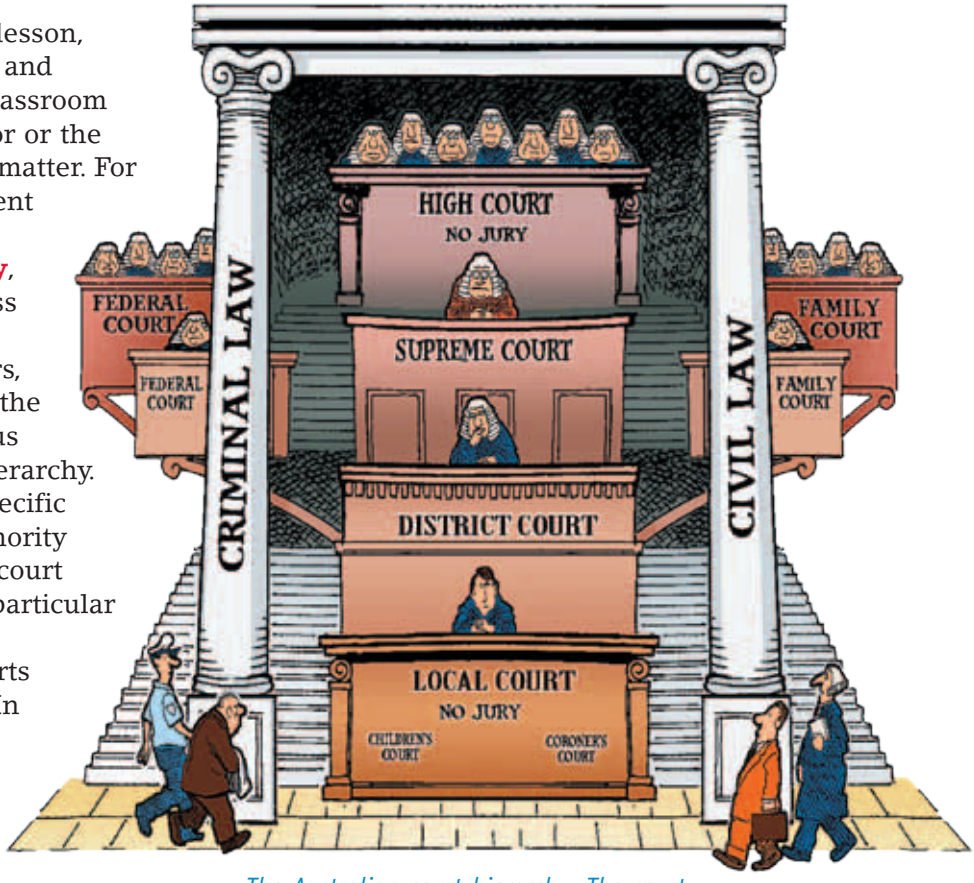
3.4

The courts structure: hierarchy (1)

Court hierarchy

If you break a minor rule during a lesson, your teacher will decide your 'guilt' and 'punishment'. For a more serious classroom offence, either your Year coordinator or the deputy principal will deal with the matter. For very serious offences, you will be sent to the principal. The **court** system operates under a similar **hierarchy**, which also relates to the seriousness of the offence. The higher courts, which hear the most serious matters, are at the top of the hierarchy, and the lower courts, which hear less serious matters, are at the bottom of the hierarchy. Each court deals, therefore, with specific legal matters over which it has authority or jurisdiction. Consequently, each court becomes 'expert' in dealing with a particular area of law.

In criminal cases, the higher courts deal with the most serious crimes. In civil cases, the higher courts hear cases that will affect many people or involve large sums of money. If an individual is unhappy with the ruling of a lower court, they can **appeal** the decision and have their case reviewed in a higher court. A serious issue facing our society is the cost of a **trial**, which becomes more expensive if the trial is held in a court that is higher up the hierarchy.



The Australian court hierarchy. The court system filters cases according to their seriousness.

The Local Court

The Local Court is at the bottom of the hierarchy. There are over 160 Local Courts in New South Wales. All criminal cases and more than 90 per cent of civil cases begin in the Local Court. In the Local Court there is no **jury**. Instead, it is a **magistrate** who hears the cases, decides the verdict and sets any punishment. A magistrate can imprison an offender for up to two years. Magistrates are qualified legal practitioners who have many years' experience in dealing with legal matters.



Inside a Local Court

The Local Court deals with minor civil disputes; for instance, where people **sue** other people for damage to property or for injury claims of up to $100 000. This court also hears summary offences (minor criminal matters) such as stealing, drink-driving, assault, possession of drugs and indecent language. A magistrate presides over **committal hearings** dealing with **indictable offences** (major criminal matters) such as armed robbery, manslaughter and homicide to decide if there is enough evidence for the case to go to trial in a higher court. A magistrate also:

- hears **bail** applications
- issues arrest warrants and search warrants
- hears applications for Apprehended Violence Orders (AVOs).

Two other specialist courts on the same bottom level of the court hierarchy as the Local Court are the Children's Court and the Coroner's Court.

Children's Court

The Children's Court deals with cases involving the care and protection of children and young people. It also deals with criminal cases concerning children and young people who committed offences when under the age of 18. This court is closed to the public and the media. The Children's Court has much the same personnel as the Local Court, but personnel in this court are specifically trained to deal with young people.



The Children's Court, Parramatta

Coroner's Court

The Coroner's Court is a special Local Court that investigates deaths by unnatural causes in order to determine the identity of the deceased and the date, place, circumstances and medical cause of death. Coroners in NSW investigate approximately 6000 reportable deaths annually. Coroners also investigate the cause and origin of fires or explosions.

Activities

Understand

1 On a triangle divided into four equally spaced horizontal sections, name the four different levels of courts. Start with the lowest court at the bottom.
2 Why do we have a number of courts?
3 Which court can hear appeals from Supreme Court cases?

Think

4 Do you think that a court hierarchy is necessary? Why?
5 In what type of cases might a person seek an appeal?

Investigate

6 Imagine you are a magistrate hearing a case against a person accused of assault. What evidence would you require in order to reach a decision? To help you answer this question, collect some newspaper articles dealing with similar cases.

eBookplus

7 Use the **NSW Local Court** weblink in your eBookPLUS to find out about the role of the local court. Present a two-minute oral presentation on one area of interest.

Glossary

appeal an application for a legal decision to be reviewed in a higher court

bail to release an accused person who is awaiting trial

committal hearing a hearing in a Local Court to decide whether there is enough evidence to put a person on trial for an indictable (serious) offence

court a place where people can resolve disputes relating to law

hierarchy a grading system based on order of importance

indictable offence a serious criminal offence

jury a group of people (either 12 or six) selected to hear the evidence in a court case

magistrate a court official who hears cases in the lowest court of law

sue to bring a civil action against another person for causing damage or injury

trial a process to determine whether someone committed a criminal act or caused another person a loss

3.5

The courts structure: hierarchy (2)

The District Court



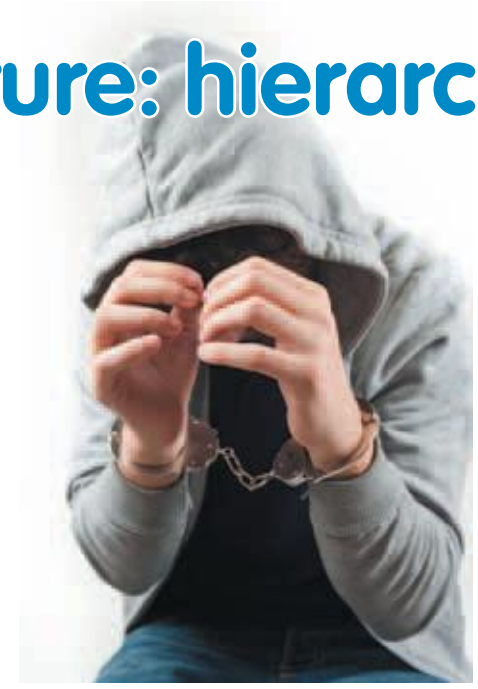
A District Court

The District Court is the 'middle court' in the state legal system. They are located in Sydney and in some regional centres. In the District Court of NSW, cases are heard by **judges**, who are addressed in court as 'Your Honour', and who conduct the trial. The District Court deals with more serious civil cases for claims over $100 000 up to $750 000 and all motor vehicle accident cases. Its criminal jurisdiction deals with serious criminal matters such as armed robbery and burglary. In some cases a jury will decide whether the accused is guilty or not. If the accused is found guilty, the judge will decide on an appropriate sentence. In general, the District Court cannot hear offences which carry long sentences. The District Court also hears appeals from the Local Court.

The Supreme Court

The prison van pulls up, police open the doors of the van and the prisoner steps out. Photographers try to take an image of the prisoner as he hangs his head low and pulls his hoodie over his face, trying to avoid the publicity. He is handcuffed and escorted into court by two prison guards. A criminal trial is about to begin in the Supreme Court.

The Supreme Court is the highest in NSW and deals with the most serious criminal cases such as murder, treason and serious sexual assault. As well, the most serious civil cases involving more than $750 000 are heard in this court. The Supreme Court is located in Sydney and headed by the Chief Justice. However, the judges of the Supreme Court (and of the District Court) hold sessions of their courts in major regional centres. This is known as 'going on circuit'. The Supreme



This man is suspected of murder. He will most likely be refused bail before he appears in the Supreme Court.

Court also deals with appeals from the two lower courts. The judgements of the Supreme Court are binding (compulsory) on all lower courts. The Supreme Court can impose a wide range of sentences.



The Supreme Court of NSW

The High Court of Australia

Located in Canberra, the High Court deals with appeals from the state or territory Supreme Courts.

It also hears cases concerning the interpretation of the Australian Constitution. It reads, interprets and applies the Constitution and, in reaching verdicts, it creates laws that then affect the powers of parliaments. The High Court, through its

interpretation of the Constitution, has shifted the balance of power away from the states and towards the Commonwealth.

Because it is the highest court in Australia, its decisions are final. The High Court is a federal court, which means that any decision it makes applies to the whole country. The High Court has seven judges, although no jury is used in High Court decisions.



The High Court of Australia, Canberra

Glossary

judge a court official who has the power to make decisions on matters brought before a court of law

Casestudy

Court etiquette



All parties who attend court are expected to follow court etiquette and behave in an appropriate manner.

Rules of court etiquette must be followed when court is sitting, such as:

- standing when the magistrate or judge enters the courtroom
- bowing or nodding to the magistrate or judge when entering or leaving the courtroom
- referring to the magistrate or judge as 'Your Honour'
- silence and no movement when the oath is being administered
- dressing appropriately. Thongs and singlets are not permitted
- no unnecessary talking, eating, drinking or reading in the courtroom
- no weapons in court
- no using cameras, mobile phones or recording devices in the courtroom
- all hats should be removed before entering the courtroom
- no notes can be taken in the courtroom.

Activities

Understand

1 Explain the difference between a *judge* and a *magistrate*.

2 Complete the following table to show the differences between the District Court and the Supreme Court.

	District Court	Supreme Court
Location		
Civil case claim amounts	$	$
Types of criminal cases		
Appeals to		

3 What is the role of the High Court of Australia?

Think

4 In which court are the following likely to be heard?
(a) A murder trial
(b) An appeal from the NSW Supreme Court
(c) A hearing for a minor traffic offence
(d) An investigation into a suspicious death
(e) An armed robbery trial
(f) The preliminary hearing of a rape case
(g) A civil dispute between business partners involving $100 million
(h) A case dealing with an aspect of the Australian Constitution

5 What is court etiquette and why is it important for all people appearing in court to follow it?

eBookplus

6 Use the **Lawlink** weblink in your eBookPLUS to examine some recent decisions of the Supreme Court. Why do you think the decisions are made public?

STUDENT WORKBOOK 3.3 Caught and court

STUDENT WORKBOOK 3.4 Think-Pair-Share on child crime

3.6

The role of court personnel

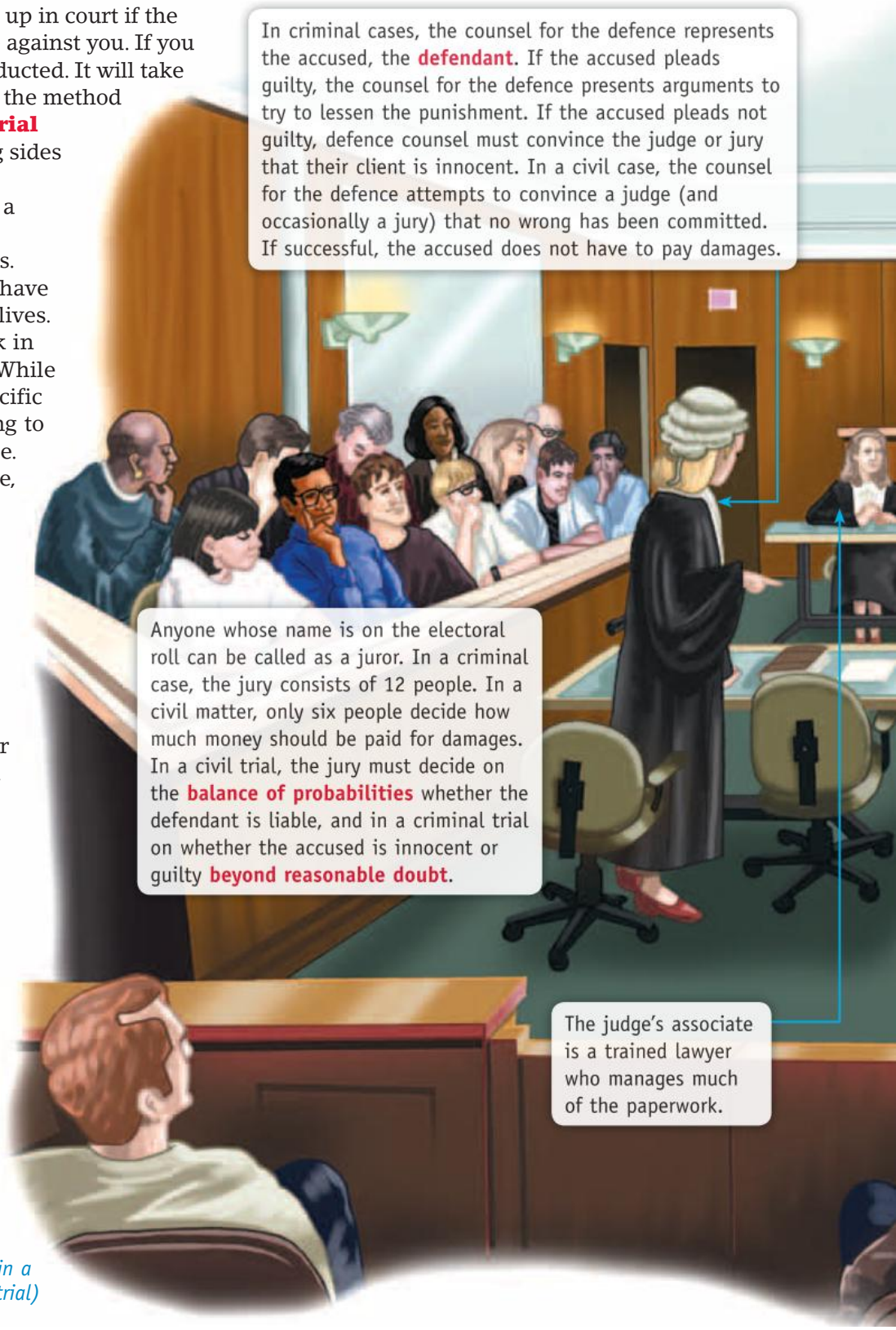
After being arrested, you may end up in court if the police feel they have a strong case against you. If you plead not guilty, a trial will be conducted. It will take place in a courtroom. In Australia, the method of trial used is called the **adversarial system**. This means two opposing sides will present their arguments to an independent umpire — a judge or a magistrate.

Courts can be very tense places. The decisions made in them can have an enormous impact on people's lives. Courts and the officials who work in them deal with real-life dramas. While each courtroom official has a specific role to play, they are all attempting to achieve the same objective: justice. The main roles include magistrate, judge, juror, prosecutor, and counsel for the defence.

Magistrate as umpire

A magistrate is in charge of the lowest court, where the atmosphere is much more informal. He or she does not wear a wig or a robe, and is a qualified legal practitioner. People address a magistrate as 'Your Honour'.

After hearing the cases presented by both sides, the magistrate decides whether a person is guilty or innocent. If people are found guilty, the magistrate decides the punishment or (in civil cases) how much money to award as damages. A magistrate will refer very serious criminal offences to the District Court.

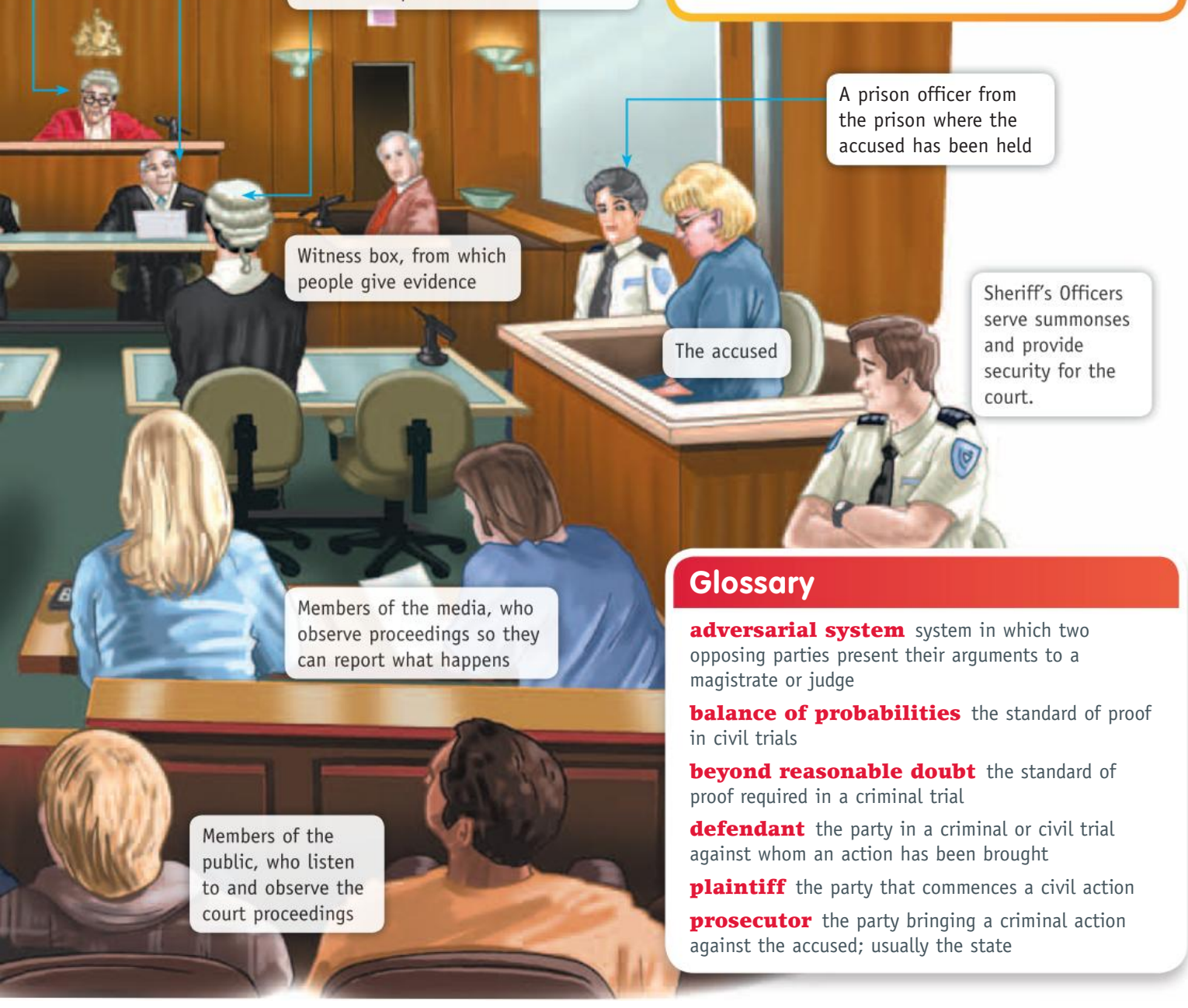


Judge as umpire — who's who in a judge's court (criminal trial)

The judge is addressed as 'Your Honour'. He or she listens to arguments presented by the prosecutor and the counsel for the defence, and is not allowed to ask a witness questions (except to clarify a point). When there is a jury, the judge has to make sure jury members understand the proceedings and evidence presented. If a jury announces a guilty verdict, the judge decides the sentence or punishment.

The tipstaff helps the judge keep order in the court.

In criminal cases, the **prosecutor** has to convince the jury that a person is guilty. This is done by asking questions of witnesses to draw out relevant information. In civil cases, a barrister will act on behalf of the **plaintiff**. Their role is to present reasons why their client should receive compensation.



A prison officer from the prison where the accused has been held

Witness box, from which people give evidence

The accused

Sheriff's Officers serve summonses and provide security for the court.

Members of the media, who observe proceedings so they can report what happens

Members of the public, who listen to and observe the court proceedings

Activities

Understand

1 List the main courtroom officials.
2 How many jurors are there for (a) a civil case, and (b) a criminal case?
3 Outline the role of the counsel for the defence.
4 When can a judge question a witness?
5 What is the jury's responsibility in a criminal trial?
6 What is the difference between the:
(a) defendant and plaintiff
(b) prosecution and counsel for the defence?

Think

7 Finish the following sentence:
The adversarial system is a bit like a game of tug-of-war because _____.

STUDENT WORKBOOK 3.5 Who's who in court — criminal court

Glossary

adversarial system system in which two opposing parties present their arguments to a magistrate or judge

balance of probabilities the standard of proof in civil trials

beyond reasonable doubt the standard of proof required in a criminal trial

defendant the party in a criminal or civil trial against whom an action has been brought

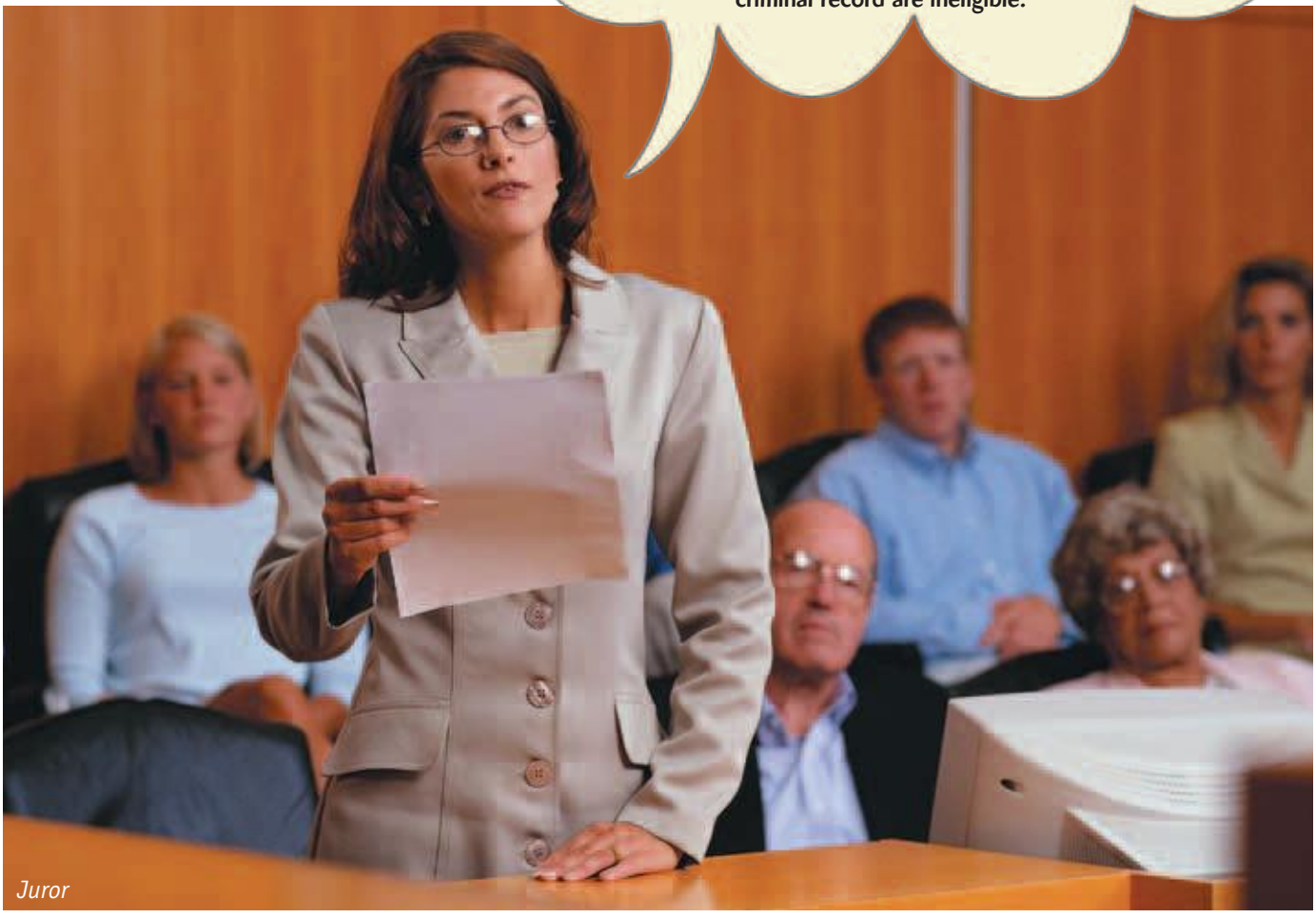
plaintiff the party that commences a civil action

prosecutor the party bringing a criminal action against the accused; usually the state

3.7 Juries

Although juries are used in less than 5 per cent of all legal cases, they are often what people find most intriguing about the law. Being on a jury is the one opportunity for the average person to play an integral part in the operation of the legal system.

'As a juror, I help decide on a verdict in a specific case. If your name is on the electoral roll, you are eligible to be selected for jury duty. A court officer called the sheriff selects names at random and those selected are notified by mail. Juries are used in indictable offence cases and are optional in civil trials. In a criminal case, the jury consists of 12 people but, in a civil matter, only six people decide how much money should be paid for damages. In a criminal trial, I have to listen to all the evidence and to the judge's instructions and then decide beyond reasonable doubt whether a person is guilty or not. The decision must be either unanimous; that is, all 12 jurors must come to the same decision or a majority verdict of 11 out of 12 jurors before a judge can hand down a sentence. Sometimes a hung jury occurs, which means the jury cannot decide on a verdict and a new trial is ordered. My main task then is to decide upon the truth from all the information presented. This is not always easy to do. Some people such as doctors or people over 70 years of age can be excused from jury duty. Other people, such as anyone who works in the legal system or has a criminal record are ineligible.'



Juror

A jury is made up of ordinary people whose main role is to be independent and decide on the facts of the case. Jurors must decide what they believe actually happened according to the evidence they have heard. In a civil trial they must decide on the *balance of probabilities* whether the defendant is liable, and in a criminal trial on whether the accused is innocent or guilty *beyond reasonable doubt*. To do this effectively, jurors must be able to:

- listen to all the facts of the evidence, and remember and understand them
- decide what they believe actually happened according to the evidence they have heard
- put aside their own prejudices or bias
- be fair and impartial
- understand points of law the judge explains
- deliver a verdict on the guilt or innocence of the accused in a criminal trial, or decide if a party is liable in a civil trial.

Case*study*

Sudoku-playing jury discharged, ending drug trial

In 2008, after three months in court, Sydney's District Court Judge Peter Zahras discharged the jury of a drug trial costing $1 million. It was discovered that the jury forewoman (spokesperson) and four other jurors played sudoku puzzles in the jury box, instead of listening to evidence being presented by more than 100 witnesses.

While this behaviour in the courtroom is inappropriate and unacceptable, being inattentive to an extent that causes a trial to be abandoned is not an offence under the *Jury Act 1977 (NSW)*. However, the Attorney-General said: 'Jury service is a very important civic duty and it's important that all participants in the trial, including jurors, adhere to proper standards of behaviour.'



Empanelling a jury

Once the jury panel is in the courtroom, empanelment — the process of selecting a jury — begins. Potential jurors must walk past the accused and his or her counsel, as well as the prosecution. This is so counsel can look at them and decide whether they are the type of people they want on the jury. They have from the time each juror stands until he or she reaches the jury box to make a challenge.

Arguments for and against the jury system

Some people say that juries are the best and most accepted method to use in a trial. Others argue that they are outdated and prejudiced, and should be replaced with either trial by judge alone or professional, specialist jurors.

Arguments for the jury system	Arguments against the jury system
1. A jury is a cross-section of society and therefore reflects society's values and attitudes.	1. Because some people are exempt from serving, the jury is not a true cross-section of society.
2. There is widespread acceptance of the jury system.	2. Ordinary people may not understand complex legal technicalities.
3. The final decision is made by more than one person.	3. Juries do not have to give reasons for their decisions.
4. Juries are independent and impartial decision makers who are not controlled by the government.	4. Juries can be persuaded by the skills of clever lawyers.
5. Ordinary citizens are given the opportunity to play an active role in the administration of justice.	5. It is difficult for people to remain completely impartial, especially if they are influenced by the media coverage of the trial.
6. It provides an opportunity for the community to understand the final decision.	6. It costs a lot of money to operate and the jury selection process can be time consuming.
7. It reduces the possibility of bribery or corruption which might occur if only one person is to decide the outcome of the case.	7. Jurors could be biased and may be influenced by their own personal prejudices.

Activities

Understand

1 What is the role of the jury?
2 Distinguish between the standard of proof required for a civil trial and a criminal trial.
3 In a criminal matter, how many jurors are on a jury? What must they decide?
4 In a civil case, what are juries mainly concerned with?
5 Who may be called upon to do jury duty? What exemptions are there to this?
6 Explain the difference between a *majority verdict* and a *unanimous verdict*.
7 What is a hung jury and what effect does it have on a trial?

Think

8 Select the advantage and the disadvantage of the jury system, from the list on this page, which you consider to be the most important. Give reasons for your selection.
9 Why does a criminal trial require a higher standard of proof than for a civil trial?
10 Read the case study above. What is your opinion about the jurors who were discovered playing sudoku puzzles in the courtroom instead of listening to the evidence being presented?

Communicate

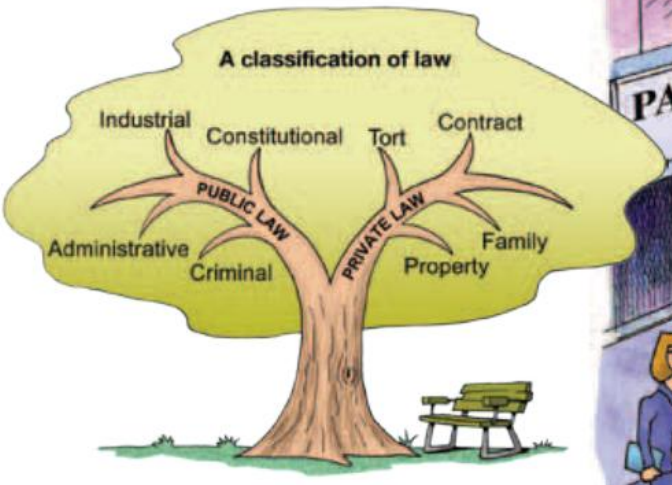
11 Under the American legal system juries are allowed to publicly discuss the reasons for their decision after a case has finished. Should this be allowed under the Australian legal system? In small groups, discuss.

STUDENT WORKBOOK 3.6 Five Ws (and one H)

3.8

Areas of law: private and public

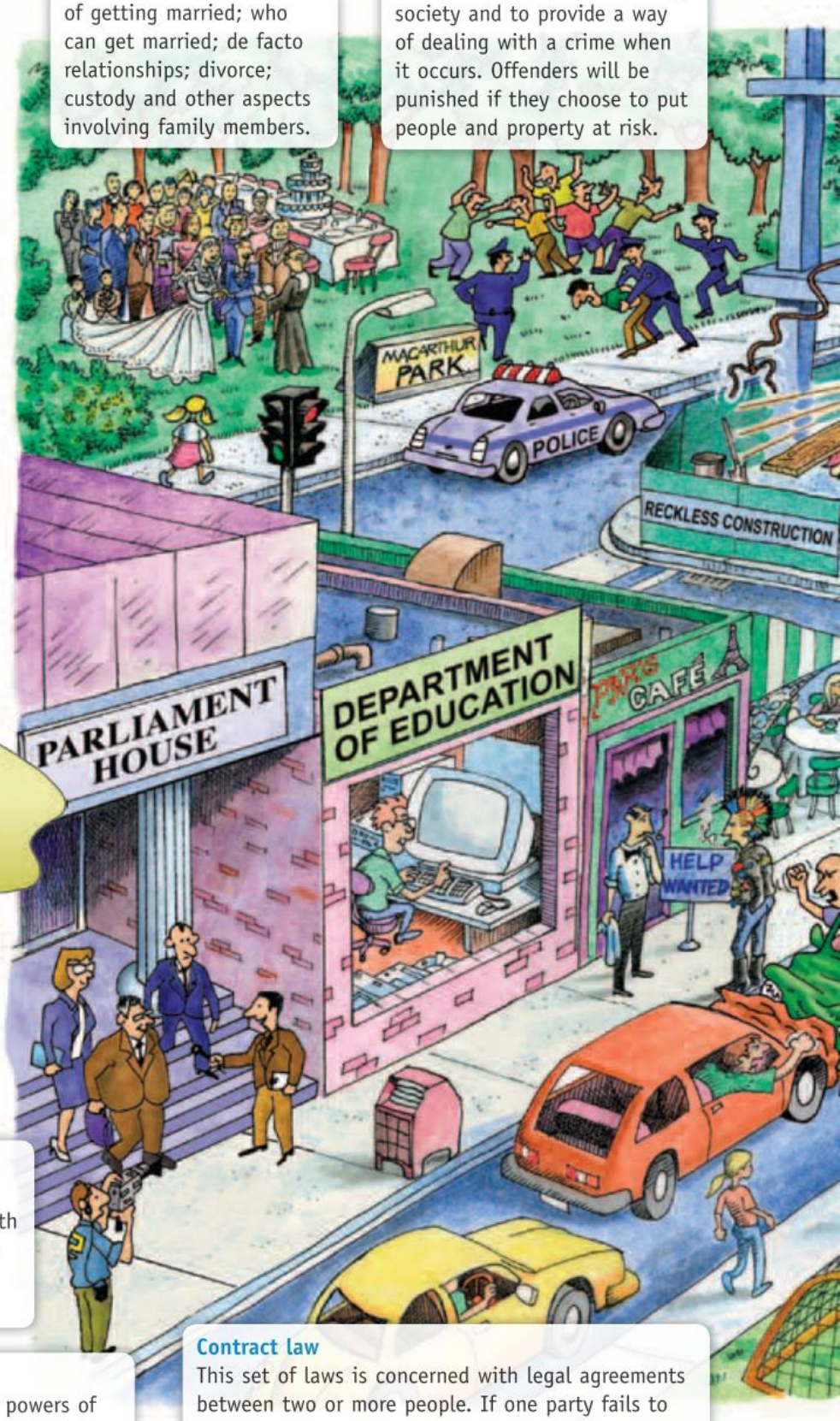
There are two main ways of classifying the law: private and public law. The **private law** deals with how individuals interact with other individuals; the rights and duties people have towards each other. **Public law** is concerned with regulating people's behaviour within society as a whole and protects the freedom of individuals. It also deals with the conduct society expects from its government (the state). Private and public law have a number of branches.



The two branches of the law

Family law
This law regulates family relationships. It sets out rules about the process of getting married; who can get married; de facto relationships; divorce; custody and other aspects involving family members.

Criminal law
Criminal laws are needed to keep the community safe from harm, to provide for an orderly society and to provide a way of dealing with a crime when it occurs. Offenders will be punished if they choose to put people and property at risk.



Constitutional law
This set of laws deals with the set of rules by which a country is governed. It is concerned with the powers and authority of parliament and the rights of each citizen, and the powers between the federal and the state governments.

Administrative law
Administrative law deals with the decisions and powers of these government departments. This law allows courts to review and change the decisions of government if necessary.

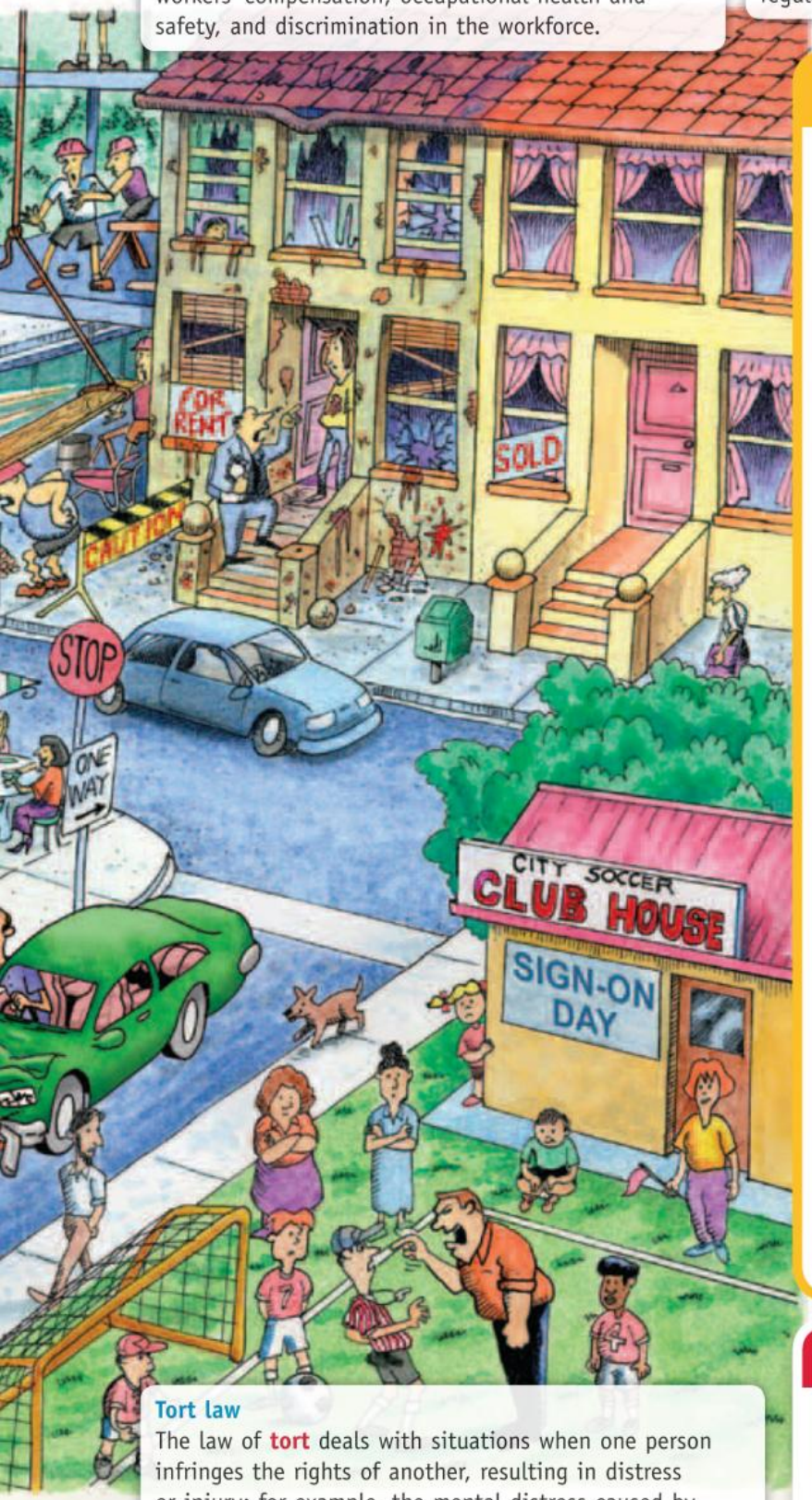
Contract law
This set of laws is concerned with legal agreements between two or more people. If one party fails to carry out his or her side of the agreement, that person can be sued for breach of contract.

Industrial law

This law is concerned with the rights and obligations of employers and employees. Much of the law deals with the legal way of resolving industrial disputes, workers' compensation, occupational health and safety, and discrimination in the workforce.

Property law

This law recognises two broad types of property: real property (land and buildings) and personal property (goods and services we purchase). Specifically, property law provides regulations about the sale, leasing and hiring of property.



Tort law

The law of **tort** deals with situations when one person infringes the rights of another, resulting in distress or injury; for example, the mental distress caused by being bullied. The person injured may claim financial compensation from the other party for any loss suffered.

Activities

Understand

1 Outline the difference between *private* and *public* law.
2 What is meant by the term 'tort'?
3 Which branch of the law mainly applies in each of the following situations?
   (a) Manuela purchases a diary from a newsagent.
   (b) Two armed robbers hold up a bank.
   (c) Shanii and Angelo announce their engagement.
   (d) Mr Preston disagrees with the decision made by his local government planning department and wants it changed.
   (e) The Concerned Action Group wants the federal government to take control of the state national park in their area.
   (f) Joe Zappadi tells his eight employees who are on strike that he will not agree to their demands.
   (g) Kristin Wroe, a real-estate agent, sells a factory to Letitia Chung.
   (h) Moshe reverses his car and accidentally scrapes the door of the parked car next to him.

Think

4 Why do you think the law has been divided into different branches?
5 Joanne is fed up with the loud music coming from her neighbour's house. Do you think she should have the right to:
   (a) make a complaint or (b) sue?
   Give reasons for your answer.

Investigate

6 (a) Using newspapers and the internet, collect and paste in your notebook a portfolio of three articles dealing with one of the branches of law that interests you.
   (b) Select one article and prepare a dot point summary of the content.
   (c) Outline what most interested you in this particular article.

STUDENT WORKBOOK 3.7 Lawbreakers

Glossary

private law deals with disputes between private citizens

public law deals with disputes that affect the community

tort a civil wrong

3.9

Areas of law: civil law

Civil law, which is part of private law, deals with non-criminal matters. It allows an individual to bring actions against other members of the public for a civil wrong done to them. It therefore plays an important role in the creation and protection of our individual rights.

The two main areas of civil law are the law of tort and contract law. The law of tort includes:

- negligence — where a person fails to take reasonable care and, as a result, injures another person
- defamation — where a person injures another person's reputation
- nuisance — where a person causes unreasonable interference with another person's right to quiet enjoyment of their property
- trespass — where a person interferes with another person, or that person's property rights.



In civil cases . . .



the injured person sues . . .



and can receive compensation.

Civil law gives the person whose rights have been infringed (the plaintiff) the ability to initiate action to sue the wrongdoer (the defendant). Where a civil wrong is successfully proven in court, the wronged party will seek damages — money — as compensation.

Sometimes the judge decides that the plaintiff is in the wrong and can order him or her to pay the defendant's costs. Alternatively, the judge can look at contributory factors in the case. For example, it might be determined that the plaintiff was held partly responsible, say 40 per cent, and the defendant 60 per cent responsible for the injury that has occurred. In such a situation the damages are reduced accordingly. In civil cases juries are optional, but if one is used, it is their role to determine both the outcome and the amount of damages. Not all civil cases end up in court. Often the parties reach an out-of-court settlement.

Following are some recent civil law cases.

Civil cases

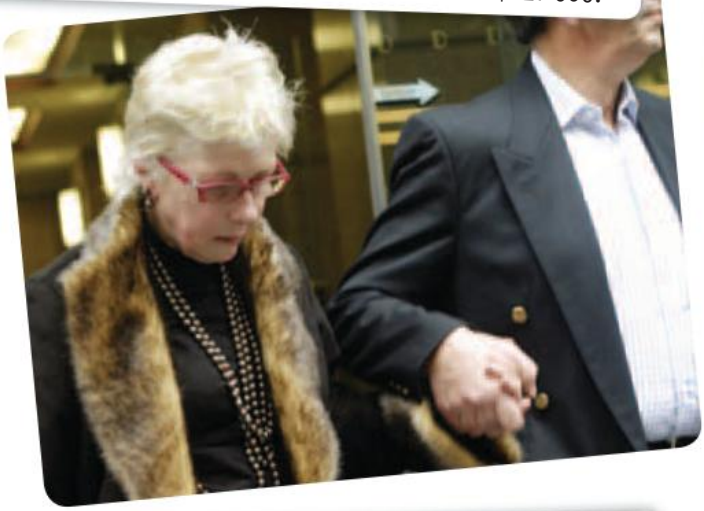
Mercedes Corby (sister of convicted drug smuggler Schapelle Corby) leaves court, victorious after a jury found Channel Seven liable for defamation. The network aired a program on *Today Tonight* where Jodie Power (Mercedes' ex-friend) had claimed Mercedes and her family were drug dealers and smugglers. Channel Seven reached a settlement with Mercedes' lawyers to pay an undisclosed sum.



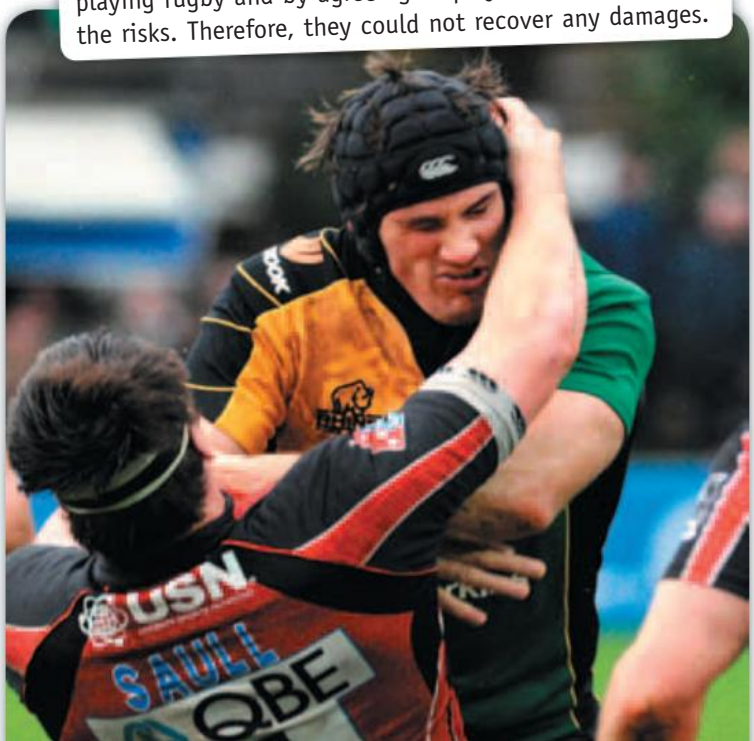


In 2010, former David Jones publicist Kristy Fraser-Kirk sued the retailer and its chief executive Mark McInnes for $37 million, claiming McInnes made unwanted sexual advances and that he sent inappropriate text messages to her. She also alleged that the company fostered a culture of sexual harassment. This high profile case was eventually settled out of court for $850 000 and McInnes lost his job. McInnes denied the majority of the allegations made against him.

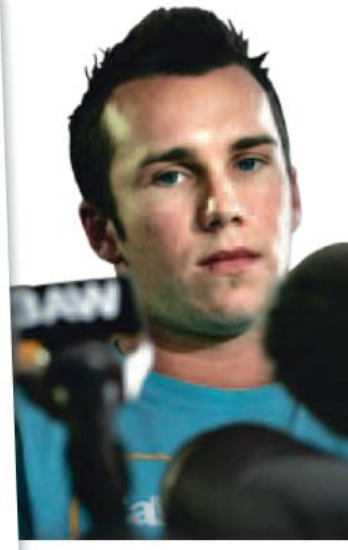
Daniela Paterno sued an oral and facial surgeon (Mr Hookey) for negligence for the facial and oral disabilities she suffered as a result of five failed operations. In the trial, she told the court that her life had been dominated by chronic pain and suffering, including weight loss, physical weakness and humiliation which had left her a virtual recluse. Her negligence case was based on the assertion that the surgeon had devised an inappropriate treatment plan for her, and failed to warn her of high-risk complications. She was awarded total damages of $1 055 000, which included general damages of $350 000, medical expenses of $165 664 and her husband's carer services of $127 000.



Not all negligence cases are successful in their action, particularly when a person voluntarily agrees to take part in a contact sport knowing that it has obvious risks. There is, for example, a real risk of being bumped and injured while playing football. Two rugby players, Luke Hyde and Peter Worsley, suffered spinal injuries in separate rugby union games. On appeal from the NSW Supreme Court, the High Court found that the two players knew about and understood the dangers of playing rugby and by agreeing to play had consented to the risks. Therefore, they could not recover any damages.



In 2010, Supreme Court justice David Beach awarded former Olympic cyclist Mark French almost $200 000 when he ordered the Herald and Weekly Times newspaper publishing company to pay $175 000 in damages and $18 500 in court costs. French sued for defamation after newspaper reports labelled him as a disgraced drug cheat, charges he had been previously cleared of. French also successfully sued radio station Triple M in 2008 for defamation after he was described on air as a 'dirty, stinking, dobbing cyclist'. He was awarded $350 000 in damages plus costs.



Activities

Understand

1. What is the purpose of civil law?
2. What are the two main areas of civil law?
3. List the four most common torts.
4. Explain the difference between *plaintiff* and *defendant*.
5. Ben is awarded $200 000 in compensation. However, the court decided that he contributed to his injuries 25 per cent. How much will Ben receive in his final payout?
6. Indicate whether the following statements are *True* or *False*:
   (a) The term 'defendant' refers to the person who is claiming his or her civil rights have been breached.
   (b) The most common remedy in a negligence case is an award of damages.
   (c) Often, the parties in civil cases reach an out-of-court settlement.

Think

7. Why do you think the most common remedy in civil cases is an award of damages?
8. Give an example of where one person might infringe the rights of another (a) on the roads (b) in a theatre review (c) as a neighbour and (d) in a restaurant.
9. Rearrange the following steps (a to d) in a logical order:
   (a) plaintiff suffered damage
   (b) duty of care owed
   (c) compensation awarded
   (d) failed in duty of care.

Communicate

10. In small groups, discuss whether you agree or disagree with the decisions in the cases presented on these pages. Give reasons for your answer.

3.10

Areas of law: criminal law

In simple terms, a crime involves behaviour that is considered by the state to be unacceptable, deserving of prosecution, conviction and punishment. From ten years of age, a person can be prosecuted for committing an offence. This is considered the 'age of criminal responsibility' when the offender knows the difference between right and wrong.

Serious crimes, such as armed robbery, homicide, child abuse, murder and sexual assault, are called indictable offences. These offences are heard in the District and Supreme Courts. For these offences, the guilt of the defendant is determined by a judge and jury.

Less serious crimes, such as minor assaults, petty theft, vandalism and traffic infringements, are called summary offences. They are dealt with relatively quickly and cheaply by a magistrate in a Local Court.

The purpose of criminal law, which is part of public law, is to protect individuals from others doing the wrong thing; to make the community feel safe from harm. If, for example, a person went around killing other people or stealing their property, and was not punished, people would live in fear.

Under our system of criminal law, if a person commits a crime, the police force and the judiciary are the way in which the state (society) deals with criminal behaviour. During the court case the accused will have the opportunity to tell their side of the story. If they are found guilty, they will be punished with either a fine, court order/or imprisonment.

Following are some recent criminal law cases.



In criminal cases . . .



the police prosecute . . .



and the courts impose a penalty on a guilty party.

Criminal cases

In 2010 a jury found Keli Lane, a former Australian water polo champion, guilty of killing her two-day-old daughter Tegan 15 years earlier. In the Supreme Court, Judge Anthony Whealy said Lane's act of murder was 'premeditated but only for a short time', saying it was 'done as an act of desperation'. Lane claimed she gave Tegan over to the child's father, a man with whom she had a brief and secret relationship. The crown argued Lane murdered Tegan so she could continue to pursue her social, sporting and sex life without the burden of a child. Tegan's body has never been found. Lane was sentenced to 18 years jail with a non-parole period of 13 years. The judge added, however, that Lane presented no risk to the community and had undergone rehabilitation.



A jury in Sydney found Shirley Justins guilty of manslaughter and her close friend, Caren Jennings, was found guilty of being an accessory in the death of Graeme Wylie, who suffered from Alzheimer's disease. Both women believed that they were helping Graeme die with dignity. Jennings, who had been suffering from breast cancer, took her own life prior to the sentencing hearing. Justice Howe stated that Justins and Jennings acted in 'a joint criminal enterprise to bring about the death of the deceased'. Justice Howe believed Jennings was the driving force behind the euthanasia plot. As a deterrence, Justins (Graeme Wylie's de facto partner) was sentenced to 22 months periodic detention.



Jason Rippard was driving an unregistered car, drunk and texting when he veered into the cycle lane and hit cyclist Graham Denton, killing him instantly. Rippard returned a blood alcohol reading of .057, however the court heard the 'gross inattention' caused by texting was the main factor responsible for the crash. Giving evidence, Rippard said he would live with the guilt and shame of his actions for the rest of his life. Judge Roy Ellis took into account Rippard's genuine remorse and sentenced him to a maximum of three years and four months jail with a 20-month non-parole period.



Leigh Robinson, aged 61 years, was found guilty of murdering his partner Tracey Greenbury. The jury deliberated for only one hour before they returned a guilty verdict. Following an argument, Robinson chased Greenbury down the street while he was in possession of a shotgun. He then shot her from a distance of 1.5 metres. He then left a message on Greenbury's ex-partner's telephone stating, 'Yeah, come and get your kids, they've got no mother'. On the witness stand, the defendant stated that he had not intended to shoot Tracey and that it was an accident. Robinson was sentenced to life imprisonment without parole. Robinson had been convicted of and jailed for another murder forty years previously.





At 27 years of age, Vincent Ficarra was sentenced to 28 months' imprisonment, with a minimum of 15 months. He had been found guilty of manipulating profit figures from currency trading so that he received a performance bonus of $46 350. Defence counsel presented in evidence that Ficarra was repentant for his crimes and had repaid the money. Counsel said that Ficarra had a generous and misguided desire to help people and this, coupled with the pressure of his job, had led Ficarra to his role in the $360 million trading scandal. Counsel submitted to the court that home detention would be an appropriate sanction for Ficarra, given his youth and the support of his family. The trial judge disagreed and sentenced Ficarra to prison.

Activities

Understand

1 Are the following statements *True* or *False*?
   (a) A crime is defined as an offence against the police.
   (b) The community expects to be kept safe from harm.
   (c) Crimes do not affect the wider community, only the victim.
   (d) The community expects offenders who break the law to be punished.
   (e) Criminal laws reflect the values and morals of the community.
2 At what age can a person be charged with a criminal offence? Why is this age called the 'age of criminal responsibility'?
3 Explain the difference between *indictable offences* and *summary offences*. Provide three example of each.
4 What is the purpose of criminal law?
5 Rearrange the following steps (a to d) in a logical order.
   (a) police investigate crime
   (b) court imposes a penalty
   (c) police prosecute
   (d) criminal offence committed

Think

6 How should society deal with children under ten years of age who (a) commit vandalism, or (b) badly injure other children?

Communicate

7 In small groups, discuss whether you agree or disagree with the sentences in the cases presented on these pages. Give reasons for your answer.

STUDENT WORKBOOK 3.8 Analysing graphs and statistics on crimes

STUDENT WORKBOOK 3.9 Lawyer chat

3.11

How laws are made: common law

There are two ways of making laws. Those laws that are written down beforehand are called **statute law**, or Acts of Parliament. Alternatively, they can be developed piece by piece by judges as they come across new problems in the cases they hear. These laws are referred to as **common** (judge-made or case) **law**. In Australia, the law is a combination of both types.

The beginnings of common law

The justice system in England and Australia is based on common law. When Henry II became King of England in 1154, in medieval times, people were tried at a number of different courts. Most had to prove their innocence by trial by ordeal or trial by combat. Henry II decided his people should all have the opportunity for royal justice (that is, the justice of the king's court). Though the other courts continued, the king's court began travelling around, hearing cases. Judges started keeping records of their decisions, referring back to them when hearing similar cases.



Trial by ordeal: would justice have prevailed?

Common law

Common law today continues to mean the decisions given by judges. It may occur because a judge has to decide on a case where there is no existing law that regulates it. Consequently, it is up to the judge to make a decision. A record of these decisions will be placed in books called *Law Reports* so that they can be referred to when needed. These decisions are known as legal **precedents**.

Judges do not deliberately attempt to change or make a law but this may happen as they try to resolve the dispute before them.



If there is no existing relevant law, judges can create a new rule to settle a dispute.

Precedent

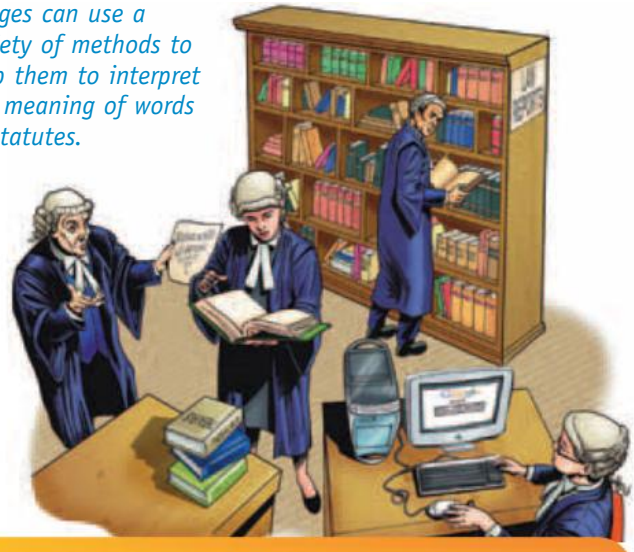
If your uncle bought your eldest sister a digital camera for her eighteenth birthday, you might expect to receive a digital camera for your eighteenth birthday, or at least a present of equivalent value. This is because your uncle set a precedent and you expect to be treated the same. Precedent works the same way in law.

Traditionally, judges will give similar decisions in cases that are alike. This is known as the act of precedent. Precedent helps the legal system achieve fairness and justice as similar cases are dealt with in the same way.

Statutory interpretation

Courts also make laws when they interpret (decide on the meaning of) words in a law made by Parliament. Laws made by Parliament often use complicated language. This language is used in an attempt to fully explain what the law means, and to try to cover all the possible situations to which the law is relevant.

Although only Parliament can change the wording of a law, when a court interprets a word, this new meaning applies as law from then on. The principle of precedent applies to interpretation as well. Therefore, once a judge decides on the meaning of a word or phrase, that meaning becomes law and must be followed by other judges in lower courts.



Judges can use a variety of methods to help them to interpret the meaning of words in statutes.

Case*study*

Dr Grant's itchy underpants



In 1936, Dr Grant of Adelaide purchased a pair of knitted underpants from a retailer. The underwear was contaminated with a chemical residue and after wearing them Dr Grant developed dermatitis, a skin irritation, which caused him great discomfort and pain.

At that time, there was no law stating that a manufacturer must produce a good suitable for the purpose for which it is being sold. Dr Grant sued the manufacturer of the underwear, Australian Knitting Mills, for compensation for suffering, relying on a decision made in a previous case in a higher court. This case, *Donoghue v. Stevenson* (1932), involved a woman who, after drinking some cordial from an opaque green bottle, noticed the rotting remains of a decomposed snail at the bottom. She became violently ill and successfully sued the drink manufacturer for injuries. Where, after all, was the rest of the snail?



She was the first person in our legal system to use successfully the duty of care principle for an action in negligence.

Activities

Understand

1 What is the difference between *statute law* and *common law*?
2 How did common law begin?
3 What is the purpose of the *Law Reports*?
4 What is meant by the term 'precedent'? How does precedent help the legal system achieve fairness and justice?
5 Explain how courts use statutory interpretation to create new laws.

Think

6 Provide two examples of precedents that are used in your classroom or family. What is the advantage of having such precedents?
7 In small groups, read the information about Dr Grant and then answer the following questions:
   (a) Which case was used as a precedent?
   (b) Explain how precedent assisted Dr Grant in winning his case.
   (c) Why might the court in Dr Grant's case be bound by the decision of the *Donoghue v. Stevenson* case? After all, they were about different things — snails and underpants.

Communicate

8 Conduct a class discussion, the topic being: 'Courts should determine all cases on their merit and should not have to follow precedent'. Compile a list of the main points on the board.

Glossary

common law system of law based on the previous decisions of judges, or precedents

precedent a previous legal decision that serves as a rule or pattern in future cases

statute law laws made by parliaments

3.12

How laws are made: statute law

The beginnings of parliament

Our parliamentary system of government originated in England. In 1215, King John was forced by his barons to sign a document called the Magna Carta. He promised to call up all his lords by name (to discuss important matters) and to have ordinary people elected to similar meetings in certain communities. His actions gave rise in time to what are known today in England as the House of Lords and the House of Commons.

These meetings of lords and commoners were first referred to as 'parliaments' in 1236 (from the French word *parler*, meaning 'to speak'). They were usually held to discuss the king's need for extra taxes. At this stage, the king still always had the final say.



A twentieth-century illustration showing King John reluctantly signing the Magna Carta

By 1265, the Great Council was enlarged to include two community representatives from every city and county in England.

By around 1350, parliaments were divided into two groups. The lords met in a separate place (or 'house') to the elected community members. In 1407, Henry IV decided that the community members (House of Commons) had to approve requests for grants of money before these requests were considered by the lords (House of Lords). By the fifteenth century, formal requests of the House of Commons, known as bills, were part of the law-making process.

Statute law

In Australia, the laws created by parliament have the highest status and must be obeyed by all people. Parliament makes most of the laws. We have one parliament at the federal level that makes laws on issues that affect the whole country. This is the Federal or Commonwealth Parliament situated in Canberra. Each state and territory has its own parliament. The New South Wales Parliament, situated in Macquarie Street, Sydney, makes laws that are applicable to New South Wales only. The State Parliament delegates some of its law-making power to local councils, which look after areas directly related to the suburbs in which people live. Once each law has been passed, it is binding on all courts and judges. Most laws in Australia are made this way.

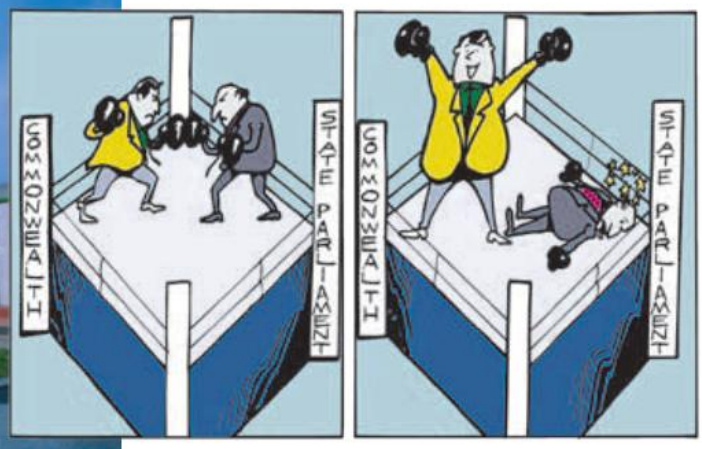
Parliament is often referred to as the supreme law-making authority because it can virtually make laws on whatever it likes, change laws when it wants to and pass an Act to overcome the effects of precedent. Statute law will always succeed over common law and no court has the power to change it. The only exception is the High Court, which has the power to overturn a law, but only if it is unconstitutional.

Comfact

Laws made by parliament are also called Acts, statutes and legislation.



Parliaments can make new laws and change existing ones.



Commonwealth law applies rather than state law if there are inconsistencies.

Federal and state constitutions

Each parliament has a **constitution**, which is a document that outlines the powers of the parliament and any restrictions to its law-making authority. The constitution, therefore, is essentially the rulebook for how a parliament is to operate and a country be governed. The Australian Constitution limits the powers of the Federal Parliament. State Parliament is restricted by the state's Constitution and, to some extent, the Australian Constitution as well.

Comfact

The Australian Constitution was drawn up just before Australia became a Federation in 1901.

The state governments retain the power to make laws *unless* the Constitution hands this power to the Australian government. There are sometimes disagreements between the Australian and state governments over who has the power to make laws on certain issues. For example, should areas of World Heritage be under state or federal control? When such disagreements occur, the matter is decided by the High Court. The Australian Constitution (Section 109) outlines that if there are any inconsistencies between Commonwealth and state legislation then the Commonwealth laws will apply.

Glossary

constitution a document which sets out how an organisation or a country will be governed

Activities

Understand

1. Draw a timeline and record the significant events in the early beginnings of parliament.
2. Where does the word 'parliament' come from? Why is it appropriate?
3. List the three levels of government that have law-making powers.
4. Why is parliament often referred to as the supreme law-making authority?
5. Who may overrule a statute law? What is the only reason this may occur?
6. What is the purpose of a constitution?
7. Which court has the power to settle disagreements concerning constitutional issues?

Think

8. Why do you think Section 109 was written into the Australian Constitution?

Investigate

9. Find an example of a constitution that affects you. It might be the constitution of your SRC, School Council or a sporting team. Use a word-processing application to present some of the important sections of the document. Be sure to include:
   (a) the name of the group represented by the constitution
   (b) any specific rules
   (c) the procedures involved in altering the constitution
   (d) any powers conferred to others.
10. Find a newspaper article that reports on a new law being made by parliament. Underline the key words in the article and provide a brief outline of the article.

eBookplus

11. Use the **Constitution** weblink in your eBookPLUS to read the full Australian Constitution.

3.13

How a bill becomes a law

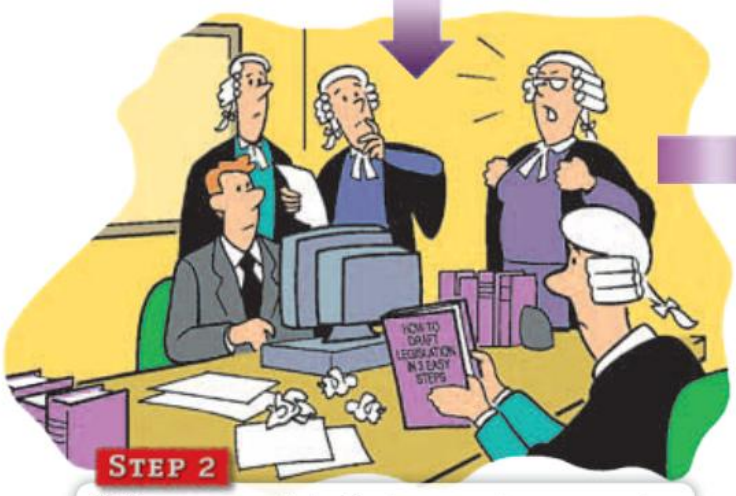
Without a set of rules in a society, there would be chaos. Rules usually exist to create and maintain a sense of order. However, rules must work, or they are useless. Every country has its own laws — legal rules that can be enforced by a court of law. These laws vary according to the beliefs, attitudes and culture of a country. Most laws in Australia are made by the federal and state parliaments. In fact, making laws is their main job.

There are very definite procedures for how laws are made or changed. Before any proposed laws can become Acts of Parliament, they have to be debated and passed by parliament, and then approved by the Executive Council, the head of state and selected government ministers. During the debate, the government explains why the law is needed and why it will be good for Australia. The Opposition tries to argue why this is not the case. Let's see, step by step, how all of this happens in Federal Parliament.



STEP 1

A proposed new law, or changed law, is discussed in Cabinet. Often, people in Australia put pressure on the government to change something. A decision is then made on what to do.



STEP 2

If the government decides to proceed, government lawyers are asked to draft a bill. A bill is basically a 'first draft' of an Act of Parliament.



STEP 3

Copies of the bill are given to all members of the House of Representatives. The members read the material in their own time. This is known as the 'first reading'.



STEP 4

The bill goes through a 'second reading'. During this stage, the responsible minister (for example, the Minister for Immigration if the bill is to do with migrants) describes the main purpose and likely benefits of the bill. Speakers from the government and Opposition say what they think about it. Debates may take weeks. Then there is a vote. If the majority vote in favour, the bill moves to the next stage.



STEP 6

The bill, including any changes made during step 5, goes through a 'third reading' in the house. A vote is taken. If the majority vote for it, the bill is passed through to the Senate.



STEP 7

Similar processes to those outlined in steps 3 to 6 occur in the Senate. If the Senate decides to change something, the bill is referred back to the House of Representatives for another debate and vote. Sometimes the Senate may refuse to approve a bill. If it is a money supply bill, the Governor-General calls a **double dissolution** of parliament (as the government cannot govern without money). If the Senate votes to approve the bill, it is sent to the Governor-General for royal assent.



STEP 5

The bill is debated again, this time bit by bit. This stage is known as the committee stage, as the debate occurs in parliamentary committees. Changes to the bill may be made.



STEP 8

The Governor-General meets with a select number of government ministers in a meeting of the Executive Council. If he or she approves and signs the bill, it becomes an Act of Parliament. It is now legally binding for all Australians.

Activities

Understand

1 Why do you think it is so important for a bill to be debated so often?
2 Would you say the process by which laws are made in Australia is fair? Does it give full opportunity for the people, through their elected representatives, to have their say? Justify your answer.
3 Explain the 'readings' a bill has to go through before it becomes an Act of Parliament.

Communicate

4 Roleplay the second reading in the House of Representatives of a bill for a proposed new law that the class decides is important.
(a) Divide up the different roles and responsibilities. Debate the bill after all class members have read a typed copy of it. Remember to ask the Speaker's permission to speak, and to obey his or her instructions if called to order.
(b) After the debate conduct a vote by moving to the right (yes) or the left (no) of the room. Did the bill pass its second reading? How much was your opinion altered by the comments of others? Is this a good or a bad thing?

Glossary

double dissolution a decision made by the head of state to dissolve both houses of parliament

3.14

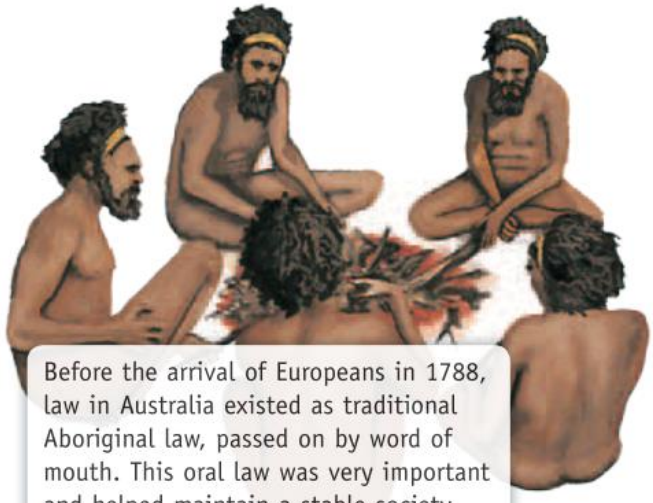
The relationship of laws to values, morals and ethics

Rules of morality and ethics

We develop a sense of what is right and wrong from the moral and ethical values of our society. For example, murder is considered a serious crime because our society believes human life is precious and should be protected. Usually society's moral and ethical values reflect the beliefs, attitudes and values of religious institutions.

Different country, different values, different laws

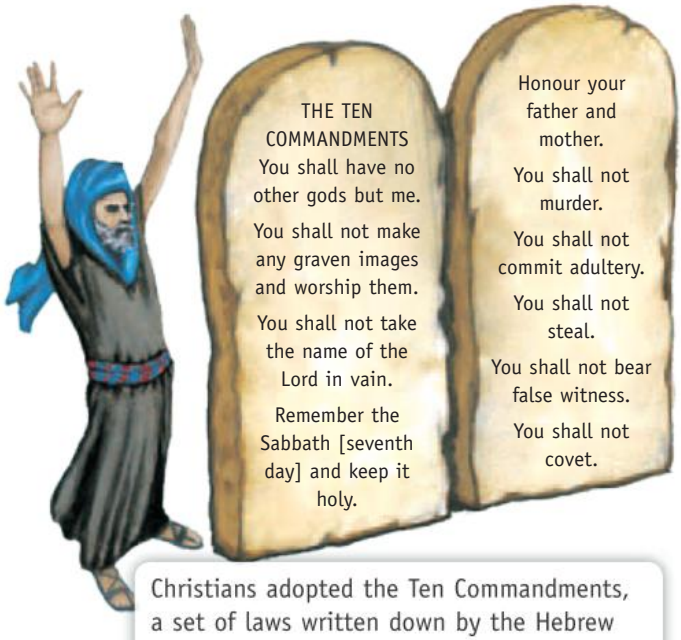
Our laws in Australia are sometimes very different to those of other countries. For example, in Australia, adultery is considered morally wrong and not desirable behaviour, but because we do not consider such behaviour bad enough or damaging enough to the rest of society, it is not illegal. However, in some countries it is considered a serious threat to the stability of the family and society as a whole. In these countries, a woman found guilty of committing adultery can face the death penalty.



Before the arrival of Europeans in 1788, law in Australia existed as traditional Aboriginal law, passed on by word of mouth. This oral law was very important and helped maintain a stable society.



The First Fleet brought the English legal system to Australia. The British did not recognise any pre-existing Aboriginal law. Aboriginal people were expected to obey English laws, which created many misunderstandings and problems for everyone.



Christians adopted the Ten Commandments, a set of laws written down by the Hebrew lawgiver Moses in the thirteenth century BC.



Muslims adopted the Five Pillars of Islam based on the teachings of the prophet Mohammed during the seventh century BC.



King Hammurabi, who lived in Babylon (now in modern-day Iraq) around 2000 BC, was one of the earliest rulers to have a written legal code. He ordered stone pillars, two metres high, on which he wrote 280 laws for his people to obey. Some of these laws include:

Law 161 If a man accuses another, but cannot offer proof, then he shall die.

Law 162 If a man assists a slave to escape, then he shall die.

Law 163 If a son strikes his father, then he shall lose his fingers.

Law 164 If a woman has not been a careful wife and belittles her husband, then she shall be thrown in the river.

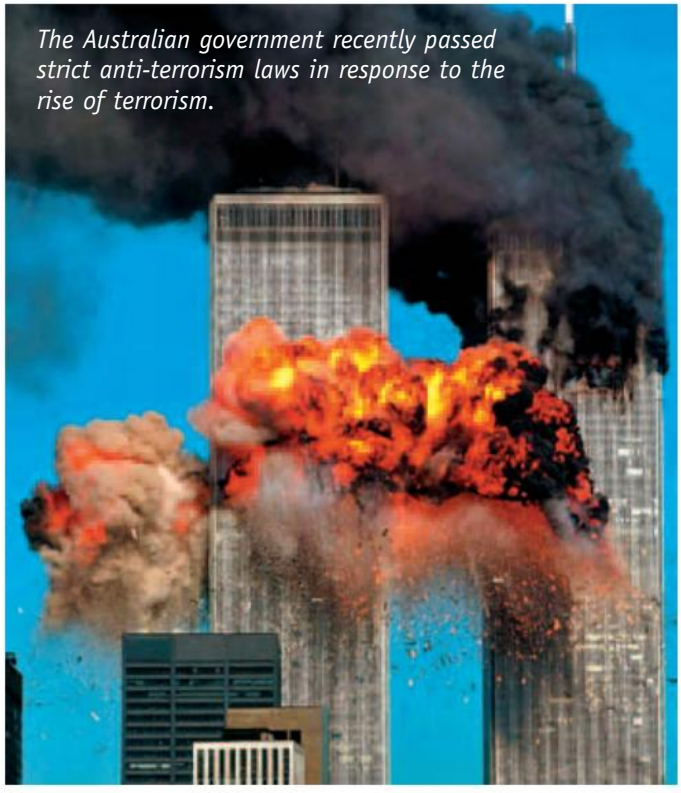
Laws reflect changes in society

The law is a set of dynamic legal rules. This means that new laws develop and old ones are scrapped due to changes in social values, technology and political circumstances. For example, homosexuality was once a criminal offence and opening retail stores on a Sunday was illegal, not all that long ago.

Changing political circumstances can bring about radical changes to the law. The terrorist attacks on the World Trade Center and the Pentagon in the United States of America on 11 September 2001 sparked major changes to Australia's security laws.

New technology, which is developing at a rapid rate, can force changes to the law. For example, mobile phones that have cameras can lead to invasions of privacy. In 2003 in New South Wales, many public swimming pools banned these types of phones from change rooms because of privacy fears. Law-makers sometimes struggle to keep pace with the impact technology has on our society. Change can be so rapid that the new laws may be outdated by the time they come into force.

Often, citizens will pressure the government to amend an existing law or introduce a new one. If the government is convinced of the citizens' argument, it will do this.



The Australian government recently passed strict anti-terrorism laws in response to the rise of terrorism.

Activities

Understand

1 Using examples, explain why it is difficult to create a set of laws to reflect everyone's values.

2 Examine the drawings showing the Christian and Muslim sets of rules.
   (a) Identify and list any of these laws you think might be found in Australia today.
   (b) List any laws that they have in common.

3 List three new laws that you would like the government to introduce in order to deal with:
   (a) under-age binge drinking
   (b) violent computer games.

4 What impact did the introduction of British law have upon traditional Aboriginal law?

Think

5 Having read some of the laws of Hammurabi (opposite) what do you imagine Babylonian society was like?

6 Outline what you believe to be the most ethical way to behave in the following situation. A friend gives you the answers to the next Commerce test. He took them from the teacher's desk. Would you accept such information? Why?

7 When technological advances are thought to pose a threat, people expect laws to be introduced to control them. A recent example of this is stem-cell research. Why do you think it is difficult for law-makers to deal with technological change?

Investigate

8 Research the laws of a non-Western country. Compare Australia's laws with those of the non-Western one. Present your information either as a PowerPoint presentation or a word-processed report.

9 Research traditional Aboriginal laws. Explain three of these laws that are different from British Australian laws.

3.15

How laws are changed

Throughout Australia's history, people have applied pressure, through a variety of methods, to change laws. This is one of the best things about living in a democracy: individuals, either alone or as members of an organised group, have the right to pressure for change.

Eureka Stockade and democratic rights

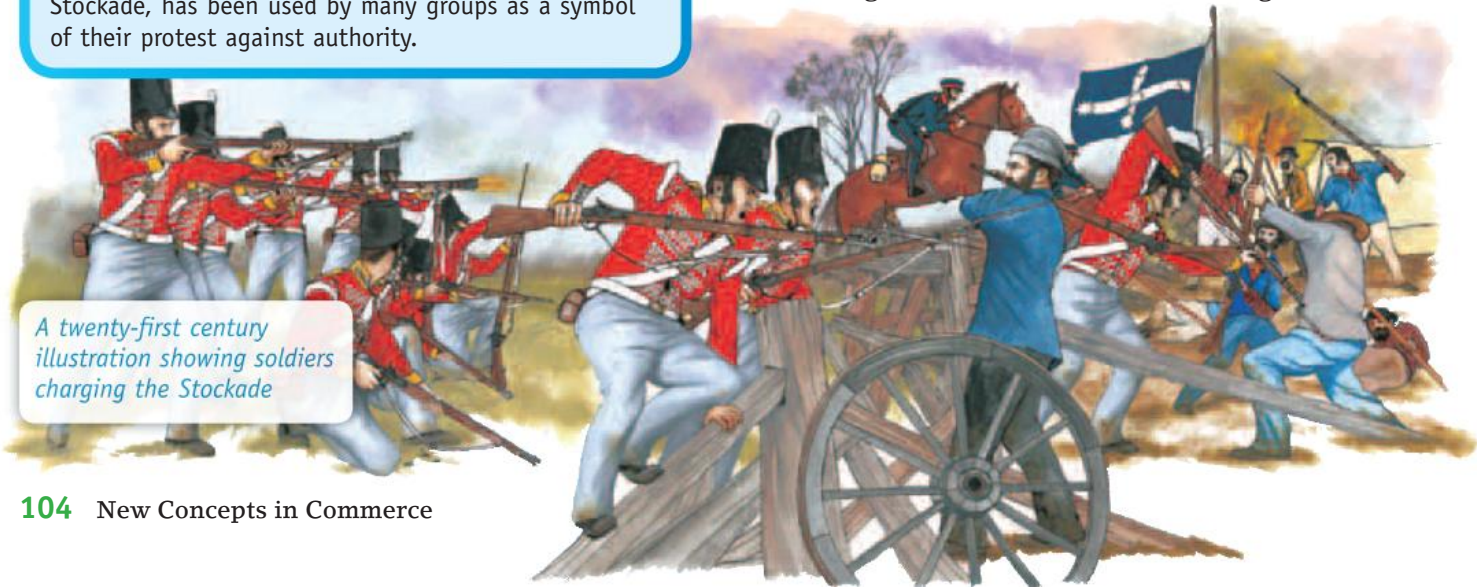
During the 1840s, only males who were 21 years old and over, and who owned or rented property, were allowed to vote in the elections in the Australian colonies. Therefore, many people were prohibited from voting. The system of government was far from democratic. However, over time, as more people arrived and settled here they campaigned for change.

The pressure for change finally came to a head at dawn on 3 December 1854 at the Eureka Stockade, situated on the Ballarat goldfields. Led by Peter Lalor, the actions of the diggers (miners) at the Eureka Stockade were one of Australia's earliest instances of a group of people joining together to apply pressure on the authorities to change the law.

The Eureka battle and the political reforms demanded by the miners eventually led to the principle of *one person one vote*, voting by secret ballot and voting rights for all men aged 21 and over.

Comfact

The Eureka or 'Southern Cross' flag, flown at the Eureka Stockade, has been used by many groups as a symbol of their protest against authority.



A twenty-first century illustration showing soldiers charging the Stockade

The vote for women

During the 1880s, the vote for women became a basic demand in Australia. Thousands of women and many men participated in rallies, demonstrations and political campaigns in an attempt to change the law in order to provide equality of voting. Women's suffrage — the right to vote — was actively pursued and, in 1884 the first women's suffrage organisation was formed in Victoria. These suffragists — the people who supported votes for women — claimed the right to vote was a matter of justice and equality.



Eventually, in 1894, after a long and hard struggle, a new law was passed which gave women 21 years old and over the right to vote in South Australia. Other colonies followed but it was not until 1902 that women in New South Wales gained the right to vote.

Photograph of prominent Victorian suffragist Vida Goldstein (1869–1949)

Indigenous land rights

Sometimes laws can be changed due to the actions of one person who gains popular support for his or her cause. For example, in the late 1970s the Queensland Government claimed the Murray Islands of Torres Strait as a part of Queensland, and prohibited Islanders the use of their land and from practising traditional law. In 1982, Eddie Koiki Mabo, along with other Islanders, challenged the

right of the Queensland Government to do this. Eventually, Eddie Mabo took his case to the High Court. He argued that his people had occupied the Murray Islands for generations; well before the arrival of the British.

In 1992, in what has become known as the 'Mabo decision', the High Court overruled the *terra nullius* notion. The idea of *terra nullius* was a declaration in the nineteenth century by the British Parliament that Australia was not inhabited by anybody who could claim to have ownership of the land. The 'Mabo decision' meant that Aborigines could lay claim to Crown land where it could be proven that continued occupation and use had occurred. This new form of land ownership is known as 'native title'.



Eddie Mabo (1936–1992). The result of the court case he initiated changed 200 years of law relating to Aboriginal land rights.

Cybercrime laws

In recent years, cybercrime has become a constant threat. With most Australian homes being linked to the internet, there are more opportunities for cybercriminals to steal identities, money and confidential information from unsuspecting individuals. In response to growing community concern about this type of criminal behaviour, the federal government developed a new set of laws to fight internet offences such as computer hacking, child pornography and copyright infringement. The legislation requires internet service providers (ISPs) to collect and retain emails and text messages and other internet traffic data from those suspected of criminal activity while a warrant is sought. This information is to be made available to police in Australia and foreign law enforcement agencies such as the FBI.

Australia must modernise its laws and stay up to date with evolving cyber technology, while at the same time not excessively restricting civil liberties or invading individuals' privacy.



Technology advances at a rapid pace and laws need to be introduced to protect individuals.

Activities

Understand

1 What is one basic right of all people who live in a democracy?

2 (a) List the changes to the law that the diggers of the Eureka Stockade gained.
(b) The official government flag at the time was the Union Jack. To fly any other flag was an act of defiance. What did the Southern Cross flag represent to the diggers?

3 What new law did the suffragists want introduced?

4 Which court brought down the Mabo decision? Explain why this was a landmark decision.

5 What motivated the Australian government to introduce the cybercrime legislation?

Think

6 Do you support or reject the cybercrime legislation? Why? Share your answer with the rest of the class.

7 In small groups, imagine you were living in the 1890s. Brainstorm the arguments you would present to:
(a) support the suffragists
(b) oppose the suffragists.
Select a spokesperson to present your arguments to the rest of the class.

Communicate

8 Design a poster from the 1890s supporting equal voting rights for women. Create a slogan and symbol that represent your cause. Display your posters in the classroom.

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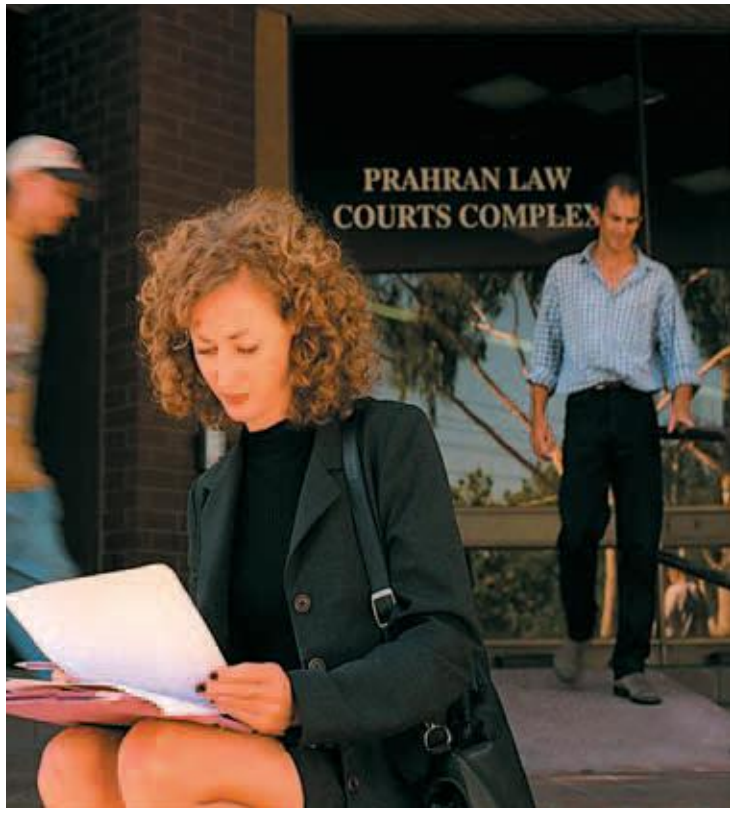
9 In small groups, use the library and the internet to research the following aspects of the Eureka Stockade battle. Use the **Eureka** weblink in your eBookPLUS to find the answers.
(a) Do you think it was appropriate that the miners used civil disobedience to achieve their objectives? Why?
(b) Present some arguments to (i) justify, and (ii) refute, the actions taken by the miners at the Eureka Stockade.
(c) Do you regard the Eureka Stockade as the beginnings of democracy, a short-lived glorious rebellion or a futile bloody massacre? Give reasons for your answer.

3.16

Accessing the law

One of the main functions of the legal system is to safeguard people's rights. The legal system can perform this protective role only if people have equal access to the law. **Access** means equal opportunity for all people to make use of the legal system. If some people are unable to access the law, then they are **discriminated** against and consequently denied justice.

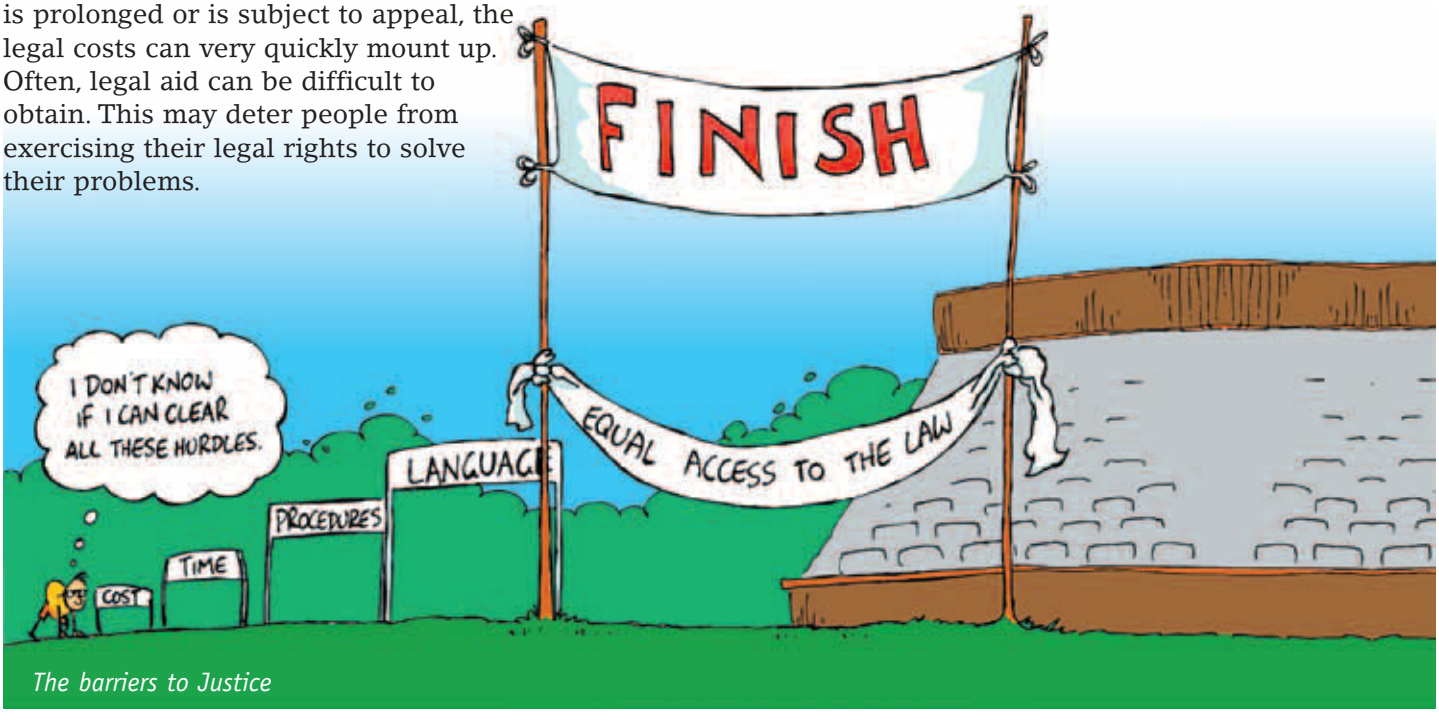
The effectiveness of our legal system is judged on whether or not members can access it. Ideally, everyone should have equal access. However, ask the following people how effective the legal system is and you might not get a glowing review: the young rape victim who is reluctant to come forward; the parents whose daughter is murdered and go through a long trial only to find the judge has misdirected the jury; the mentally ill defendant whose illness is not given due consideration in our justice system. In reality there are a number of factors that create barriers to accessing the law.



The waiting game. Melissa Hardham, a lawyer, waits for a case to be called.

Cost

Not everyone can afford legal advice and representation. Obtaining legal advice can be very expensive. Fees charged by lawyers and barristers are very high. If a legal case is prolonged or is subject to appeal, the legal costs can very quickly mount up. Often, legal aid can be difficult to obtain. This may deter people from exercising their legal rights to solve their problems.



The barriers to Justice

Time

The prospect of a lengthy trial is another barrier to equal access to the law. The saying 'justice delayed is justice denied' means that if a trial drags on for a long period then people are not treated fairly. For example, a woman who sued a tobacco company for compensation for the terminal cancer she argued was caused by cigarette smoking died before the lengthy case was settled. The case had dragged on through the court system for nine years!

While some delays are inevitable, particularly in terms of police investigation of crime scenes and the gathering of forensic material, cases should be settled promptly once all the evidence is assembled.

Procedures

When confronted with a legal issue, you face a number of problems. Firstly, because of your limited knowledge of the law, you may not even be aware that you have certain rights or responsibilities. Your access may be restricted because of your ignorance of the law. If you have to go to court, the procedures can be intimidating and confusing.

Case*study*

Not equal access for everyone

Those who are unemployed, uneducated, have drug or alcohol problems, have a mental illness or are Indigenous Australians are often at increased risk in our community. If a crime occurs, these people will almost certainly experience difficulty using the legal system. Imprisonment rates for Indigenous Australians are 12 times that of non-Indigenous rates, 28 per cent of prisoners have a mental illness, 60 per cent of prisoners have drug or alcohol problems and two-thirds of prisoners are unemployed before entering prison.

These statistics have implications for our legal system, because these disadvantaged groups are unlikely to be able to afford good legal representation and they may find it difficult to communicate effectively with their legal counsel and the court.



People can also be denied access to the law because they perceive that the legal system is insensitive to their needs. This is most often seen in sexual offence cases.

Language

If English is not your first language, it may be difficult to understand the legal terminology and procedures. Without the assistance of an interpreter, you may not understand what is going on during a court hearing. Even finding help from a lawyer or the translation of legal documents may pose a problem. Not being able to communicate your needs can limit your access to the law.

Com*fact*

A case highlighting the problem of communication and understanding involved an Aboriginal boy who spoke only Luritje and could not understand English. The lawyer struggled with the absurdity of processing people through a system that has little meaning for them. Since the boy did not understand community service, he was unfairly jailed instead.

Activities

Understand

1 What is meant by the terms:
   (a) access
   (b) discriminate?
2 List the four barriers that people face in accessing the law.
3 Explain in your own words the expression 'justice delayed is justice denied'.
4 Why is it important for people to have equal access to the law?
5 Identify those groups that may experience difficulties in achieving equal access to the law.

Think

6 Refer to the Com*fact* at left about the Aboriginal boy. Do you think the outcome of his case was unjust? Give reasons for your answer.
7 How does the present legal system unintentionally discriminate against some people?

Glossary

access equal opportunity for all people to make use of the legal system

discriminate to treat somebody differently or less favourably because of her or his personal characteristics such as gender, ethnicity or religion

3.17

Issues of fairness in using the law

Imagine you and your friend are discovered cheating during an exam. After an investigation, the school decides to punish you by deducting 30 marks from your final score. However, your friend has only 10 marks deducted. You would probably feel unfairly treated because of the injustice of the two punishments. This example shows that the law should ensure that people who break the same law are treated in a similar way. This is known as justice.



Justice and the law

Law and justice are often linked to each other, although they are not the same thing. Often the legal system is referred to as the 'dispenser of justice'. Generally, the word 'justice' means fairness. 'Justice' also involves a sense of equality for all. There is an old saying that 'all people are equal before the law'. This means that the interpretation and enforcement of the law should not discriminate unjustly; all people are treated equally.

Ideally, every person who appears before the courts — regardless of wealth, gender, ethnicity or religion — must have equal access to legal representation and must be given a fair and unbiased hearing. In addition, cases should be resolved in a timely manner. In reality, however, the legal system may not always be able to provide justice for all. Certain groups in society consequently may experience difficulties in achieving equal access to the law. The main groups to experience this type of discrimination include: people in poverty; people with moderate or severe mental illness; young people; indigenous peoples, especially those living a traditional lifestyle; non-English speaking migrants; women; and disabled people.

Symbols of justice

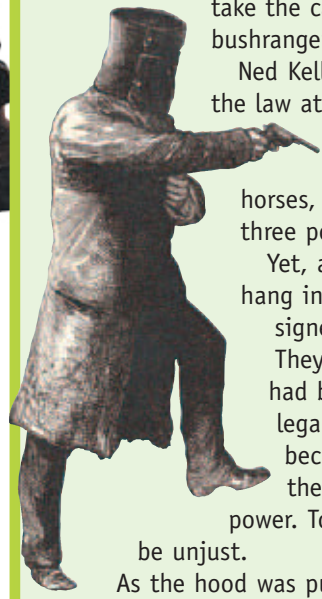
The symbols of justice attempt to reinforce the idea of fairness and equality. The symbols are:

1. the scales, which represent the legal system weighing up both sides of the argument equally
2. the sword, which symbolises the punishment to be imposed on any guilty party
3. the blindfold, which demonstrates that justice is impartial — it is not influenced by wealth, race, religion, gender or status — and that all people will be treated as equal.

Case*study*

Ned Kelly — justice or injustice?

It would appear that justice should be an easy term to define. However, it can have different meanings depending on a person's point of view. For example, take the case of the Australian bushranger Ned Kelly.



Ned Kelly had his first brush with the law at the age of 12. At 17, he had his first jail sentence. Over 13 years he stole cattle and horses, robbed two banks, and killed three police officers.

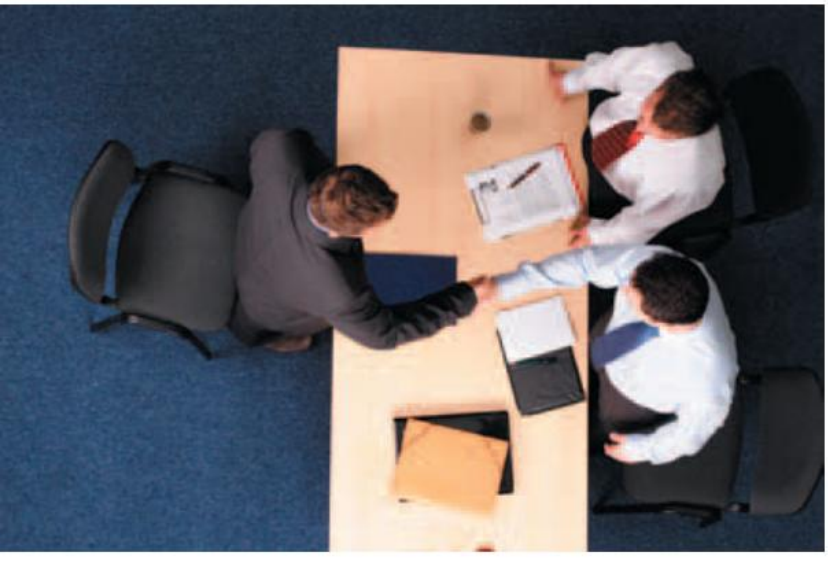
Yet, after Ned was sentenced to hang in 1880, 60 000 Victorians signed a petition to save his life. They saw him as a person who had been treated unfairly by the legal system. They respected him because they felt he fought for the rights of people who had no power. To kill him, they argued, would be unjust.

As the hood was put over his head just before he was hung, Ned is reported to have said, 'Such is life'.

Addressing issues of unequal access

Our legal system is not perfect and there are problems with regard to individuals accessing the law. People on very low incomes, for example, are more likely to appear unrepresented at trial and receive custodial sentences than those who can afford private legal representation. To overcome these problems, the legal system has introduced significant changes including:

1. **Alternative dispute resolution (ADR)**. This is a method people can use to resolve their civil disputes without going to court. ADR involves the use of an impartial legal representative helping people resolve their disputes.
2. **Community Justice Centres (CJCs)**. Civil disputes can be quickly and inexpensively resolved with the help of a free CJC mediator who is trained to help people in dispute find a solution. Mediation can be used even if a court case is proceeding and if an agreement is reached, the court case is ended, saving time and money.
3. **Legal Aid**. Legal Aid NSW provides legal advice and representation to people on low incomes or with few assets, who would not otherwise be able to afford court proceedings.
4. **eLaw websites**. Laws are often complex and you may find the legal system confusing. Therefore, when you have a legal problem you may require help, especially if you are required to appear in court. Fortunately, assistance can be accessed from the following government websites:
   - *Legal Information and Access Centre* (*LIAC*) which provides legal information through the state-wide public library network.
   - *LawAccess* is a free service that can be contacted by phone or online by people requiring interpreting assistance.
   - *LawLink NSW* provides information on legal issues including going to court, victims of crime, your rights, and young people and the law.
5. ***Pro bono* work**. Most lawyers perform a significant amount of *pro bono* work. This means that they represent some clients for very low fees (or even no fee at all) on the basis that underprivileged members of society deserve representation.



ADR is an important way of providing access to justice that is low-cost, efficient, less time-consuming, informal and fair.

Activities

Understand

1 Fairness is a personal idea: what is 'fair' depends on what each person believes is fair in a particular situation. Consider the following cases and decide whether you think the punishment is fair or unfair. Give reasons for your answers then discuss them with other class members.
   (a) A Year 8 student is suspended for three months for smoking at school.
   (b) A 15-year-old is let off with only a police caution when caught shoplifting.

2 What has to happen so that 'all people are equal before the law'?

3 Explain the symbolism attached to the:
   (a) scales (b) blindfold (c) sword.

4 What do the letters ADR represent?

5 What is the role of legal aid?

6 Why do some lawyers offer a *pro bono* service?

Think

7 As a class, discuss whether it is fair that you can be found guilty of breaking a law that you did not even know about.

8 Explain the benefits to the parties *and* the legal system for using mediation in resolving civil disputes.

eBookplus

9 Use the **Courts Lawlink** weblink in your eBookPLUS to investigate ADR and then answer the following questions.
   (a) When can you use ADR?
   (b) Outline the difference between mediation, conciliation and arbitration.

10 Use the **Community Justice Centre** weblink in your eBookPLUS to outline the differences between a court session and a CJC hearing.

11 Use the **LawLink**, **LIAC** and **LawAccess** weblinks in your eBookPLUS to find out more about these services. Present a two-minute oral presentation on one area of interest selected from any of these websites.

Check

The legal framework

1 Match the following definitions to the words underneath the grid.

1.	The party that commences a civil action
2.	A process to determine whether someone committed a criminal act or caused another person a loss
3.	An application for a legal decision to be reviewed in a higher court
4.	To bring a civil action against another person for causing damage or injury
5.	Disorder or confusion due to the absence of government or laws
6.	The standard of proof required in a criminal trial
7.	A court official who hears cases in the lowest court of law
8.	To release an accused person who is awaiting trial. Another person usually guarantees to pay a large sum of money if the accused does not later appear in court on a certain date.
9.	A court official who has the power to make decisions on matters brought before a court of law
10.	A hearing in a Local Court to decide whether there is enough evidence to put a person on trial for an indictable (serious) offence

bail	appeal
plaintiff	committal hearing
beyond reasonable doubt	trial
judge	anarchy
sue	magistrate

2 Which sort of society would you prefer to live in — one with too many laws, or one with too few? Explain.
3 List the basic rules that apply within your home. How are these rules different from laws?
4 What is the role of the court?
5 Write a brief report of a criminal court case using the following words:

beyond reasonable doubt	prosecution
judge	jury
guilty	appeal
counsel for the defence	murder

6 (a) Draw a diagram to show the structure of the court hierarchy.
(b) Explain why a hierarchy is necessary for the system of appeals to operate.
7 In a court, who wears a wig and is addressed as 'Your Honour'?

Areas of law

8 What is the difference between:
(a) *criminal* and *civil* law
(b) *indictable offences* and *summary offences*
(c) *common law* and *statute law*?
9 Provide examples of two laws that reflect the values of our society.
10 Explain how laws can be changed.
11 Should decisions made by judges 50 years ago set a precedent for what happens today?

Using the legal system

12 What is meant by the term 'access'?
13 What factors create barriers to accessing the law?
14 Identify those groups in society that may have trouble in achieving equal access to the law.
15 You can be found guilty of breaking a law even if you did not know about it. Is this fair? Why?
16 List three government websites that provide information about legal issues.
17 What is meant by the statement, 'justice delayed is justice denied'?
18 Draw the figure used to represent justice. Highlight and explain the three symbols of justice.
19 What is the role of the Legal Aid Commission?

Challenge

20 Explain the meaning of the terms in italics in the following passage.

Under Australian law, the *burden of proof* is on the *prosecution*. A person is *presumed innocent* until his or her *guilt* is established at the *trial*. Therefore, while the prosecution must prove the guilt of the *accused*, the *defence* does not have to prove the accused's innocence. In addition, for the *jury* members to *convict* the accused, they must be satisfied of guilt *beyond reasonable doubt*.

If the jury returns a *verdict* of *not guilty*, the *defendant* is free to leave the court. If the verdict is *guilty*, consideration is given to the most appropriate *sentence*. If there is a *hung jury* another trial is conducted.

21 Examine the following diagram.



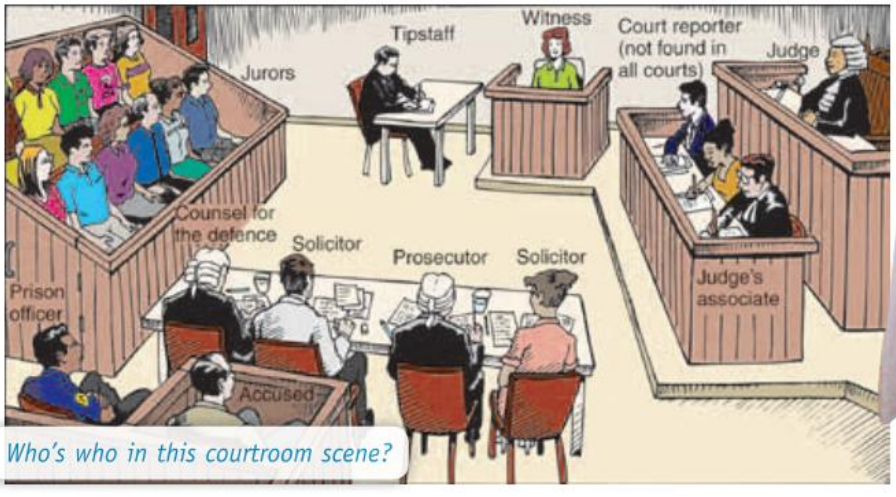
The waiting game: lengthy delays in criminal trials

(a) What is meant by the statement 'justice delayed is justice denied'?

(b) What injustices might occur if a criminal case runs for an extended period?

(c) Identify the problems excessive delays may cause the victim and the accused.

22 Examine the following illustration of a criminal proceeding. Outline the role of each person named.



Who's who in this courtroom scene?

23 'Whenever the legal system discriminates against people it has failed in its main duty.' Discuss.

24 Some people can be excused from jury duty, such as those who are too ill or cannot travel. Others, such as those who work in the legal system, are not allowed to be jurors. Who else, do you think, should be excused from jury duty or should not be allowed to sit on a jury? Give reasons for your choice.

25 Over a two-week period, collect four newspaper articles that cover a range of offences in the District and Supreme courts and complete the table, as shown below.

Title of article: Source: Date:				
Offence(s) committed	Court	Evidence of victims	Stage of proceedings	Purposes of sentencing

26 There are many different punishments that can be used, depending upon the severity of the crime, the circumstances and the age of the offender. One punishment used in the Australian Capital Territory was called 'shaming'. It involved a 12-year-old charged with shoplifting being forced to wear a T-shirt with the message 'I am a thief' on it. Do you think this is an appropriate method of punishment? Why?



STUDENT WORKBOOK 3.10 Legal crossword

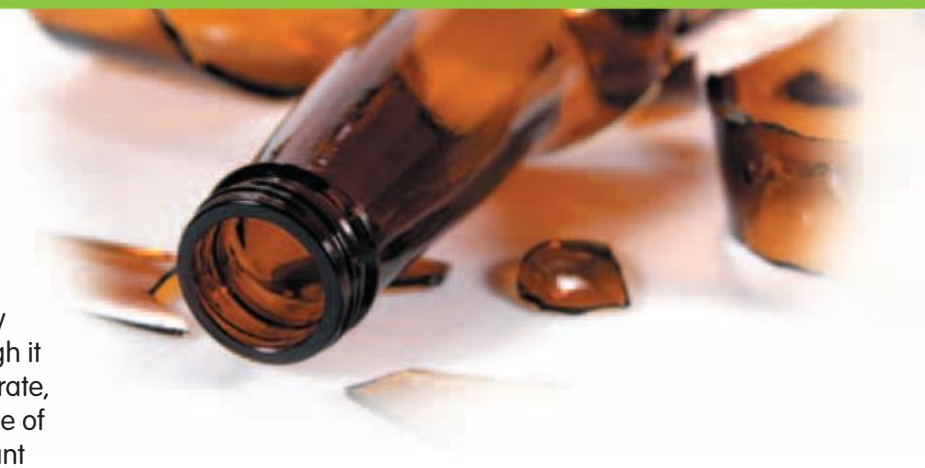
STUDENT WORKBOOK 3.11 Wrap up!

eBookplus Using ICT

projectsplus

Making laws

Searchlight ID: PRO-0133



Scenario

You are a Member of Parliament. The local council responsible for much of your electorate has recently opened a new sporting ground in the area. Although it should have been a positive addition to your electorate, the new sporting ground has brought with it a range of new issues. The biggest issue is that of the significant increase of alcohol-related offences by young people under the age of 25. These offences are being highlighted in the local media. Unfortunately the number of offences has risen so much that, now, the details are being used by the country's media networks as the best example of the urgent need to increase the legal age of drinking from 18 to 21.

Task

To satisfy your constituents and your political party, you must take action. You will need to develop a policy for your party on the issue of 'Increasing the legal drinking age from 18 to 21'. You might not agree that the drinking age should be increased to 21, but your party needs to be seen to be making positive change. So if you don't support this suggestion, you must introduce a different party policy that will target binge drinking in Australia's youth. As a Member of Parliament you must provide a report to your party detailing why the current drinking laws need to change. You will also need to make sure that a new or amended law is passed. This means you will be required to describe the process that will have to be followed to secure the passage of this law through parliament.

You are provided with a newspaper article published on the issue, an excerpt from a radio talkback show and letters from two of your constituents who are passionate about different sides of this argument.

Process

1. Form a group with other members of your class. Open up your ProjectsPLUS application for this chapter, located in your eBookPLUS. View the Project Brief and then click the 'Start new project' button and set up your project group. Save your settings and the project will be launched.
2. Navigate to the Media Centre and read the newspaper article and letters from your constituents, and then listen to the talkback radio segment.
3. You now need to complete research on the topic of 'Increasing the legal age of drinking from 18 to 21', and enter your findings as articles in the Research Forum under each of the following pre-loaded topics:
   - Medical reasons for increasing the age of drinking
   - Social consequences of alcohol abuse
   - Financial repercussions of alcohol abuse
   - Political reasoning



The information that you gather will be used to help you complete the 'Party Policy' template. View and comment on other group members' articles, and rate the information they have entered. You may also like to add additional topics to the Research Forum.

4. When your research is completed, print your Research Report and then navigate to your Media Centre and select 'Templates'. Open the 'Party Policy' template to use as a guide to complete this section. Use your Research Report to help you discuss why the current law regarding the drinking age needs to change.
5. Decide on a policy for your party e.g. "Increasing the legal drinking age from 18 to 21". If you don't think the drinking age should be increased to 21, introduce a different party policy that will target binge drinking in Australia's youth.
6. Next, write a 3–5 minute speech based on your resarch. Your audience will be the political party that you represent. In the speech, you will need to describe and justify your new policy (i.e. provide arguments in favour of it). Once your group has written the speech, select one group member to present the speech to the rest of the class.
7. Create a poster describing the process that will have to be followed in order to make your policy into law. Use a flow chart to illustrate this process.
8. On the last page of your 'Party Policy' document, a properly referenced Bibliography needs to be completed. An example is provided.
9. Print your 'Party Policy' document and each student's Research Report, and submit them to your teacher along with your poster.

projectsplus

Your ProjectsPLUS application is available in the Student Resources section inside your eBookPLUS. Visit **www.jacplus.com.au** to locate your digital resources.

Suggested software

- ProjectsPLUS
- Microsoft Word

Media centre

Your Media Centre contains:

- a newspaper article
- a talkback radio segment
- letters from two constituents
- a 'Party Policy' template
- an assessment rubric.

DIGITAL
resources for this chapter



JURIES

This video eLesson puts the world of juries and their role in the decision-making process under the spotlight. Is the jury important to us or are we happy for judges and magistrates to do the job? Is the jury still an important chance for public participation in our justice system and worth fighting for, or has it outlived its usefulness?

Searchlight ID: eles-0785



REVELATION: COURT PERSONNEL

There are many different officials who are part of the court process. This interactive Revelation will challenge you to identify the roles of different individuals in a court case. Success rewards you with a fun animation.

Searchlight ID: int-3076

Chapter 4

CORE



Employment issues

How many times have you been asked, 'What do you want to do when you leave school?' For many young people, this is a difficult question. There are just so many possible pathways in education, training and work.

Joining the workforce starts you on an exciting journey; a journey filled with opportunities, excitement, satisfaction, personal fulfilment, and sometimes frustration and disappointment. It is likely you will change careers a number of times over your working life. Also, because the world of work is constantly changing, you may one day end up working in a job that has not yet been invented. Each job will require new skills, which will require additional training. Regardless of what type of job you do, you will be part of an ever-changing world: the world of work.

STUDENT WORKBOOK 4.1 Start up!

Focus

On completion of this chapter, you will have learned about the commercial and legal aspects of employment issues by focusing on your options, rights and responsibilities in the work environment.

Glossary

apprenticeship training and education in a trade

arbitration when an independent body makes a final (and binding) decision on a dispute between two parties

award a document that outlines an employee's minimum pay and conditions

cadetship/traineeship training in a full-time job, with time allocated to attend university or TAFE

collective wants goods and services that are for the use of the whole community

common law (employment) contract when an employer and an individual employee negotiate a contract covering pay and conditions

conciliation similar to mediation except the conciliator can suggest possible solutions

discrimination treating a person less favourably because of factors such as gender, ethnicity, religion or disability

employee a person who works for a wage or salary

employer a person who hires employees

employment contract a legally binding, formal agreement between an employee and an employer

enterprise agreement agreement about pay and conditions made at workplace/enterprise level

entitlements non-wage benefits such as long service leave or sick leave

Goods and Services Tax (GST) a broad-based tax of 10 per cent on the supply of most goods and services consumed in Australia

grievance procedures a number of predetermined steps that are followed to resolve a dispute

labour force people aged 15 and over who are either employed or unemployed

loading extra pay to compensate casual employees for lack of access to entitlements

mediation when a third party helps those involved in a dispute to reach a solution acceptable to both sides

negotiation a method of resolving disputes where the parties involved discuss the issues in an attempt to reach a compromise

participation rate the proportion of people aged 15 or over employed or actively looking for work

pieceworkers people who are paid according to the number of items they make

primary industry industry involved in the growing or extracting of natural resources

pro rata proportion of normal full-time benefits related to the hours worked

quaternary industry industry involved in the transfer and processing of information and knowledge

quinary industry industry involved in providing domestic services

redundancy when a particular job a person is doing is no longer required to be performed, sometimes due to technological changes

secondary industry industry involved in turning raw materials into finished or semi-finished products

superannuation a way of saving so an employee has some money in retirement

taxes the part of our income taken by the government to pay for collective goods and services

tertiary industry industry involved in providing a service to others

unemployment when people are trying to find work but have so far been unsuccessful

unfair dismissal termination of employment that is considered to be harsh, unjust or unreasonable

work–life balance achieving the right amount of time devoted to work and for personal life

4.1

Types of employment

As the nature of work changes, there is a greater variety of employment contracts available:

1. *Casual* — usually employed on an hourly basis without access to **entitlements** but receive a **loading** to compensate.
2. *Part time* — work regular hours but fewer per week than full-time employees and receive entitlement on a **pro rata** basis.
3. *Full time* — generally work 38 hours a week and have continuing employment with a range of entitlements.
4. *Self-employed* — an individual who works for himself or herself.
5. *Voluntary and unpaid* — an individual provides services without any expectation of compensation.

Each type of employment option has advantages and disadvantages.

Virginia Chung — part-time costume designer



'Part-time work suits me. I can earn some money on a regular basis but, because I am taking a TAFE course, I need time to study. As a part-time employee, I have job security because I work regular days and regular hours but for fewer days or hours than a full-time employee. As a part-time employee, I receive a number of entitlements on a pro-rata (proportional) basis. For example, I work three days per week so, therefore, I am entitled to three-fifths of the non-wage benefits available to full-time employees. However, part-time work does have a few disadvantages. Firstly, because I work fewer hours, I receive a smaller weekly pay and reduced entitlements compared to full-time employees. Secondly, I do not receive the loading paid to casual staff. Overall, while I'm studying, part-time employment offers better conditions than casual employment.'

Sally Nicholson — casual checkout operator



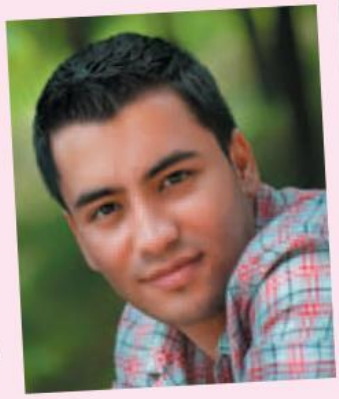
'As a casual worker, I am employed on an hourly basis. The main disadvantages of casual employment are that I do not receive a range of entitlements (non-wage benefits), such as long service leave or sick leave, and the lack of job security. If there is no work for me to do, I can be dismissed at one hour's notice, or with one hour's pay instead of notice. However, to compensate I am paid a loading; that is, extra pay, on top of the normal full-time rate. As well, I have the flexibility to agree or refuse to work at a particular time. While this job provides me with some income, because it is not regular I am finding it difficult to obtain a home loan. I was recently told that because of a change to the law, if I'm employed in this job on a regular basis for more than one year I may be eligible for some entitlements such as access to unfair dismissal protection and long service leave.'

Karl Gerstenberg — full-time nurse



'This is my first full-time job. I work 40 hours per week over a five-day cycle. Although I have to spend more time at work than in my previous part-time job, I enjoy earning a higher income. This has made it easier to start saving on a regular basis. As well, I am entitled to a wide range of non-wage benefits, especially paid holiday leave and long service leave. However, the greatest benefit is the job security. The main disadvantage of full-time work is not having time for my hobbies but I guess the extra money makes up for that.'

Jamahl Nessari — self-employed landscape gardener



'Being self-employed gives me the freedom and flexibility to work where and when I want to. I especially like making business decisions and being responsible for the business's success. Creating an idea in my head and seeing it actually appear out there, that's huge to me. I get enormous satisfaction from creating designs that delight my clients. There are also some tax advantages to being self-employed. However, being your own boss does have a number of disadvantages. There is no guaranteed income each week and, consequently, a lack of security. I have to pay for all my own entitlements and if I am ill, then I earn no money unless I have some insurance. There are risks involved but hopefully the rewards will be greater.'

Voluntary and unpaid work

Voluntary workers play an essential role in our society. Many people in the local community work for voluntary agencies such as rural fire services, surf lifesavers and state emergency services. They receive no financial payment. They do it for pleasure and the satisfaction of being able to help others.

Just because volunteers do not receive an income does not mean that the job they do is any less valuable. Yet, because they do not receive an income, they are often undervalued in our society. If paid jobs become less available, our society may begin to value voluntary work more highly and give these workers the recognition they deserve.



Activities

Understand

1 Complete the statements in your notebook by selecting the correct words from the list below.

(a) Casual employment offers _____, but does not provide job _____.

(b) Part-time employees work regular but _____ hours than full-time workers and receive entitlements only on a _____ basis.

(c) Full-time employees have the benefit of entitlements such as paid _____ leave and also long _____ leave.

(d) _____ people have the _____ to work where and when they want to, but face greater _____ than other types of employment options.

risks	service	pro-rata
fewer	freedom	self-employed
sick	flexibility	security

2 Which 16-year-old employee, performing the same duties, will receive higher hourly payments from her or his employer?

(a) Casual employee (b) Part-time employee

Justify your answer.

3 In your notebook or using a word-processing package, construct and complete a table like the one opposite. The first answer has been filled in for you.

	Employment options available			
	Casual	Part-time	Full-time	Self-employed
Advantages	1. Paid a loading			
Disadvantages				

Think

4 Identify the disadvantages for employees locked into casual employment for long periods. Present your ideas to the rest of the class.

Investigate

5 Prepare a list of ten volunteer agencies that operate within your community. You may need to refer to the Yellow Pages.

6 If you had the opportunity to be a voluntary worker, what would you do and why?

STUDENT WORKBOOK 4.2 Jobs for all

Glossary

entitlements non-wage benefits such as long service leave or sick leave

loading extra pay to compensate casual employees for lack of access to entitlements

pro rata proportion of normal full-time benefits related to the hours worked

4.2

Changing work patterns (1)

Changing industries

Over the last 100 years, the work people do has changed a lot. This is evident from the industries in which they work. People involved in similar types of production work in what is called an industry. The three main industries are primary, secondary and tertiary.

Primary industry

A **primary industry** is one that produces raw materials (for example, fresh fruit) from what nature has provided. All types of farming, mining, fishing, grazing and forestry are primary industries. Primary industries provide all our food. Hence, the work of employees in these industries is essential. As well, approximately 60 per cent of all Australia's exports are primary industry products.

Secondary industry

Secondary industries include all workers involved in turning raw materials into finished or semi-finished products. For example, iron ore, coal and limestone are turned into steel — a semi-finished product. Steel is then used to manufacture cars and steel-framed houses — finished products.

Tertiary industry

People who work in **tertiary industry** provide a service to others (for example, retailers, dentists, bankers and solicitors). Over the past 50 years, the number of employees in tertiary industries has grown so rapidly it has been broken down into the quaternary industry and quinary industry.

Quaternary industry

The **quaternary industry** is made up of service industries involved in the transfer and processing of information and knowledge. Telecommunications, property, computing and education are some examples.

Quinary industry

The **quinary industry** is made up of domestic services, many of which were once carried out by people within their own homes. Hospitality, childcare, domestic cleaning and home maintenance services are examples of quinary industry services. They include both paid and unpaid workers.

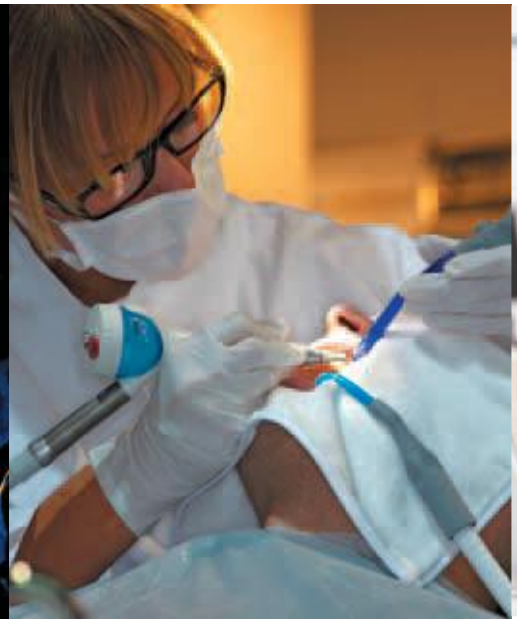
Farming — primary production



Manufacturing steel frames — secondary production



Dentistry — tertiary industry





Changes in occupations

In 1900, nearly one-third of our **labour force** worked in primary industries, mainly farming and mining. Since then, the proportion of primary industry workers in the labour force has dwindled to about 4 per cent. Because of improved methods of farming and mining, and the use of mechanical equipment, fewer workers are needed to produce our food supply and minerals.

For a long time, many of those who left the farms and mines moved into jobs within secondary industries. They took factory jobs in the city. In recent years, however, the proportion of the labour force needed to do factory work has been decreasing and is presently about 20 per cent. This is because many factory jobs have been eliminated by technology, especially automation.

As opportunities for employment have decreased in some occupations, they have increased in others. In fact, about 76 per cent of the labour force consists of people working in service industries. This growth in employment in service industries is expected to expand rapidly during the next two decades because of advances in computing, especially telecommunications, and social and lifestyle changes.

Glossary

labour force people aged 15 and over who are either employed or unemployed

primary industry industry involved in the growing or extracting of natural resources

quaternary industry industry involved in the transfer and processing of information and knowledge

quinary industry industry involved in providing domestic services

secondary industry industry involved in turning raw materials into finished or semi-finished products

tertiary industry industry involved in providing a service to others

Computing — quaternary industry

Hospitality — quinary industry





Activities

Understand

1 How have the occupations of the labour force changed over the past century?

2 Use a table to list which industry each of the jobs below belongs to.
Lawyer, chef, farmer, dentist, carpenter, computer operator, real estate agent, tow-truck driver, factory hand, cleaner, teacher, child carer, welder, journalist, newsreader, miner, secretary, surgeon, writer, machinist

3 Use the table below to answer the questions that follow.

Proportion of employment by industry in Australia 1900–2020 (%)

Year	Primary	Secondary	Tertiary
1900	34	20	46
1940	21	25	54
1980	8	21	71
2000	5	21	74
2020 (est.)	3	17	80

Source: Data derived from ABS statistics.

(a) In which year was the proportion of people employed in the following industries at its highest and lowest? (i) Primary (ii) Secondary (iii) Tertiary

(b) Which industry experienced the greatest increase and which suffered the greatest decline in employment over time?

(c) Which industry was the most stable, with regard to employment over time?

Think

4 In small groups, brainstorm these questions.
(a) Why has the tertiary sector grown so rapidly over the past 100 years?
(b) What does this tell you about future employment prospects?

5 With a partner, compile a list of tertiary jobs that are essential for the production of a television game show. Place the letters 'Qt' next to those jobs that would be classified as quaternary and the letters 'Qn' for those jobs in the quinary sector. What conclusions can you draw from the list?

4.3

Changing work patterns (2)

Changing employee expectation

Not only has the type of work people do changed dramatically over the past century, but also what people want from their job. The labour force today is well educated, and employees increasingly want more challenging, interesting work. Many feel driven to build their career through a succession of jobs in a range of different businesses. They want to be more involved in the decision-making process; they want to make decisions for themselves. Employees want greater responsibility for their own actions and want to initiate tasks without being ordered to — a far cry from the working conditions at a Dalgety's office in the early 1850s.

Casualisation of the labour force

One of the most important changes to work patterns in the last 20 years has been the significant increase in casual employment.

Casual workers currently make up approximately 40 per cent of the labour force, with some industry sectors — such as retail and hospitality — employing almost half their labour force as casuals. Some casual workers do not want to work additional hours and like the flexibility in balancing their work and personal lives.

Some casual employees, especially the young, find it difficult to gain full-time employment. Their working life is often dominated by periods of part-time and casual work. Consequently, they have few opportunities for promotion and are usually retrenched first if the business is experiencing financial difficulties. These people will sometimes experience long periods of unemployment. Exploitation of these employees can also occur.

Comfact

The proportion of women on the board of directors of Australia's largest 300 public companies is very low at only 4.3 per cent.

Casestudy

Rules of the Dalgety office, 1850

1. Godliness, cleanliness and punctuality are the necessities of a good business.
2. On the recommendation of the Governor of this Colony, this firm has reduced the hours of work and Clerical Staff will now only have to be present between the hours of 7 am and 6 pm on weekdays. The Sabbath is for Worship, but should any Man-of-War or other vessel require victualling, the Clerical Staff will work on the Sabbath.
3. Daily prayers will be held each morning in the Main Office. The Clerical Staff will be present.
4. Overshoes and top-coats may not be worn in the Office but neck scarves and headware may be worn in inclement weather.
5. No talk is allowed during business hours.
6. The craving of tobacco, wines or spirits is a human weakness and as such forbidden to all members of the Clerical Staff.
7. Now that the hours of business have been drastically reduced, the partaking of food is allowed between 11.30 am and noon, but work will not, on any account, cease.



The owners hereby recognise the generosity of the new labour laws, but will expect a great rise in output of work to compensate for these near-Utopian conditions.



A high proportion of casual workers are 15 to 24 years old.

Feminisation of the workplace

Since the 1970s, women started re-entering the labour force in larger numbers, many being employed in what were once regarded as traditional male occupations. Overall, the number of women in the workplace has risen rapidly in recent decades — women now comprise 48 per cent of the workforce and have a **participation rate** of 59 per cent. However, this rate has started to decline in the past few years because many part-time/casual positions have been lost and females make up about 70 per cent of the part-time/casual workforce.



Female workers at the Warkworth Open Cut Mine in the Hunter Valley, New South Wales

Work–life balance

Many employees are requesting work arrangements that improve **work–life balance**. Employers are also recognising the cost savings and benefits of 'family friendly' workplace practices in order to motivate and retain skilled staff. Some work–life balance initiatives include workplace childcare, family leave and home-based work.

Australia's national paid parental leave scheme should improve work–life balance for some families. The government-funded scheme commenced in 2011, providing payment for 18 weeks within the first year after the birth of the child.

Activities

Understand

1 Are the following statements *True* or *False*?
- (a) This section was about the changes in traditional work patterns.
- (b) The number of females in the labour force has increased over the last 30 years.
- (c) Work–life balance initiatives are becoming common in workplaces.

2 List some things that employees want from their job in today's society.

3 What has been the impact of the feminisation of the workplace?

4 Why do many businesses offer 'family-friendly' workplace practices?

Think

5 Read 'Rules of the Dalgety office, 1850' and answer the following questions.
- (a) Which rule would you find hardest to obey if you were employed in this office? Give reasons for your answer.
- (b) Explain why you think management insisted on rule 6.
- (c) Calculate the total weekly hours worked. (*Note:* Saturday was regarded as a weekday.)
- (d) Do you think people would be prepared to accept these rules today? Provide reasons for your answer.
- (e) The owners describe these conditions as 'near-Utopian'. Can you explain what this means? What does it indicate about working conditions for most people at this time?

Glossary

participation rate the proportion of people aged 15 or over employed or actively looking for work

work–life balance achieving the right amount of time devoted to work and for personal life

4.4

Changing work patterns (3)

Job security

A major concern for employees is the threat that they may lose their job. Job security is the likelihood that an employee will keep his or her job, and not face unemployment either through being made redundant or dismissed. In the past 20 years, employees have faced continuing employment cutbacks, automation, downsizing, increased competition from imports and non-unionised domestic companies. Job security can no longer be taken for granted. It is a significant issue for many Australian workers as a consequence of the 2008–09 global financial crisis. With the downturn in the economy, many industries began laying off workers.

Casestudy

Loss of job security

Pacific Brands produces well-known brands such as Bonds and Slazenger. In 2009, the company closed most of its local operations and moved manufacturing operations to countries that have cheaper labour costs, such as China. Two of the workers who lost their jobs in these cutbacks are Zora Kotevska and Violeta Necevska. Zora had worked in the Bonds factory for 28 years. Both women planned to find jobs in the hospitality or retail industry, but had no qualifications or experience in those fields.

Job *insecurity* is now a common experience for many Australian employees. Uncertainty about job security can have a negative impact on the health of workers due to the many effects of psychological and emotional stress.



Former Pacific Brands employees Zora Kotevska (left) and Violeta Necevska (right), shown holding personalised gifts that Pacific Brands issued to each employee

Technological change

Technological advances are causing the nature of work to change. New jobs are being created, while others are being made redundant. The so-called 'information revolution', brought about by the use of new communication technologies, has led to massive changes in the way people work. One area of concern is the 'always available' trap: checking emails and SMS messages during downtime, such as when commuting or holidaying, has extended the working day. While technological change improves productivity, it can result in an unprecedented invasion of personal time, which has a negative effect on work–life balance.

Flexible working conditions

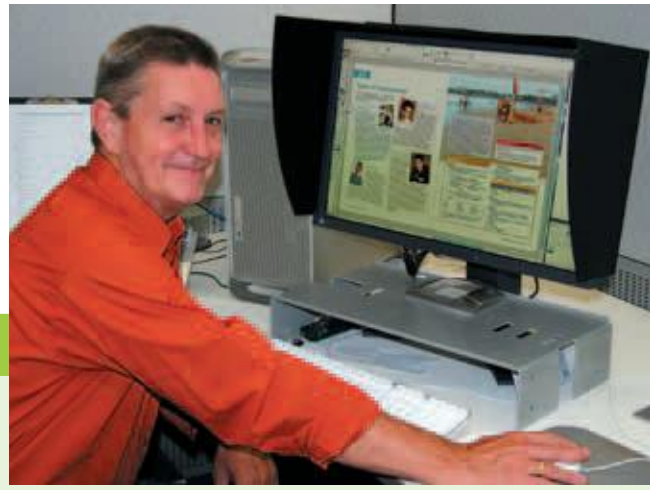
Flexible working conditions are patterns of work that allow employees to balance work and family obligations more effectively. For example, some employer–employee agreements allow opportunities for home-based work, which gives employees more flexibility during working hours. Many businesses also offer permanent part-time work, job-sharing and flexible working hours in order to retain skilled and valued staff who have family commitments.



Work is creeping further into employees' private lives.

However, some employees (other than those who choose part-time work) are finding that flexible working hours and permanent part-time work may not be as beneficial as they had hoped. Many employees now work 12-hour shifts, broken by days off, as part of their industrial agreements. Others have lost their weekends and the opportunity to enjoy time off with their families.

These difficulties have arisen because employees and employers may have a different meaning for the term 'flexibility'. For example, an employee may view flexibility as providing her or him with an opportunity to rearrange work hours to better suit lifestyle and family commitments. However, an employer may see flexibility as the introduction of longer shifts or the scrapping of penalty rates for weekend work.



Casestudy

From hot metal to mousepads

Interview with Jeff Hofmann, Graphic Pre-press Operator, John Wiley & Sons Australia, Ltd

Interviewer: *When did you start work, and where?*

Jeff: At Shipping Newspapers (Brisbane) in December, 1966. I worked as a copyholder for 12 months before starting a five-year apprenticeship.

Interviewer: *What process did you use then to prepare type for printing?*

Jeff: Text was then set on a linotype machine, which cast individual lines of metal type. These machines could only hold four fonts at a time. Display headings were often done with hand-set type.

Interviewer: *How is the way you work now different from those days?*

Jeff: The basic principles of layout and design are still the same, but the process involved in type assembly and pagination has changed drastically. The masses of metal type I started working with were later replaced by type on bromide paper (which was cut and pasted onto boards). Now, all type assembly is computer-driven. The only work you do with your hands today is to push a mouse around.

Interviewer: *Was it easy to adjust to this change in technology?*

Jeff: I was young; so adjusting to it seemed like a natural progression. But many older compositors found the change a bit drastic. Typesetters had to learn a whole new keyboard layout, and with the onset of computerisation, many jobs became redundant.

Interviewer: *What are the major advantages you see in working the way you do now?*

Jeff: Probably the speed and accuracy with which text, photographs and artwork can be assembled into page format. Elaborate layouts using multiple applications have become less complicated. In fact, the storage and transfer of information electronically have revolutionised the industry.

Activities

Understand

1 List four factors causing job losses.
2 Why do employers and employees sometimes hold conflicting views with regard to flexible working hours and part-time work?
3 Outline two effects of technology on work patterns.
4 What are the advantages and disadvantages to employees of flexible working conditions?
5 Carefully read the interview with Jeff Hofmann.
(a) How has Jeff's work changed?
(b) What has been the main cause of these changes?
(c) What part of Jeff's job has remained the same?

Communicate

6 As a class, brainstorm the reasons why job insecurity is now a common experience for many Australian employees.

Think

7 When a worker's job is replaced by technology, who should be responsible for training the worker for another job: the worker, the business, the government? Give reasons for your answer.

STUDENT WORKBOOK 4.3 Work patterns

4.5

Benefits of education and training for employment (1)

I can't wait to leave school,' said Zara. 'I want to leave as soon as I turn 15, get a job, earn some money and have fun. No more rules, uniform or homework!' What Zara didn't realise was that without educational qualifications and further training, she would find it very difficult getting and keeping a job. If she wanted a good job, she would have to change her attitude towards learning.

Lifetime of learning

Tomorrow the world of work will be different from what it is today. No-one really knows how different. Certain jobs will change more than others, but all jobs are likely to experience some change. Many **employees** will find that they must learn new skills to adjust to changes in their jobs. Others will have to train themselves for new jobs that open up when old ones disappear. The idea of a job for life is vanishing and workers in the future will tend not to have a clear career path. As an employee you will be required to continually undertake workplace training — a 'lifetime of learning'.



Learning doesn't stop when you leave school.

Most **employers** today prefer to hire people who have undertaken training and gained skills. Such employees will be in greater demand than those who are unskilled. The benefits of education and training for employees include:

- higher incomes
- opportunities for promotion and self-improvement
- adaptability — greater ability to adapt to and cope with change
- a challenge — the chance to learn new things
- improved job satisfaction through better job performance.

Many jobs require employees to gain specialised skills or complete tertiary education before starting. Others may allow employees to acquire the necessary skills and experience on the job. Here are three case studies of young people working.

Case*study*

Jack Newton — building a career

As soon as I completed my HSC, I started working in my uncle's business as an apprentice builder. I work with him through the week and then go to the Meadowbank TAFE College one week every month on block release to complete the theory and practical subjects. At the end of the course, I will have a Certificate IV in Building and Construction. The course teaches me the skills and knowledge required to construct low-rise buildings. My favourite subjects are applying structural principles and construction work. On-the-job training occurs when I'm working with the other builders who show me various construction techniques.

What I like most about my job is that I'm always learning something new. It's also great to see a completed house or extension and say 'I helped build that'. When I complete my apprenticeship I intend to do further study so I have the skills to one day operate my own business. Because there is a shortage of builders in the industry, my career prospects are excellent.



Casestudy

Tai Van, crew trainer at McDonald's

I started part-time work with McDonald's when I was a Year 10 student. I was keen to learn, and undertook some on-the-job training courses. The store manager was very impressed with my range of skills and work performance. After eight months he offered me the position of crew trainer.

I was pleased to take on this added responsibility. It meant I could help train younger employees. As well, it was another formal qualification I could add to my work portfolio. The manager also suggested to me the possibility of undertaking the Certificate in Food Retail course if I wanted to work full-time. This would provide me with a nationally recognised qualification that would give me greater job security and a higher income.



I gained a lot of personal satisfaction from knowing that this training provided me with more job opportunities. As well, the training I received would make me a more suitable candidate for promotion within the business.

Casestudy

Fahima Karam

At school I really enjoyed science and knew since Year 10 that I wanted a job that would allow me to work in a laboratory and undertake research. Instead of going straight from school to university I completed a gap year as a teacher assistant in Vietnam. My time in Vietnam led me to develop an interest in the prevention of sickness and disease.

When I returned home, I decided to enrol in a Bachelor of Health Science, majoring in Public and Environmental Health. After completing my degree, I was fortunate to be given a position as a laboratory assistant with a research team investigating leptospirosis (a water-borne disease). I am currently working full time and completing my master's degree part time. My skills and experience qualify me to apply for jobs as a research scientist anywhere in the world.



Activities

Understand

1 What ability will be an important one for future workers to have?
2 Identify three benefits to employees of undertaking workplace training.
3 In relation to the case studies for Jack, Tai and Fahima:
   (a) Identify the steps taken by each person to become established in their job.
   (b) List the types of knowledge and skills that each job requires.

Think

4 After reading these pages, what advice would you give Zara?
5 In 1900, the average age of a person entering the labour force was 15. Today it has risen to 18 years. Why do you think this change has taken place?
6 'It is becoming more important for employees to undertake training.' Explain why this statement is true.
7 If you were Tai, would you agree to undertake the Certificate in Food Retail course? Why?

Investigate

8 Locate the employment section of a major newspaper or website, then complete the following tasks.
   (a) Write down the wage or salary paid for each of the jobs. Find it out, if it is not stated.
   (b) Decide which job requires the highest level of skill.
   (c) Decide which job requires the lowest level of skill.
   (d) 'Employees with higher levels of training receive higher incomes.' Is this statement supported by these advertisements?

Glossary

employee a person who works for a wage or salary
employer a person who hires employees

4.6

Benefits of education and training for employment (2)

At this point in your life, many people — parents, teachers and friends — will be asking you about your future. What are you going to be? Are you going to complete Year 12? And, if so, which subjects? There are many choices available to you in terms of education, training and employment opportunities.

Education

There is no 'normal' education pathway. These days, there are many options available when choosing an education.

HSC

The New South Wales Higher School Certificate (HSC) is gained by the completion of a set number of units of study. You may choose among a variety of subjects offered by your school.

At the completion of your HSC studies, you may receive an Australian Tertiary Admission Rank (ATAR) score. This score is used to rank your performance in relation to all other students who completed Year 12 in the same year. That is, it gives you a relative position. University courses often have an ATAR score that is used as a cut-off. Students must have achieved this score (or close to it) to obtain entry into the course. The ATAR score may be used on its own as a selection tool for entry into courses, but it is sometimes also used in conjunction with other selection criteria that may include: prerequisite subjects, interview, folio presentation and so on. (See a Careers teacher for more information.)

VET

Some students decide not to gain an ATAR score, and choose a vocationally based course. These vocational educational and training (VET) courses give students practical, work-related experience, as well as literacy and numeracy skills. Students who complete a VET course are likely to be interested in going on to a TAFE course, apprenticeship, traineeship or job.

TAFE

Technical and Further Education (TAFE) courses offer training for many different career areas. They cater for people with all levels of education. The areas of study available can be as varied as tourism, business studies, visual arts and plumbing.

TAFEs offer Diploma and Advanced Diploma courses for students who have completed Year 12. They also offer Certificate courses at Levels I to IV. To gain entry into a certificate course you must have completed Year 10. TAFE also offers traineeships for a variety of career areas. You should go to the institution to receive more information relating to the types of course available and the fees



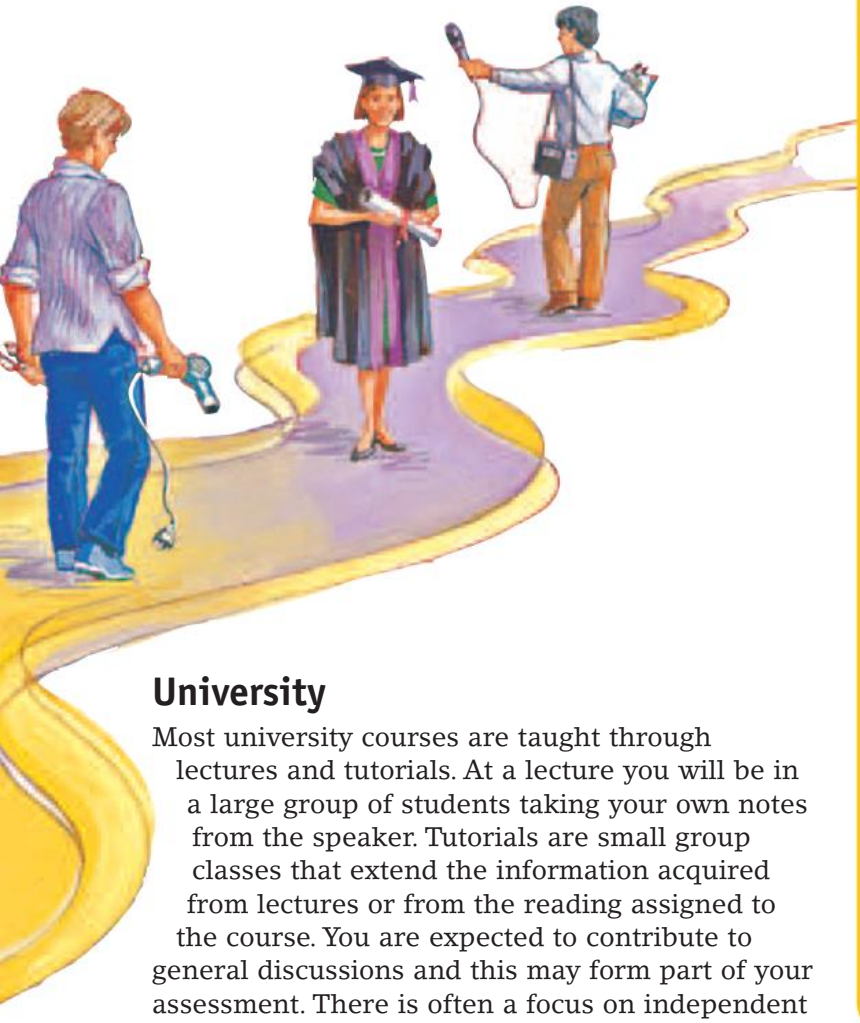
and charges associated with this type of education. TAFEs also conduct open days.

It is also possible to complete a TAFE certificate as part of your VET studies. It may involve attending TAFE one day a week, or completing the unit at your school if arrangements have been made.

Apprenticeships

A number of **apprenticeships** are on offer that cover a wide range of careers, including hairdressing, carpentry, sales and information technology. An apprenticeship allows you to work while studying the area of interest to you.

If you take on an apprenticeship you will learn about your job as you work with your employer. On particular days, and/or some evenings, you will be required to attend classes at a TAFE college.



University

Most university courses are taught through lectures and tutorials. At a lecture you will be in a large group of students taking your own notes from the speaker. Tutorials are small group classes that extend the information acquired from lectures or from the reading assigned to the course. You are expected to contribute to general discussions and this may form part of your assessment. There is often a focus on independent learning. You may also be required to spend time by yourself researching, reading, writing up practicals and so on.

When you begin your bachelor degree, you are known as an undergraduate. At your formal graduation ceremony, you become a graduate. Any university course you then proceed to do is known as postgraduate study.

Most universities conduct open days, where interested students are welcome to go to the university and find out information about different courses. These are generally conducted in the second half of the year.

Training

Some schools conduct a work experience program where students are encouraged to seek temporary employment at a firm to gain an insight into that particular field of work. Some professions, such as accounting, offer **cadetships/traineeships**. This is where a company employs you and gives you time to attend university or TAFE. This is a great way to become trained and educated in this field of work because you have permanent employment.

Activities

Understand

1 Explain the difference between:
   (a) HSC and VET
   (b) TAFE and university
   (c) an apprenticeship and work experience.
2 How does university differ from school life? Prepare a list of strategies for university survival.

Communicate

3 Organise for a guest speaker to talk to the class about HSC, TAFE or university. Write a list of questions to direct them in their presentation to the class. You may want them to cover areas such as: What are they studying? Why do they choose to study it? What are the pluses and minuses of their chosen education?

Investigate

4 Use a search engine on the internet to obtain information about the careers below. Note down the educational requirements, where the study may be undertaken, and details of work opportunities. Find out if there is a demand for these careers.
   (a) Engineer
   (b) Plumber
   (c) Zoo keeper
5 Select a career that you are interested in. Use the internet to find out what the educational requirements are for that career, and where study may be undertaken. Suggest school subjects that might be helpful to you in achieving this career.

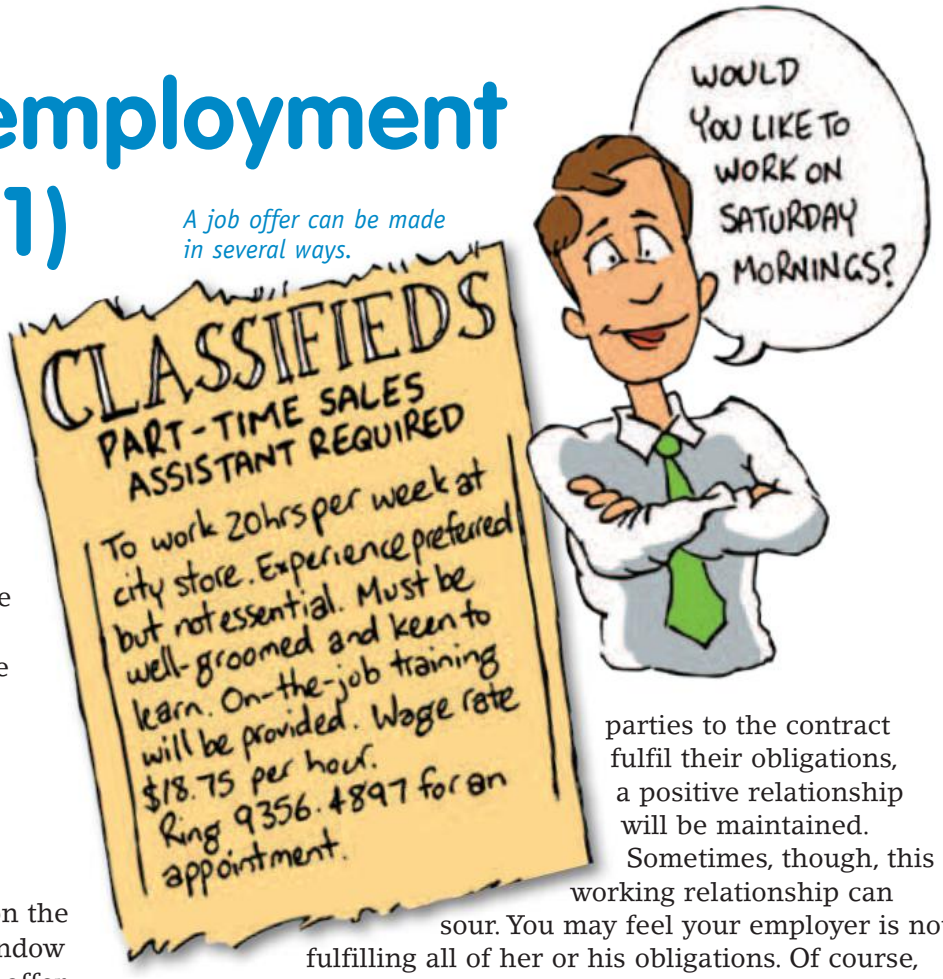
Glossary

apprenticeship training and education in a trade

cadetship/traineeship training in a full-time job, with time allocated to attend university or TAFE

4.7

Types of employment contract (1)



A job offer can be made in several ways.

The employment contract

When you begin your first job, both you and your employer have entered into an **employment contract**. This is a legally binding, formal agreement between an employee and an employer.

Every employer and employee is bound by a contract of employment. There are three important elements to these contracts: *offer*, *acceptance* and *consideration*.

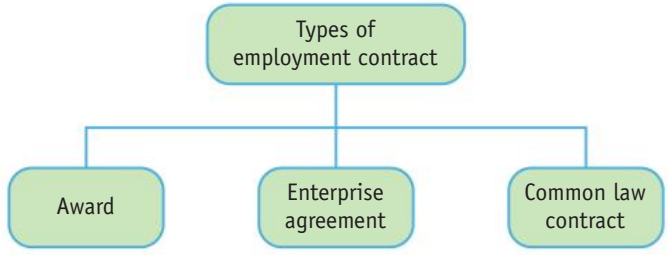
A business can place a job advertisement in a newspaper, on the internet, put up a sign in the window or approach you personally and offer you a job. If you decide to apply for the position and your application is successful, you will be asked to attend a job interview. During the interview you are informed about the terms and conditions that apply to the job. This is the offer. If you agree to these terms and conditions you make the acceptance. That is, you agree to take the job.

The consideration, from the company's point of view, is that it has to supply the wage and other conditions offered. In return, the employee's consideration is to supply the labour. Consideration refers to the benefits that both parties will receive.

A contract does not have to be written. It can be a verbal (or spoken) contract. It is generally safer to have a written contract, especially if one of the parties to the contract does not fulfil their side of the contract. There is an old saying, 'verbal contracts are not worth the paper they're written on!'.

At the beginning of your employment there is normally a good relationship between you and your employer. It is what happens from there that determines how the relationship develops. If both parties to the contract fulfil their obligations, a positive relationship will be maintained. Sometimes, though, this working relationship can sour. You may feel your employer is not fulfilling all of her or his obligations. Of course, the employer may feel the same about you. When these situations arise, you may need the help of someone from outside the business. This person can help determine who is liable under the terms of the contract.

There are three different types of employment contract.



The main types of employment contract

Comfact

One of the most important pieces of legislation relating to employment arrangements is the Australian government's *Fair Work Act 2009*.

Awards

Awards (from 1 January 2010 referred to as *modern awards*) are legally binding documents containing minimum terms and conditions of employment. They cover employees across Australia who work in the same industries and occupations, and apply in most workplaces. Modern awards include information about:

- wages, including penalty and overtime rates
- hours of work and rest breaks, including flexible work arrangements
- allowances for uniforms or tools
- leave, including sick, holiday, long service, study, family and maternity leave
- superannuation
- redundancy entitlements.



Award coverage is high in retail and hospitality.

Modern awards are adjusted for wage increases given in National Wage Cases heard by Fair Work Australia (FWA), the independent national workplace relations tribunal. They also cover a large proportion of employees in lower skilled occupational groups in the hospitality, retailing and community services sector.

Some employers will provide above-award payments, especially if they wish to attract more workers to their business or if they want to hold on to their existing staff. Award infringements may be reported by employees to the FWA through the Fair Work Ombudsman, or through a trade union.

Awards have the following advantages and disadvantages.

Awards	
Advantages	**Disadvantages**
• Set a minimum for pay and conditions • Cover all employees performing a similar job • Protect employees from exploitation	• Inflexible — may not suit all employees • Prevent recognition of individual initiative as all employees receive the same pay

Glossary

award a document that outlines an employee's minimum pay and conditions

employment contract a legally binding, formal agreement between an employee and an employer

Activities

Understand

1 Write the following statements into your notebook and then match them up with the correct terms.

Terms

- acceptance
- offer
- consideration
- employment contract
- contract
- written contract

Statements

(a) An agreement that is enforceable by law _____

(b) The terms and conditions that apply to an employment contract _____

(c) When you agree to the terms and conditions of a contract _____

(d) The benefits both parties will receive from a contract _____

(e) This type of contract is safer than a verbal contract _____

(f) A legally binding, formal agreement between an employee and an employer _____

2 Examine the verbal and written job offers shown on page 128 and then answer the following questions.

(a) Which of the two job offers provides more detail? Give reasons for your answer.

(b) Which of the contracts would be easier to enforce in a court of law? Why?

3 List the benefits (consideration) that the employer and employee receive under an employment contract.

4 What should you do:

(a) before you sign an employment contract? Why?

(b) if the employment contract contains something you do not understand?

5 What is an award? List four issues outlined in an award.

6 Under what circumstances may an employer offer above-award conditions?

Think

7 Which one of the three advantages of awards do you consider to be the most important? Why?

eBookplus

8 Investigate a modern award by using the **Fair Work Australia** weblink in your eBookPLUS. Why is it important for employees to have access to their award?

9 Use the **Fair Work Ombudsman** weblink in your eBookPLUS and outline the Ombudsman's role by clicking on 'About Us'. Select an area of interest and explain how this information could be useful for an employee.

STUDENT WORKBOOK 4.4 Acronyms

4.8

Types of employment contract (2)

Enterprise agreement

Imagine all the students in your Commerce class sitting down with your teacher and negotiating a set of conditions for your class. Apart from the essential conditions such as completing all the work and respecting each other's opinions, you might negotiate a homework-free month in return for one extra assessment task. You have just entered into an **enterprise agreement**.

An enterprise agreement is a negotiated agreement about pay and conditions made at a workplace/enterprise level between an employer and a group of employees or union. It offers broader terms and conditions than a modern award, and can either replace a modern award or act as an 'add-on agreement'.



When two parties negotiate, they should bargain in good faith.

The key features of enterprise agreements are they:

- may cover rates of pay, penalty rates and overtime, hours of work, allowances and leave
- must be in writing and approved by all parties
- must be approved by Fair Work Australia (FWA), who must be satisfied that the agreement:
  - passes a *'better off overall test'* (BOOT) compared to the modern award
  - does not include any unlawful conditions
  - has an expiry date
  - outlines how disputes are to be settled
  - includes a flexibility clause allowing for variations if required.

To ensure that both parties bargain in good faith — that is, a genuine attempt to negotiate the issues in a timely and fair manner — there are strict rules relating to the enterprise bargaining process.

Enterprise agreements have the following advantages and disadvantages.

Enterprise agreements	
Advantages	**Disadvantages**
• Consultation with and involvement of employees • Possibility of improved pay and conditions • Access to training • Greater flexibility	• Possibility of undermining of award standards, with some employees working longer hours • Possibility of job losses • Greater inequity in wage rates between employees

Common law contract

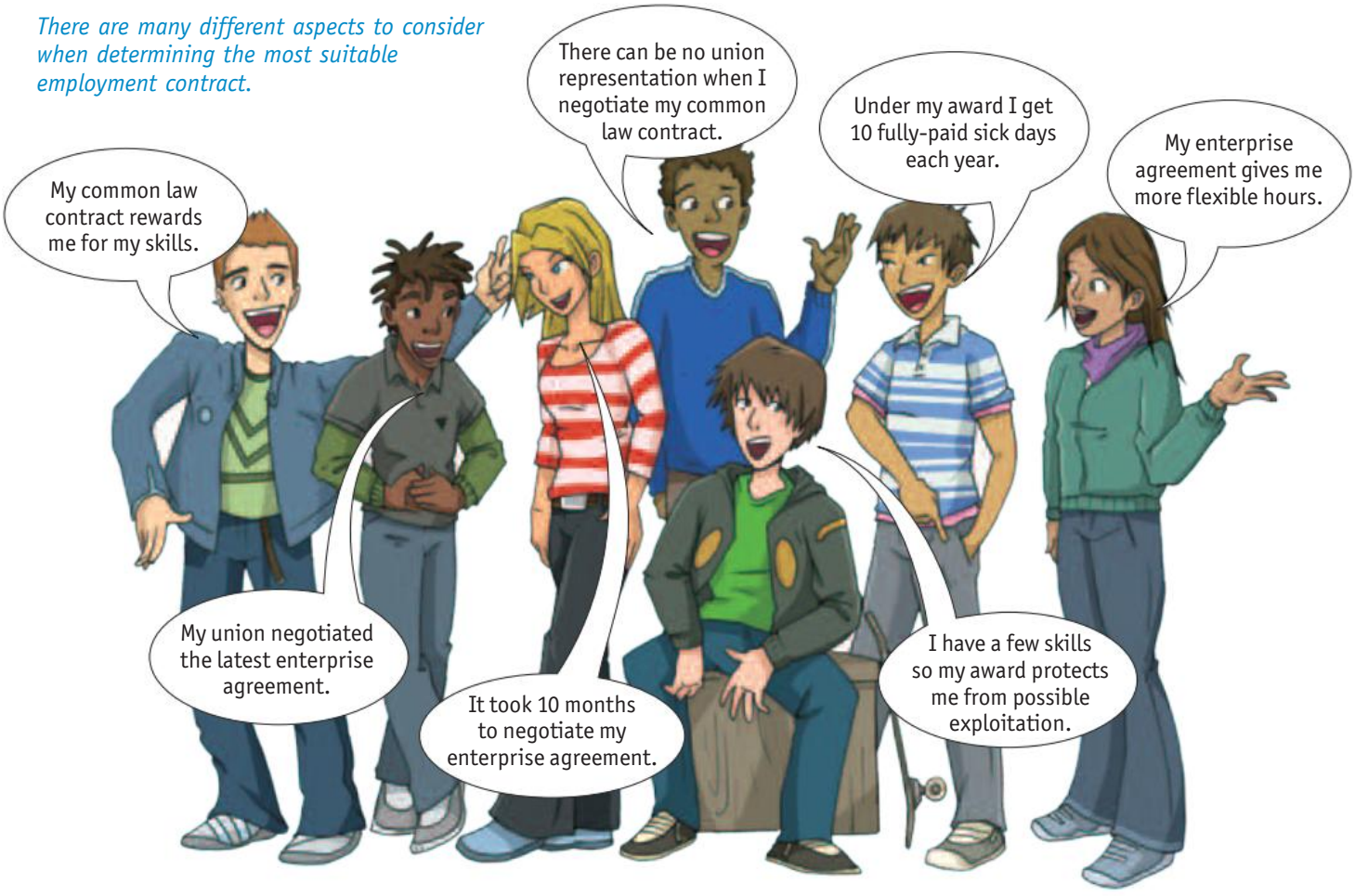
Imagine if your Commerce teacher and you came to an agreement about your conditions of work for this subject. These conditions would apply only to you. That is why they are sometimes called individual common law contracts. The new contract would do away with the classroom conditions agreed to in the award or enterprise agreement. For example, the new agreement may offer you a 'classroom (employment) package' that includes more homework in return for the right to attend only two Commerce lessons each week. You have just entered into a common law contract.

Common law (employment) contracts cover those employees who are not under any award or enterprise agreements. They are more common among professional and managerial employees. Such contracts are signed individually and are secret; that is, not open to public scrutiny.

Common law contracts have the following advantages and disadvantages.

Common law contracts	
Advantages	**Disadvantages**
• Right to sue for compensation if the employment conditions are not met • Flexibility to suit the varied needs of individuals • Individual initiative rewarded	• Offer less protection than other agreements • Possible exploitation of employees due to unfair bargaining positions • Expense of any court case if either party sues for compensation

There are many different aspects to consider when determining the most suitable employment contract.



Activities

Understand

1. Explain the difference between an *enterprise agreement* and a *common law contract*.
2. List the key features of an enterprise agreement.
3. Explain the meaning of the term 'bargaining in good faith'.
4. What type of employee is usually covered by a common law contract?
5. Outline the right a party has if the conditions of a common law contract are not fulfilled.

Think

6. Why do you think enterprise agreements have to be approved by Fair Work Australia?
7. Which employment contract would you prefer to:
   (a) accept as an employee
   (b) offer as an employer?
   Give reasons for your answer.

Communicate

8. In small groups, decide which type of employment contract you would prefer if you were a:
   (a) casual sales assistant
   (b) full-time clerk
   (c) full-time senior manager.
   Justify your choice and then share your answer with the rest of the class.
9. Draw a picture showing what happens during an enterprise agreement session. Your picture can be a cartoon or a collage.
10. More than half of all newly hired employees do not discuss their conditions of employment with their employer before starting work. Many of these are young people. As a class, create a short script to help a young person ask a prospective employer about their conditions of employment.

eBookplus

11. Use the **NSW Industrial Relations** weblink in your eBookPLUS to access 'Young people at work' and answer the following questions.
    (a) Outline what you should receive when you are offered a job.
    (b) Why is it best to seek advice before signing any document agreeing to working conditions?

Glossary

common law (employment) contract when an employer and an individual employee negotiate a contract covering pay and conditions

enterprise agreement agreement about pay and conditions made at a workplace/enterprise level

4.9

Types of employment contract (3)

Rights and obligations of employees and employers

All employment contracts establish legally binding rights and obligations for both parties. The obligations of each party are reflected in the rights of the other party.

Employees' rights/ Employers' obligations	Employers' rights/ Employees' obligations
Employees expect employers to/ Employers will	**Employers expect employees to/ Employees will**
• Pay correct income — set by an award or agreements • Provide a safe, healthy and discrimination-free workplace • Provide a pay slip showing the total amount and how it was calculated • Not require the undertaking of illegal activities • Abide by requirements of industrial relations legislation	• Obey lawful and reasonable commands made by the employer • Attend work at required times • Use care and skill in carrying out their work activities • Act in good faith and in the interests of the employer • Dress appropriately for the job • Respect colleagues and employer
These rights and obligations apply to casual, part-time and full-time employees.	

The rights and obligations of employees and employers

It is important that you are aware of your rights so you know your entitlements. It is also important to know your obligations because if you fail to meet your responsibilities, your employer might discipline you or in some cases terminate your employment.

Employee entitlements — National Employment Standards (NES)

Within an award, agreement or contract of employment will be a list of entitlements. Although there is a common set of entitlements, such as leave provisions, there will be differences based on the particular job or industry. Ask your employer which award or agreement applies to you and your job so you can find out about your specific entitlements. Remember, though, if you are a casual worker you do not have access to most of these entitlements. Instead you are paid a loading as compensation.

National Employment Standards

1. **Maximum weekly hours of work** — 38 hours per week
2. **Request for flexible working arrangements** — for parents or carers of children under 18
3. **Parental leave and related entitlements** — up to 12 months unpaid leave
4. **Annual leave** — four weeks paid leave per year
5. **Personal/carer's leave and compassionate leave** — 10 days paid leave, two days unpaid carer's leave
6. **Community service leave** — unpaid leave for voluntary emergency activities and up to 10 days paid jury service
7. **Long service leave** — after a period of continuous employment
8. **Public holidays** — a paid day off on a public holiday
9. **Notice of termination and redundancy pay** — up to 4 weeks' notice of termination and up to 16 weeks' redundancy pay, both based on length of service
10. **Provision of a Fair Work Information Statement** — a statement for all new employees about their rights and entitlements.



Since 1 January 2010, most employees are entitled to a set of ten minimum employment entitlements known as the National Employment Standards (NES). The NES were developed by the federal government in consultation with business, unions and the community. They were designed to provide a greater safety net for employees, particularly for the most vulnerable and low-paid employees in the workforce. The standards apply to all full-time and part-time employees, whether permanent or fixed term. Some of the NES also apply to casual employees.

Independent contractors

Not everyone in the labour force operates under an employment contract. Currently, about 10 per cent of the labour force consists of independent contractors, often known as consultants or freelancers. Independent contractors do not have the same legal status as employees. Contractors tend to have a set term for a project and control their own work. A contractor carries most of the risk on a job undertaken, including covering their own superannuation, tax, insurance and leave. This is why many employers prefer to hire independent contractors as it allows employment risks such as sickness to be shifted to the person undertaking the work.



Owner–drivers are often independent contractors.

Employment contracts — the new industrial landscape

As you can tell from the information contained in these three spreads, the world of work is complex and constantly changing. Some employees will benefit, while others will be disadvantaged.

Case*study*

The move from a predominantly award-based bargaining system towards workplace enterprise agreements has had mixed effects on employees. Where employees' skills are in demand, or where they are represented by strong trade unions, employees are generally achieving excellent wage and non-wage benefits.

Many employees in less secure bargaining situations were, in recent years, under pressure to accept agreements that resulted in a reduction in their pay and working conditions. Employers, who were under pressure to reduce costs, saw such agreements as a strategy to improve flexibility and competitiveness in global markets. For many employees today, agreements involve significant trade-offs in working hours and conditions.

Activities

Understand

1 Why should you be aware of your workplace rights and obligations?
2 What is the purpose of the National Employment Standards?
3 Determine whether the following statements are *True* or *False*.
   (a) Part-time employees cannot access entitlements offered to full-time employees.
   (b) Casual employees receive a loading to compensate for their lack of entitlements.
   (c) Independent contractors are classified as employees.
4 Why do many employers prefer to hire independent contractors instead of employing a person?

Think

5 Select what you consider to be the three most important standards from the ten National Employment Standards. Give reasons for your choices.
6 Read the case study above. Explain how global competition may affect the demand for better working conditions from employees.

Communicate

7 As a class, brainstorm the advantages and disadvantages of being an independent contractor.

eBookplus

8 Investigate workplace relations issues for young people by using the **Young people at work** weblink in your eBookPLUS. Select a topic that interests you and prepare a brief report on what you learned.

4.10

Unemployment

In our economy there is a certain amount of **unemployment**, even during periods of economic prosperity.

To be counted as unemployed, a person must be:

- without work
- available to begin work
- actively seeking employment.

Unemployment can result from:

- people leaving their jobs and going in search of others (*frictional unemployment*)
- some jobs being seasonal; for example, fruit picking (*seasonal unemployment*)
- a fall in consumer spending which reduces the demand for workers (*cyclical unemployment*)
- people's skills no longer being needed due to new technology (*structural unemployment*)
- some people having difficulty keeping a job due to personal characteristics (*hard-core unemployment*).

The cost of unemployment to the individual and society is high.

Comfact

The total labour force is made up of all those people who have jobs — that is, are employed; plus all those who are actively seeking work — that is, are unemployed (employed persons + unemployed persons).

The unemployment rate is calculated by the formula:

$$\frac{\text{Number unemployed}}{\text{Total labour force}} \times \frac{100}{1}$$

For example: $\frac{500\,000}{9\,000\,000} \times \frac{100}{1} = 5.6$

Full employment

Full employment is one of the main federal government economic objectives. The acceptable target for full employment would allow for an unemployment rate of between 4 and 5 per cent. In effect, this policy is saying that even when the level of economic activity is high and the economy is expanding, of all those eligible people who are seeking work, jobs will not be available for 4 or 5 per cent. In a labour force of approximately 10 million, if between 400 000 and 500 000 people were unable to find a job, the economy would still be said to have achieved full employment.

Casestudy

Hi, I'm Jon Miller. I am 18 years old and have been looking for a job for the last ten months. I left school at the end of Year 11 because the work was getting too hard. I enjoyed working on my older brother's car and I want a job as a mechanic.

I visited every auto business in town but not one had anything to offer. I was starting to feel as if there was something wrong with me. I rewrote my résumé three times but all I ever got was rejections. Getting an apprenticeship and a steady job is all I want. I believe I would make a good employee. My school references are good. I am keen to learn and do not mind working hard.

I realise securing a steady job will depend on my ability to acquire training and work experience. I am enrolling in a TAFE course to gain some extra skills. Then I would have something extra to offer an employer. Why won't someone give me a chance?



Social cost of unemployment

Those who experience periods of long-term unemployment suffer economically and socially. Combined, the individual costs are felt by the whole of society. Families may have to relocate to other areas in search of work. Family members may become separated in the process. Society's living standards are reduced, while government spending on social welfare payments increases. Overall, society's quality of life is diminished.

Personal costs of unemployment

Poverty Without a job, there is no regular income. Social welfare payments only maintain a person at a level below the poverty line. With few savings, there is little left over for the costs involved in job-seeking.

Discrimination Being out of the labour force for long periods of time can go against a person applying for work. An employer may unintentionally discriminate against such a person and not even give them an interview.

Boredom With plenty of time but limited by a shortage of money, many unemployed people become frustrated and bored. This can sometimes lead to vandalism, crime and other anti-social behaviour.

Isolation Many unemployed people end up feeling they are not accepted as part of society, and become depressed, ill or hostile. This makes it even harder to find employment and results in the vicious cycle of long-term unemployment.

Poor health The emotional and financial pressures can have an enormous negative impact on a person's physical and mental health.

Ridicule and prejudice Being unemployed may affect how others in society view people. Often seen as 'dole-bludgers' they are frequently the object of ridicule and prejudice.



Unemployment is a fact of life — for some!

Loss of self-esteem Our society places a lot of importance on the type of work a person does. A person who is unemployed can often lose self-confidence.

Loss of skills The longer a person is unemployed, the more difficult it becomes to find a job. While not working, they are not acquiring new skills or practising their existing skills.

Activities

Understand

1 Complete this sentence: 'To be classified as unemployed a person must be ...'.

2 Copy and complete the following table and then answer the questions.

Country	Number of people employed	Number of people unemployed	Labour force	Unemployment rate %
A	3 500 000	200 000		
B		1 500 000	17 250 000	
C	1 600 000		1 900 000	
D	56 250 000	2 750 000		

(a) Which country has the:
(i) largest (ii) smallest
number of people unemployed?

(b) Which country has the:
(i) highest (ii) lowest
unemployment rate?

(c) What is the benefit of expressing the unemployment rate as a percentage figure?

Think

3 In what ways might long periods of unemployment 'go against you' when applying for a job?

4 Why is it often difficult for unemployed people to find things to fill in their time?

5 Read the case study on page 134. Imagine you are in Jonathan Miller's situation. What would you do to:
(a) improve your chances of getting a job
(b) find other avenues of employment
(c) overcome any unintentional discrimination by employers?

Communicate

6 In small groups, prepare a list of all the effects of unemployment on the individual and on society. Present your information in a table similar to the one below. Alternatively, prepare this as a PowerPoint presentation.

Unemployment	
Effect of unemployment on individuals	Effect of unemployment on society

7 Write an email or letter to a local newspaper outlining your concerns about the level of youth unemployment. In your email or letter, refer to the following points:
- effects of unemployment on the individual and society
- unemployment and young people.

STUDENT WORKBOOK 4.5 Reliability of statistical data

Glossary

unemployment when people are trying to find work but have so far been unsuccessful

4.11

Legal issues relating to the workplace (1)

Workplace health and safety (WH&S)

Did you know that this year:

- about 180 people will be killed at work
- most of the deaths will be men aged under 34
- about 250 people will die from work-related injuries or illnesses
- construction, agriculture/forestry, and transport will account for 50 per cent of these deaths
- 97 per cent of work-related deaths could have been prevented?

A recent safety poster carried the warning 'WORK IS A HEALTH HAZARD'. This can be only too true. Inadequate training, lack of appreciation for the seriousness of health and safety issues, and an attitude of 'she'll be right' all contribute to carelessness. They are the three main causes of workplace injuries and illnesses.

On 1 January 2012, the *Work Health and Safety (WHS) Act 2010* (Cwlth) came into effect. WHS has as its core the safety and protection of employees and outlines the legal requirements for employers and employees. Employers must ensure:

- their workplace is safe
- machinery is regularly inspected and maintained
- protective clothing and adequate training are provided
- committees have been set up to enforce the WH&S (formerly OH&S) rules
- they have a written WH&S policy.

However, safety in the workplace is not *just* an employer's responsibility. All employees must:

- comply with safety instructions
- report any situation they think may be dangerous
- cooperate in the investigation of accidents in order to prevent them from happening again.



Every morning Costa Logistics employees perform stretching exercises to avoid injuries.

The WorkCover Authority of New South Wales is the government agency responsible for providing WH&S advice to employers and employees and conducts workplace inspections.

Bullying in the workplace

One in six students are bullied every week in Australian schools. Not much seems to change



Unsafe work practices

when they join the workforce, with figures suggesting that 85 per cent of workers suffer or witness bullying in the workplace. It is a serious issue both for schools and workplaces.

The more noticeable forms of workplace bullying are intimidation, humiliation, verbal abuse, slamming doors, pushing, touching or fondling, and threatened or actual violence against an employee — in short, any repeated actions likely to generate a risk to health and safety. There are also subtle forms of bullying such as excluding or isolating employees or assigning meaningless tasks unrelated to the job.

Case*study*

Pizza with the lot?

A 17-year-old pizza delivery boy accused his employer of assault. The pizza store manager allegedly:

- locked him in the freezer for almost half an hour, ignoring his pleas to be released because of his asthma
- tied the boy to the bonnet of his car while he drove it back and forth
- sprayed a fire extinguisher under the door of a toilet cubicle where the boy was hiding
- hit the boy in the head, jammed his ankle in a door and cut his face with a wristwatch during a scuffle.

In court, the 27-year-old manager defended his actions, claiming they were part of the teenager's 'initiation' into the company. The manager was found guilty on four counts of criminal assault. He was fined $650 and placed on a 12-month $500 good behaviour bond.

Sexual harassment

The *Anti-Discrimination Act 1997* (NSW) and the *Sex Discrimination Act 1984* (Cwlth) make sexual harassment unlawful. Sexual harassment covers a wide range of unwelcome behaviour of a sexual nature that could make a person feel humiliated or offended. It includes comments on a person's physical appearance, questions about a person's sex life, and the display of pornographic images, for example, on a screensaver or a poster. It is not a defence to say the harassment was meant to be a joke.



Sexual harassment includes unwanted touching of a sexual nature.

Any person who feels they have been unlawfully sexually harassed can contact the Australian Human Rights Commission for free advice. The commission investigates complaints and helps find a solution.

Activities

Understand

1. What do the letters WH&S represent?
2. Examine the cartoon of an office scene on page 136. Make a list of all the unsafe practices that you can find in the drawing.
3. Identify the three main causes of workplace injuries and illnesses.
4. Use the following pairs of words in a sentence:
   - bullying/workplace
   - company/responsibility.
5. Give one example, within a school setting, of subtle bullying and another of more noticeable bullying.

Think

6. What particular age and gender group faces the greatest risk of workplace death or injury? Suggest reasons why accident numbers within this group are so high.
7. Imagine that you are a person being bullied at school or in the workplace. Comment on how it would affect your:
   (a) self-confidence
   (b) performance.

Communicate

8. Read the case study above. As a class, discuss:
   (a) the adequacy of the penalty
   (b) why some employees engage in 'initiation' ceremonies.

eBook*plus*

9. Use the **WorkCover Authority of NSW** weblink in your eBookPLUS and research the following:
   (a) how to notify an incident or an injury
   (b) two recent safety alerts.
10. Use the **Australian Human Rights Commission** weblink in your eBookPLUS to outline how sexual harassment can be identified.

4.12

Legal issues relating to the workplace (2)

Anti-discrimination

Discrimination occurs when a person is treated less favourably because of factors such as gender, age, ethnicity, religion or disability. For many years, discrimination in the workplace was widespread. Women found it difficult to gain promotion, and pay rates for females have been, and still are, below the pay rates for males in comparable occupations. Older employees were sometimes dismissed or forced to retire to be replaced by younger, lower-paid workers. Many migrants and indigenous people found it difficult to secure permanent employment because of their racial backgrounds.

Beginning in the late 1970s, several federal and state laws were passed aimed at ending these kinds of discrimination. Under these laws, it is illegal to discriminate on the grounds of a person's:

- gender, ethnicity, age or sexual orientation
- physical or mental disability
- religious faith or political opinions
- marital status, family responsibilities, pregnancy or potential pregnancy.

Casestudy

Case study in discrimination: Julia's case

For 10 years, I worked as an Accounts Manager at a major company. After becoming pregnant, I applied for 12 months maternity leave. At the time, my boss was not happy with the application for leave and evidence was presented later at a legal hearing that he had stated, 'That's it! I now have three women on maternity leave and I'm sick of hiring and training new staff. I'm only hiring men in future'.

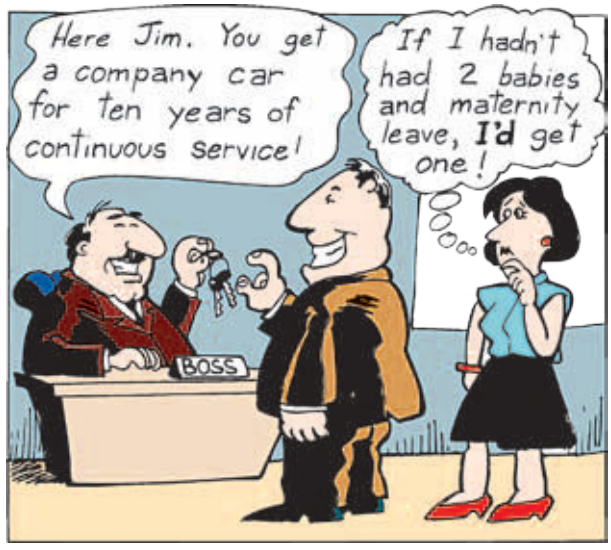


At the end of my maternity leave, my boss informed me that although I could resume work with the company, I could not return to my previous position as Accounts Manager. Instead, the company placed me in telephone marketing and it was clear that I had suffered a demotion from my previous position. In my case, the Federal Court ruled that I had, in effect, been dismissed from my previous position and the company had shown little regard for the trust of a valued employee.

The main legislation in this area includes:

1. *Racial Discrimination Act 1975* (Cwlth). This Act ensures that employers cannot specify particular racial or cultural characteristics when advertising a position.
2. *Sex Discrimination Act 1984* (Cwlth). This Act makes it unlawful to discriminate on the basis of sex, pregnancy or potential pregnancy, or





Direct and indirect discrimination

Direct discrimination Treating a group less favourably than another person or group in similar circumstances

Indirect discrimination Treatment which seems fair but which has an unequal or unfair impact on one person or a group compared with others

marital status and, with respect to dismissals, family responsibilities. It also prohibits sexual harassment.

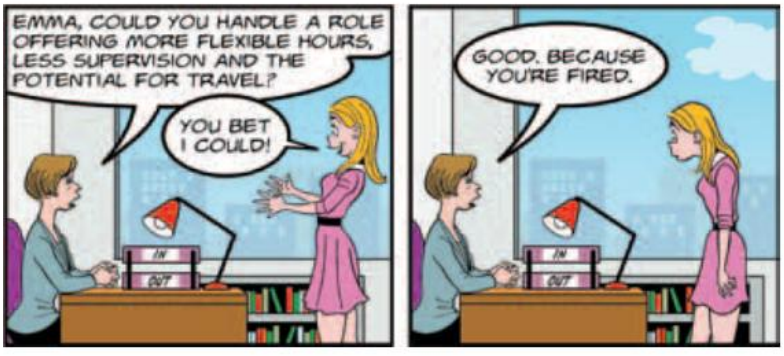
3. *Disability Discrimination Act 1992* (Cwlth). This Act ensures that, within reason, all people with a disability have equal access to employment.
4. *Age Discrimination Act 2004* (Cwlth). This Act ensures that people are not discriminated against on the basis of age.
5. *Affirmative Action Act 1986* (Cwlth). This Act requires businesses to promote equal employment opportunities (EEO) for those people previously discriminated against.

Unfair dismissal

If an employee is not performing his or her job satisfactorily or behaves in an inappropriate manner, the business can terminate the employment of the employee. This is called dismissal. There are three ways in which an employee may be dismissed:

1. *Summary dismissal* is based on a serious breach of the employment contract, such as fraud, intoxication, or assault of an employer.
2. *Dismissal 'by notice'* is based on failure to perform the job adequately.
3. *Redundancy or retrenchment* is dismissal due to the employer no longer needing the employee for economic or operational reasons.

Unfair dismissal occurs when an employee is sacked (or threatened with the sack) and they believe the dismissal is 'harsh, unjust or unreasonable'. Protection from unfair dismissal has been incorporated into federal legislation. Under the *Fair Work Act 2009* (Cwlth) an employee who believes they have been unfairly dismissed can apply to Fair Work Australia for reinstatement and/or compensation. The Act's main objective is to create a system that gives employees access to a cheap, simple and fair process of appeal. Employees of a small business cannot claim for unfair dismissal until after they have served a minimum employment period of 12 months, while for larger businesses, the minimum employment period is six months.



An inappropriate dismissal technique

Activities

Understand

1. What is meant by the term 'discrimination'?
2. Identify the groups in society which may experience discrimination.
3. Briefly outline the purposes of two pieces of anti-discrimination legislation.
4. What does it mean when a company claims to be an EEO employer?
5. Briefly outline the three ways that an employee may be dismissed.
6. When is a dismissal considered to be unfair?

Think

7. Why do you think anti-discrimination legislation has not always been effective?
8. With reference to Julia's case on page 138, do you agree or disagree with the Federal Court's decision? Why or why not?

Communicate

9. Read the following story and answer the questions.

Natashia Frazer and Civic Printers

I was employed by Civic Printers for 12 years. One month ago my new supervisor warned me that if my work did not improve I may be dismissed. Before this I had received only good work reports.

One Friday afternoon I was told that someone else had complained about my performance and that I was being dismissed. I had never been given any written advice that my work was unsatisfactory. However, the supervisor's decision was final and I was dismissed. I think it is unfair.

(a) Have a class vote to decide whether Natashia's dismissal was fair or unfair.
(b) Now, as a class, discuss whether the termination of Natashia was fair or unfair.
(c) Take another vote to see if the discussion has made any difference to class members' views.

eBookplus

10. Use the **Young Worker Toolkit** in your eBookPLUS to investigate 'Quitting and losing your job'. Select one of the questions and summarise the response.

STUDENT WORKBOOK 4.6 An unhealthy working environment

Glossary

discrimination treating a person less favourably because of factors such as gender, ethnicity, religion or disability

unfair dismissal termination of employment that is considered to be harsh, unjust or unreasonable

4.13

Legal issues relating to the workplace (3)

Redundancy and retraining

Redundancy occurs when a job a person is doing is no longer required to be performed, often due to technological changes. Therefore, unless the existing employee can be retrained for another job, they will be made redundant. Redundancy can be either voluntary or involuntary.

Voluntary redundancy occurs when the business decides how many employees should be 'let go'. Employees who nominate themselves for voluntary redundancy are offered a redundancy package: a payout of a sum of money. It includes the payout of any unused entitlements such as long service leave and termination pay. If too few employees volunteer, the business may be forced to decide which employees will be made redundant — involuntary redundancy. The involuntary redundancy package is less than the voluntary package.



As workplaces change, especially due to the introduction of new technology, existing employees must be retrained.

Privacy

When you are employed, chances are that someone is monitoring your performance and behaviour. Many businesses monitor employee telephone conversations, web hits, keystrokes, completion time and emails. Some companies use closed-circuit television cameras to watch employees. Sometimes employees have to use a log-off code whenever they leave their desks.

Such monitoring raises a number of ethical issues. Critics claim that a business's right to know is offset by the workers' right to privacy. There is growing concern over invasion of privacy. For example, is it an invasion of privacy if a business:

- performs genetic screening to deny employment to people whose future health problems might disadvantage the business
- demands drug and alcohol testing of employees
- listens to phone calls and checks web hits to determine whether they relate to the job or are being made for private purposes?

Businesses have the right — and, to some extent, the obligation — to protect themselves against theft, misuse of company resources and unsafe work practices. However, these goals should not be achieved at the expense of personal privacy.

Outsourcing

Outsourcing is the contracting of some tasks to outside suppliers. For example, school cleaning is outsourced to private companies.

Many businesses have rearranged their workforces to employ a minimum full-time staff and to use as many people from outside the business as possible — on a contract, casual or part-time rate, or piecework. Those in favour of outsourcing argue that resources are used more efficiently and it provides employment opportunities. Opponents argue that it results in reduced job security and lack of employee entitlements.

Piecework

Pieceworkers (outworkers) are people who are paid according to the number of items they make. The advantage of such a scheme is that it encourages effort and rewards those who are efficient. However, it is not suitable for jobs that require time and care.

Recently a lot of piecework in the textile industry has been outsourced. This has resulted in thousands of mainly migrant women throughout Australia being employed by clothing companies at very low piece rates. Many of these companies

are producers of expensive 'designer label' outfits. These workers do not have access to normal award conditions, workers compensation, overtime and sickness benefits. They frequently work 70 to 80 hours per week.

To combat the possible exploitation of outsourced pieceworkers in the fashion industry, the FairWear campaign was created by a collection of churches, community groups and trade unions.

FairWear campaign logo

Casestudy

Overseas outsourcing: for and against

Many businesses outsource because they believe it will result in cost savings and improvements to quality. Qantas, for example, contracts its information technology, ticketing and maintenance to other countries. However, it does mean that domestic staff currently performing those tasks could lose their jobs. Consequently, some businesses have been condemned for outsourcing overseas. Telstra, for example, was recently severely criticised for sending hundreds of call centre jobs to the Philippines. General Motors Holden (GMH) and Toyota have often faced criticism for abandoning local parts suppliers in favour of suppliers in China and other Asian countries.



Recently, Qantas maintenance staff protested against management's threat to outsource 3000 maintenance jobs to other countries.

Activities

Understand

1 Explain the difference between *voluntary* and *involuntary* redundancy.
2 What are employees who accept voluntary redundancy offered? What does it include?
3 Read the case study on this page and answer the following questions.
   (a) Why do businesses outsource?
   (b) Why does outsourcing sometimes cause bad publicity?
   (c) Describe the possible impact of outsourcing on employees.
4 Imagine you had a job making hamburgers. Would you rather be paid by the hour or a piece rate? Why?

Think

5 Under what circumstances could it be acceptable for an organisation to check on an employee's:
   (a) criminal history
   (b) HIV/AIDS status?
6 Substance abuse is becoming a problem in many workplaces where employees experience stress. Should employers have the right to drug test employees? Should employees have the right to refuse a drug text? Justify your answer.

Communicate

7 Imagine that you have just been made redundant. Predict how the redundancy could affect you. Share your answers with other members of the class.
8 You are a business owner with twenty long-serving employees. Fierce competition is threatening the survival of your business. Sales and profits are declining due to the lower production costs of your competitors. You could compete if you introduce new technology; however, this will mean ten employees will become redundant. In small groups, formulate the criteria you will use to decide who should stay and who should go. Present and justify your criteria to the rest of the class.

eBookplus

9 Use the **FairWear** weblink in your eBookPLUS to find out more about the FairWear campaign.

Glossary

pieceworkers people who are paid according to the number of items they make

redundancy when a particular job a person is doing is no longer required to be performed, sometimes due to technological changes

4.14

The role of unions and employer groups



The union movement sometimes conducts campaigns on issues that affect their members.

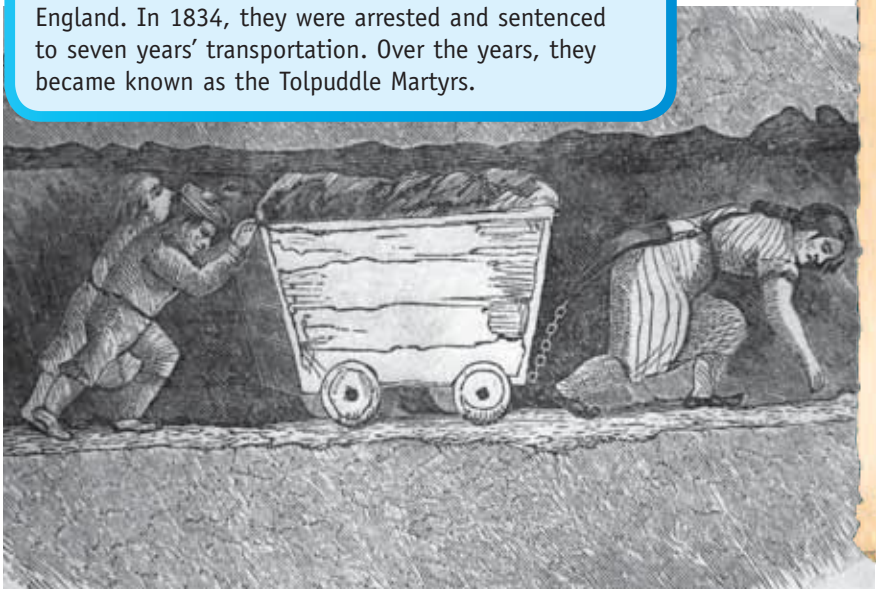
Trade unions: early beginnings

The Industrial Revolution began in England over 200 years ago, in the late eighteenth century. This revolution changed the way people lived and worked. People who once used to work as farm labourers moved to the towns and began to work in factories where conditions were very harsh. Men, women and children were forced to work long hours in noisy, dirty and dangerous workplaces. Small children were often sent down coalmines or up chimneys (as chimneysweeps). Accidents often happened around machinery, but there was no compensation or sick leave. If a person was injured, someone else took their job.

It was illegal to join with other workers to discuss how you could try and improve your working conditions. However, this did not stop workers from forming these illegal 'associations' as they were known. These associations were the beginnings of trade unions.

Comfact

The first workers to form a trade union were six farm labourers from the village of Tolpuddle in Dorset, England. In 1834, they were arrested and sentenced to seven years' transportation. Over the years, they became known as the Tolpuddle Martyrs.



Children were cheap labour in coalmines.

Role of trade unions

A trade union is an organisation that looks after workers in a particular job or industry. Members pay a fee to finance the union's operations. The working conditions experienced by many of today's employees are the result of past trade union action. By joining together, workers were able to approach employers and bargain with more strength for improved pay and conditions. Australia, for example, was the first country to legislate the eight-hour working day.

Unions generally aim to:

- protect the interests of union members; for example, by undertaking campaigns and negotiations for increased pay rates
- improve the working conditions of members; for example, by monitoring health and safety

I have been working below three years on my father's account; he takes me down the mine at two in the morning and I come up at one or two next afternoon. I go to bed at six at night to be ready for work next morning; the part of the pit I bear [coal] in, the seams are much on edge. I have to bear my burthen up four traps, or ladders, before I get to the main road, which leads to the pit bottom. My task is four to five tubs; each tub holding 4¼ hundredweight[1]. I fill five tubs in 20 journeys. I have had the strap when I did not do my bidding. I am glad when my task is wrought[2] as it sore fatigues me.[3]

[1] One English hundredweight = about 50 kg
[2] finished
[3] wears me out

Ellison Jack, an 11-year-old girl coal-bearer, Report of the Commission of Mines, 1842

- ensure fair treatment of employees at work; for example, by preventing unfair dismissals
- promote quality of life issues; for example, by limiting work hours.

Usually, each individual workplace will elect a voluntary union representative who will:

- attend local union meetings
- keep members informed and assist them with work-related issues
- organise meetings at the workplace
- represent the members in negotiations with the management.

During the past 25 years, the number of Australian workers belonging to a trade union has steadily declined; from 55 per cent of all employees in 1982 to about 18 per cent today. Part-time and casual employees under the age of 25, and female workers, have the lowest level of union membership, with middle-aged and older male workers the highest level. In an attempt to increase membership, unions now offer many new services such as cheap personal loans, free legal service and discounted goods and services.

Employers' associations

Employers also have found it necessary to join together to protect their common interests. The Australian Industry Group (AIG) is a peak industry association, representing about 60 000 businesses. Other important associations include the Australian Chamber of Commerce and Industry, the Business Council of Australia (BCA) and the Australian Retailers Association (ARA). These and other associations have as their main roles to:

- represent employers in dealings with trade unions
- give advice and assistance on a wide range of issues such as taxation, industrial relations and employment legislation
- lobby governments with their memberships' views.

In some cases, an employers' association will negotiate with a union to establish a new set of pay and conditions. At other times, an association will represent its members before an industrial relations tribunal. These services are a great benefit to all members, especially small business owners.

Employers' associations have always been involved in lobbying governments. Over the years, they have set up a number of research offices to provide economic and industrial advice to their members and the public. Their representatives often appear in the media to present and discuss the employers' views on current workplace and economic issues.

Logos for the Australian Industry Group, and the Australian Retailers Association

Activities

Understand

1 Read Ellison Jack's comments on page 142 and then answer the following questions.
   (a) Ellison Jack makes the statement, 'I have had the strap when I did not do my bidding.' Explain what you think she means by this.
   (b) Approximately how many hours did Ellison Jack work each day?
   (c) Explain why people had to endure these poor working conditions.
2 What is the main difference between trade unions and employers' associations?
3 List the main roles of:
   (a) trade unions
   (b) employers associations.
4 What gives a trade union and employer association their strength?

Think

5 Why do you think young people are deciding not to join trade unions?
6 Many people say that trade unions have outlived their purpose — with working conditions greatly improved, there is no longer the need for trade unions. Do you agree or disagree with this statement? Justify your answer.

Communicate

7 Set up a class debate to consider the topic: 'Trade unions should not be allowed to call a strike.' Share roles so that those not debating are involved either in assisting with research or in running the debate, and keeping notes on the arguments of both sides.

eBookplus

8 Use the **Australian Council of Trade Unions (ACTU) Worksite** weblink in your eBookPLUS and access the 'Q & A Quizzes' section of the site. Select and complete four separate quizzes. How would you rate your knowledge of the topics quizzed? Write down two things you learned from doing the quizzes.
9 Research one employer association referred to in the text by using one of the three **Employers' association** weblinks in your eBookPLUS. Find out the number of members, the association's aims and the services it provides.

STUDENT WORKBOOK 4.7 The eight-hour day

STUDENT WORKBOOK 4.8 'The labourer is worthy of his hire'

4.15

Resolving disputes

Resolving workplace disputes can be time consuming and very expensive, especially if an adversarial court case is involved. So, over the past 20 years, alternative methods have been set up to help resolve disputes. The main methods, in the order in which they normally occur depending on the seriousness of the dispute, are:

- grievance procedures
- negotiation
- mediation
- conciliation and arbitration.

Grievance procedures

Grievances are complaints that an employee has formally recognised with a manager or union representative. Grievances usually occur when an employee thinks they have been unfairly treated.

To reduce the risk of these low-level complaints blowing out into a major confrontational issue, most businesses have developed a system of **grievance procedures**: a number of predetermined steps that are followed to resolve a dispute. In most cases, the problem is resolved after discussions between the people involved. For example, you may think it is unfair that a work colleague is always given first choice when selecting work times on a new roster. You decide to inform your supervisor of your grievance. The supervisor would then follow the set procedures to negotiate a solution to everyone's satisfaction.

Negotiation

Negotiation is a method of resolving disputes where the parties involved discuss the issues in an attempt to reach a compromise. Referring to the previous example, you could negotiate with your work colleague to reach a compromise regarding the selection of work times on a new roster. The supervisor or manager then formally recognises the negotiated agreement. Effective negotiators are not motivated by trying to beat the other person. Rather, they want to reach an agreement that satisfies all those involved. Consequently, some 'give and take' may be required in an attempt to reach a compromise solution. Successfully negotiating a resolution to a dispute usually results in all the parties feeling good about the decision and committed to the end result.

Unfortunately, our cultural obsession with winning, while sometimes a desirable quality, can be an obstacle to effective negotiation. A win–win approach is preferable.

If negotiation fails to resolve the dispute, the next alternative is mediation.



A negotiated decision

Mediation

Mediation occurs when a third party helps those involved in a dispute to reach a solution acceptable to both sides. Mediators do not act *for* either of the parties, nor do they advise or decide who is right or wrong. Their main role is to encourage the parties to examine all the issues. Discussions are confidential and held in a non-threatening environment. The main advantage of mediation is that:

- both parties will feel that they have achieved something by themselves
- it provides a win–win solution where no-one is seen to 'lose'.

If mediation fails to resolve the dispute, the next alternative is to have the case heard in a court, by Fair Work Australia, which has the power to conciliate and arbitrate.



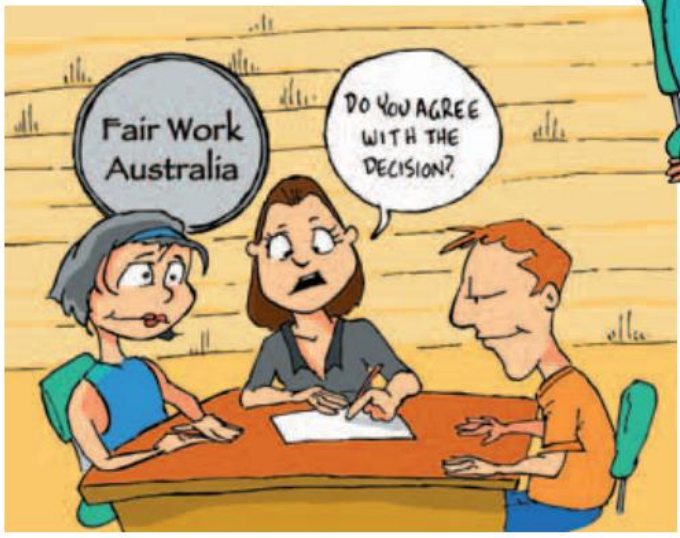
Fair Work Australia is the national workplace relations tribunal.

Conciliation and arbitration

Conciliation is similar to mediation in that a third person, in this case Fair Work Australia helps settle a dispute by trying to get both parties to reach a mutually acceptable solution. A teacher conciliates when she or he assists two students to settle a dispute by offering advice and suggestions.

If no solution is reached and the dispute continues, the teacher now has to resort to **arbitration**. The teacher decides what will happen, makes an order and the students must obey. When Fair Work Australia arbitrates, it makes a decision that is legally binding; that is, both the employer and employee must accept the decision.

The main disadvantage of arbitration is that both parties may feel they have lost some control over the process and the final outcome compared to a mediated or conciliated decision.



A conciliated decision — you 'own' the solution



An arbitrated decision — a solution is imposed on you

Glossary

arbitration when an independent body makes a final (and binding) decision on a dispute between two parties

conciliation similar to mediation except the conciliator can suggest possible solutions

grievance procedures a number of predetermined steps that are followed to resolve a dispute

mediation when a third party helps those involved in a dispute to reach a solution acceptable to both sides

negotiation a method of resolving disputes where the parties involved discuss the issues in an attempt to reach a compromise

Activities

Understand

1 What is meant by the term 'grievance procedure'?
2 Explain the difference between:
(a) *negotiation* and *mediation*
(b) *conciliation* and *arbitration*.
3 What is the similarity between mediation and conciliation?
4 What is the main role of a mediator?
5 Briefly outline the possible benefits of a mediated resolution both for employers and employees.
6 If you were in dispute with a classmate about sitting in a specific seat, would you prefer your teacher to conciliate or arbitrate? Why?

Think

7 What is the advantage of a win–win solution when resolving a dispute?

Communicate

8 Rebecca and her employer are in disagreement over the sick leave entitlements of her award. She wants to be able to take three days off without having to produce a doctor's certificate. Her employer wants it to stay as one day only.

Your class has been asked to help settle the dispute. Conduct a roleplay to try to resolve this conflict using conciliation. After this, conduct a mock trial and arbitrate on this disagreement. Elect a panel to act as the arbitrator and have class members present arguments for both sides.

4.16

Taxation

Reasons for taxes

Many people complain about paying **taxes** and feel they would be better off without them. However, there are some goods and services that are provided for the whole community and available for everyone to use. These are called **collective wants**: goods and services that are mostly provided by governments. They include schools, hospitals, defence forces and social welfare payments. To pay for these goods and services, the government needs to raise money, which it does through taxes. Taxes are the main source of revenue (as government income is called).

Types of taxes

Over time, taxes have been placed (imposed) on many unusual items such as hats, beds, baths, windows, marriages and even funerals. History also records that a Turkish ruler collected a tax each time he dined with one of his subjects. Why? To pay for the wear and tear on his teeth!

In Australia, there are a number of different taxes, but the one most likely to affect you in your working life is personal income tax where a percentage of each worker's earnings is given to the federal government. How much tax you pay depends on how high your income is because income tax rates vary according to income.

PAYG income tax rates 2012–2013

Taxable income	Tax on this income
$0–$18 200	Nil
$18 201–$37 000	19 cents for each $1 over $18 200
$37 001–$80 000	$3572 plus 32.5 cents for each $1 over $37 000
$80 001–$180 000	$17 547 plus 37 cents for each $1 over $80 000
$180 001 and over	$54 547 plus 45 cents for each $1 over $180 000

The most common method of paying personal income tax is through the Pay As You Go (PAYG) system. It generally applies to wage and salary earners. Your employer deducts tax out of each pay and sends this in to the Australian Taxation Office (ATO). The PAYG system is based on a tax year starting on 1 July and ending the following 30 June.







Governments provide these collective goods and services.

The federal government also gains revenue from:

- company taxes paid by businesses out of their profits
- excise duty, a special tax placed on cigarettes, alcohol and petrol
- customs duty, a tax on imported goods
- capital gains tax, a tax on profits made on the sale of assets such as property and shares.

Since 2000, Australia has also had a **Goods and Services Tax (GST)**. This is payable on most goods and services sold, with the major exception of fresh food. The GST is a tax that is applied at each stage of production but paid by the final consumer. Ten per cent of the price of each purchase is returned to the federal government in GST. This money is then passed on to the state and territory governments.

Processes of paying taxes

Tax File Number (TFN) declaration

When you start a new job, you should complete a TFN declaration form. The ATO will use the information you provide on this form to determine the amount of tax automatically deducted from your pay. If you have more than one job, you must complete a form for each employer.

Comfact

No income tax is paid on lottery winnings, raffle prizes, gifts, rewards for information and inheritances.

Income tax return

Australia's tax system works on self-assessment. This means that you must show your assessable income and claim only the deductions and offsets (formerly called rebates) to which you are entitled. An income tax return has to be completed and returned to the ATO at the end of the financial year. The ATO will then check your return to determine whether you have paid enough tax. If you have not, you will have to pay more tax. If you have paid too much tax, the ATO will give you a refund.

Glossary

collective wants goods and services that are for the use of the whole community

Goods and Services Tax (GST) a broad-based tax of 10 per cent on the supply of most goods and services consumed in Australia

taxes the part of our income taken by the government to pay for collective goods and services

Activities

Understand

1 Why do governments tax people?
2 Which tax raises the most revenue for the federal government?
3 Collect pictures of three collective wants provided by the government and paste them into your notebook. Underneath each, write a short statement explaining how it improves your quality of life.
4 What do the following letters represent? Provide a brief explanation of each.
(a) ATO (b) PAYG (c) GST (d) TFN
5 When should an tax file number declaration form be completed? What is its purpose?
6 Michael earns $35 000 per annum and Tai receives $68 000 per annum.
(a) Explain to Tai why his entire salary is not taxed at the 30 per cent rate.
(b) Calculate the tax payable in each case.
7 Complete a mock PAYG tax return form with the following details:
Name: Robert Polosak
Address: 2 High Street, Bigga 2497
Date of birth: 18–5–1988
Occupation: Engineer
Tax File Number (TFN): 371 958 137
Income: $61 085
Interest on term deposit: $2215
Deductions:
- Journals $435
- Computer use $860
- Lighting/power — office $1105
- Safety equipment $792
- Conference fees $1185

Think

8 'We would all be better off if we did not pay taxes, but provided for our own needs and wants.' Do you agree or disagree with this statement? Give reasons for your answer.
9 PAYG income tax is a progressive tax; that is, the proportion paid in tax increases when income increases. Do you think this type of tax system discourages people from working? Give reasons for your answer.

eBookplus

10 Use the **Australian Taxation Office** weblink in your eBookPLUS to view the four 'Tax in Australia — what you need to know' videos. List two facts about tax you learned from each video.

4.17

Superannuation

The golden years

When you retire, you may be able to access an age pension in order to survive. This is an amount provided by the federal government to help you meet your basic needs. It does not allow for a luxurious or a preferred lifestyle. As a result, you may need to work longer, or sell assets in order to generate the cash flow required. It is best to start a savings program early in life.

However, you are probably wondering why you should worry about retirement at this stage of your life. Well, imagine what your life will be like if you have no regular income when you eventually retire. Your lifestyle will suffer. What you need is a long-term investment plan — superannuation — that lets you save for retirement.

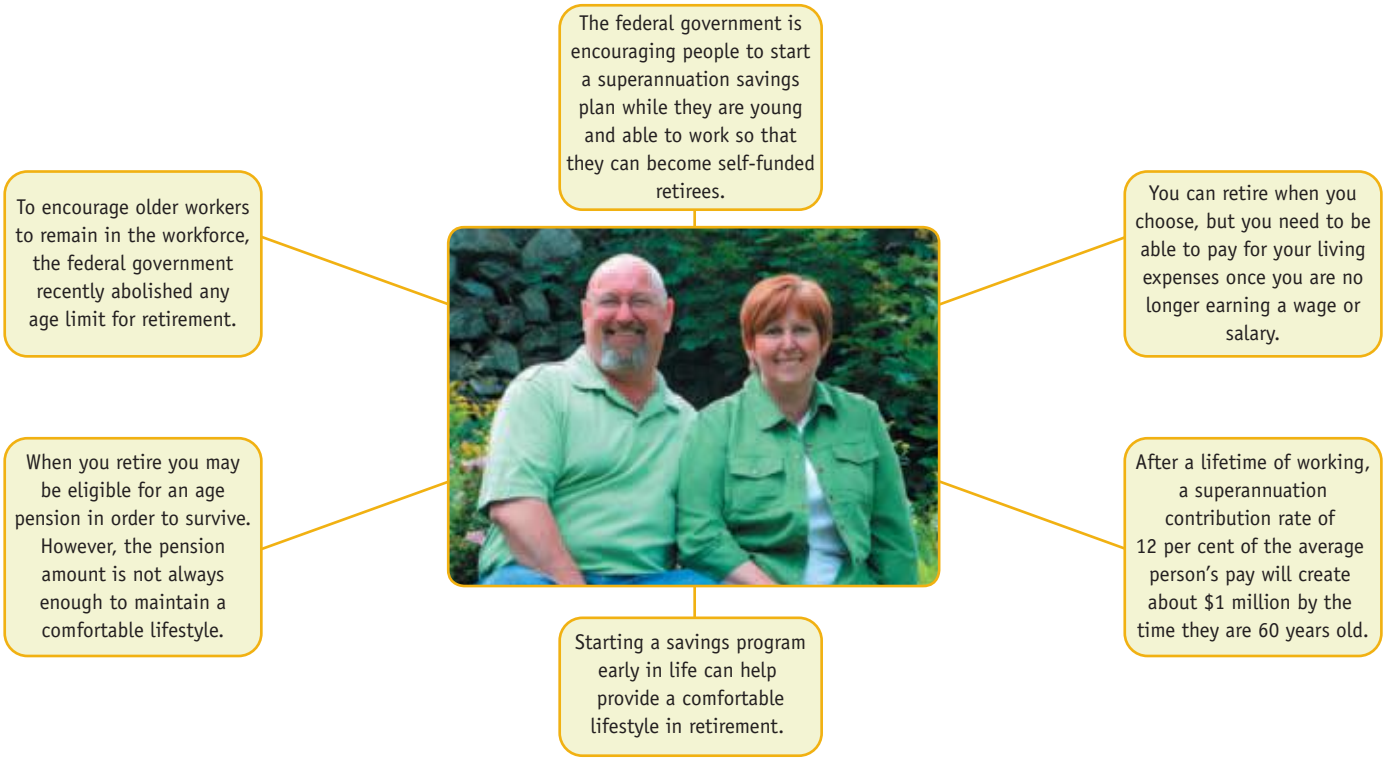
What is superannuation?

Superannuation (super) is a compulsory savings scheme whereby your employer contributes part of your wage or salary (currently 9 per cent) into a special type of investment account known as a superannuation fund. These funds are then invested to increase their value before they are paid to you when you retire.

Employees can choose to contribute to this fund also, thus increasing the overall amount they will receive on retirement. How much the employee chooses to contribute is up to him or her. The government encourages employees to make personal contributions by allowing some contributions to be tax deductible. Also, through the super co-contribution scheme, low- and middle-income earners receive a payment from the government for every after-tax dollar they contribute to their superannuation.

There are laws in place that determine when you are eligible to access your superannuation savings. Recent changes have made it attractive to remain working until at least age 60.

Those who have the financial resources to do so are well advised to plan ahead for retirement, so they can be self-funded retirees. This means



It is vital to have a financial plan that includes saving for retirement.

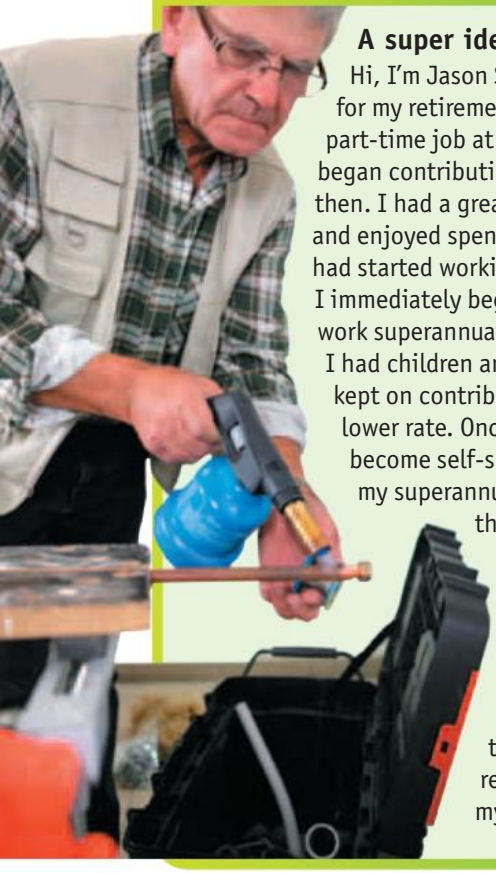
putting aside money now (while you are young and able to work) for when you get older and no longer have a regular income. Some people choose to invest their money in property, shares, term deposits or managed funds.

Normally, the longer you leave your money in a super fund, the more it grows. However, the global recession caused by the global financial crisis has decreased superannuation fund values. Some people will put off retirement until their funds recover, while some retirees may need to reduce their expected level of income.

Advantages and disadvantages of superannuation as a saving/investment option

Advantages	Disadvantages
• A forced saving scheme. • The money is automatically deducted and invested. • The value increases over time. • It allows you to maintain your lifestyle into old age. • You can change super funds, under certain circumstances. • You are given the right to select which investment options you prefer. • Your super fund stays active even when you change employers.	• Most people have to wait until they are 60 before they can access their super funds. • Super fund investments may lose value over time. • The government does not guarantee the safety of super funds. • Administration and management fees are charged by the super funds. • Taxation must be paid on certain lump sum payments.

Case*study*



A super idea

Hi, I'm Jason Starkey. I began saving for my retirement when I started my first part-time job at the age of 16. My employer began contributing to my superannuation then. I had a great time for a few years and enjoyed spending my money. Once I had started working full-time as a plumber, I immediately began contributing to my work superannuation fund. Later on, when I had children and money was tight, I kept on contributing but at a slightly lower rate. Once the children had become self-supporting, I increased my superannuation contributions to the highest level. Now, at the age of 73, I am pleased I made those earlier decisions. My superannuation balance of $615 000 is sufficient to allow me to do the things I would like to do in retirement — travel, update my car and enjoy life.

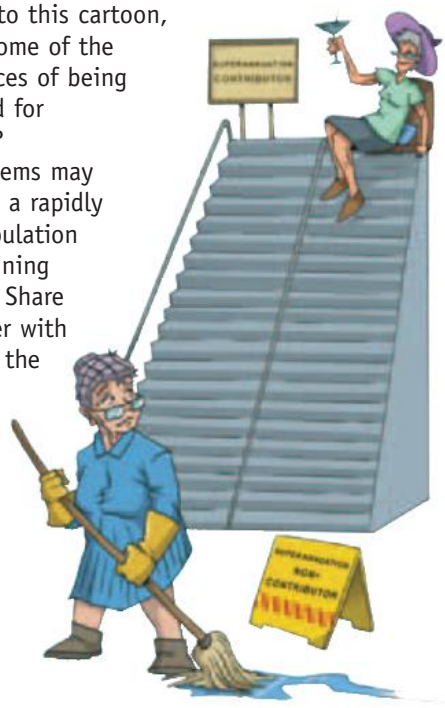
Activities

Understand

1 What is meant by the term 'superannuation'?
2 Why do young people often regard superannuation as irrelevant?
3 How does the government encourage people to contribute to superannuation?
4 What is the obligation of employers towards employees in relation to superannuation?
5 What is the legal age for retirement? Explain.

Think

6 A friend has come to you for advice about superannuation. Outline the advantages and disadvantages of superannuation as a saving/investment option.
7 Why do you think the government encourages older workers to remain in the workforce?
8 According to this cartoon, what are some of the consequences of being ill-prepared for retirement?
9 What problems may result from a rapidly ageing population and a declining birth rate? Share your answer with the rest of the class.



10 Read the case study at left. Why do you think Jason made the correct decisions regarding his superannuation contributions?

Communicate

11 Invite a guest speaker to talk to the class about the importance of having a lifetime savings plan, and why superannuation is so important. Write out three questions you could ask if given the opportunity.

Glossary

superannuation a way of saving so an employee has some money in retirement

Check

The workplace

1 Match the terms below with the correct definitions:
Terms
(a) employer
(b) entitlements
(c) labour force
(d) employee
(e) casual employment
(f) participation rate
(g) award
(h) part-time employment
(i) loading
Definitions
(i) A person who hires employees
(ii) The proportion of people aged 15 or over employed or actively looking for work
(iii) An extra amount paid to casual employees to compensate for not having access to a range of entitlements
(iv) The seller of labour
(v) All those people aged 15 or over who have a job as well as those unemployed
(vi) Holiday, sick and long service leave are examples of this
(vii) A document that outlines an employee's minimum pay and conditions
(viii) Working regular days and regular hours but less than full-time employees
(ix) To be employed on an hourly basis

2 Lara is asked to work an extra four-hour shift. The overtime rate is time-and-a-half. She is normally paid $15.00 per hour. What will be her total income for this shift?

3 Your stockbroker purchases $10 000 worth of shares in U-Bute Enterprise Limited on your behalf. She charges you a commission of 2.5 per cent. How much will you have to pay for her services?

4 Explain what is meant by 'entitlements'. Provide examples of entitlements.

5 (a) List three skilled jobs.
(b) List three unskilled jobs.
(c) Which of these two types of jobs will usually result in higher incomes and promotion? Why?

6 What is an award? Under what circumstances may an employer offer above-award conditions?

Employment relations

7 The following words have been scrambled. Unscramble them and use each one in a sentence.

cyandrdeun	siunon
wroepicek	ainnigertr
nita-nimisdcrtainoi	demitanoi

8 What is the role of a trade union in the workplace?

9 Briefly outline the main aims of the *Sex Discrimination Act 1984* (Cwlth).

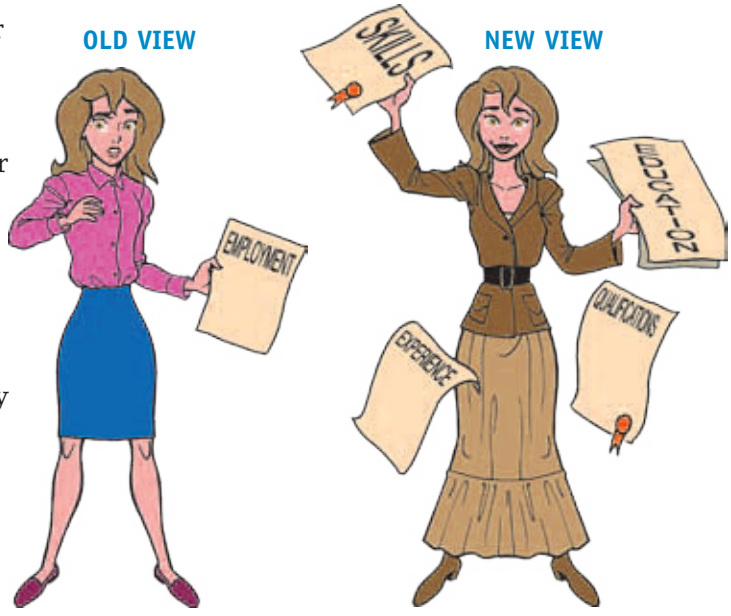
10 What health and safety obligations does an employer have towards employees?

11 Explain the difference between *conciliation* and *arbitration*.

Training and work opportunities

12 Research the latest income statistics to find out the difference between male and female incomes. The annual *Year Book Australia*, published by the Australian Bureau of Statistics, is a good place to start.

13 What does the following illustration suggest about the relationship between education, work opportunities and changing work patterns?



Challenge

Taxation and superannuation

14 Why are taxes so necessary?
15 What kinds of goods and services are funded by taxation?
16 Explain why the goods and services provided by the government are not free.
17 Apart from income tax, the federal government gains revenue from which other sources?
18 What is the purpose of a tax file number?
19 Why is superannuation considered a saving/investment option?
20 Why is it important to be financially ready for retirement?

Employment contracts

21 List the three different employment contracts.
22 Explain why both the employer and the employee should be familiar with the award or contract conditions covering a job.
23 Outline the three elements of an employment contract.
24 Explain the difference between an award and an enterprise agreement.
25 List the advantages and disadvantages of common law contracts.
26 List the rights of all employees.

Technology and work



27 Look at this photograph and answer the questions that follow.
(a) What effect has the technology shown here had on the jobs people perform?
(b) Predict what type of workforce will exist in 30 years' time. Justify your answer.
(c) What school subjects do you think will best prepare you for your future working life? Give reasons for your answer, and then compare it with those of other class members.

Legal issues relating to the workplace

28 Why do you think some employers discriminate against older workers? Is it fair? Explain.
29 Males under 25 years of age account for 30 per cent of work-related deaths. Suggest reasons why accident numbers within this group are so high.
30 How effective do you think affirmative action programs are in eliminating discrimination against women in the workplace?
31 Using the words from the list below, fill in the gaps in this article.

Woman wins case against boss

A 28-year-old woman, Alex Hall, has won a legal action against her employer. She claimed that she had suffered _____ when her employer, McCarthy Textiles, dismissed her on the grounds that she was pregnant. Speaking outside the court, she said: 'This company has not upheld important rights that I have according to the _____. The _____ is very clear that people cannot suffer discrimination due to family responsibilities.'

Ms Hall went on to slam current conditions for women in the workplace. She said that although the _____ was set in 1973, guaranteeing equal pay for women, the lack of females in _____ positions was appalling.



executive	*Sex Discrimination Act*
legislation	discrimination
minimum wage	

STUDENT WORKBOOK 4.9 The language of work
STUDENT WORKBOOK 4.10 Wrap up!

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projectsplus

The workplace environment

Searchlight ID: PRO-0134



Scenario

You are the HR (Human Resource) Manager for Reality Gaming. Reality Gaming is a company that specialises in the development of 3D video games. The business is growing rapidly and wishes to take on a number of new employees. Because of this growth, it is expanding its HR department and must develop appropriate policies in order to attract suitable applicants.

Task

As HR manager for Reality Gaming, you have been asked to formulate policies and procedures to attract new employees. These include workplace health and safety, anti-discrimination and privacy policies. In addition, you are required to investigate and put forward strategies that will allow the company to implement a more flexible employment environment, particularly around the work–life balance issue.

1. Form a group with other members of your class. Open up your ProjectsPLUS application for this chapter, located in your eBookPLUS. View the Project Brief and the video. Click the 'Start new project' button and set up your project group. Save your settings and the project will be launched.
2. Identify and discuss an appropriate type of employment that would be suitable for the three new employees you need to hire (e.g. casual, part-time, full-time). Navigate to your Media Centre, select 'Templates' and open the 'Employment Issues' template. Use the template provided under Part 1 to help you.
3. Select one of the following legal issues relating to the workplace: workplace health and safety, anti-discrimination or privacy. Research different companies' policies and procedures for your chosen issue and enter your findings as articles in your Research Forum. You can view and comment on other group members' articles and rate the options they have entered.
4. Develop a policy and procedure for your workplace on your chosen issue. Use the scaffold provided in Part 2 of the 'Employment Issues' template to help you create your document.



5. Feedback from your current employees has suggested that many of them would like the organisation to make arrangements to improve their work–life balance. Research different strategies to improve work–life balance and enter your findings as articles in your Research Forum. View and comment on other group members' articles. As a group, propose strategies to address this workplace issue. Refer to Part 3 of the 'Employment Issues' template.
6. Print each student's research summary and the completed 'Employment Issues' document, and submit them to your teacher.



projectsplus

Your ProjectsPLUS application is available in the Student Resources section inside your eBookPLUS. Visit **www.jacplus.com.au** to locate your digital resources.

Suggested software
- ProjectsPLUS
- Microsoft Word

Media centre
Your Media Centre contains:
- a video interview with a HR manager
- an 'Employment Issues' template
- an assessment rubric.

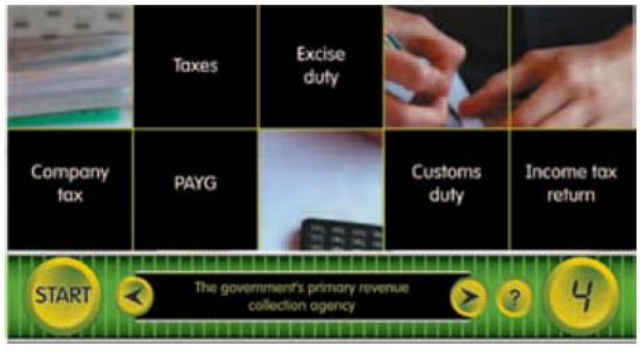
DIGITAL
resources for this chapter



WORKPLACE ACCIDENTS AND AUSTRALIA POST

This video eLesson explores the safety policies of Australia Post from the viewpoints of both Australia Post management and the union covering Australia Post employees.

Searchlight ID: eles-1047



REVELATION: TAXATION

Taxes are a part of life. This interactive Revelation game will challenge you to identify different terminology in relation to taxation. Success rewards you with a fun animation.

Searchlight ID: int-3072

Chapter 5

OPTION



Investing

We'd all like to 'make a killing' on the stock market, as the saying goes. The options for personal investors are many and so are the risks. Being informed about the options and their risks, being realistic about what we can afford, and taking time to plan and keep accurate records will help us to make good investment choices. This chapter will focus on the decisions and planning involved in making sound investments in today's financial environments.

Focus

On completion of this chapter, you will have learned about the range of investment options and how to make wise investment decisions.



Glossary

assets something of value, e.g. property, house, shares

blue chip shares very safe and secure shares

Capital Gains Tax a tax on the profits arising from the increased value of assets such as shares or property

debenture a document issued by a firm when you lend it a sum of money

dividend part of a firm's profit that is divided among shareholders

ethical acceptable to society's current standards

fixed interest rate interest rate that remains the same for the period of the loan

income and expenditure account a record of income earned and money spent during the previous week

investment putting money into something in order to make a profit. Individuals, government and business all carry out investment.

investment portfolio all the investments an individual has

managed fund a pool of money that comes from people who have similar investment goals. It is invested by a fund manager in assets such as shares or property.

rate of return the profit you receive on your investment as a percentage of the original investment

share a part ownership of a public company

stockbroker individual or firm that specialises in buying and selling shares

superannuation a way of saving so an employee has some money in retirement

superannuation fund a managed fund designed specifically to produce benefits when you retire

unsecured note similar to a debenture except the holders of these are one of the last to be repaid if a firm is liquidated

variable interest rate rate that moves up or down depending on market forces

5.1

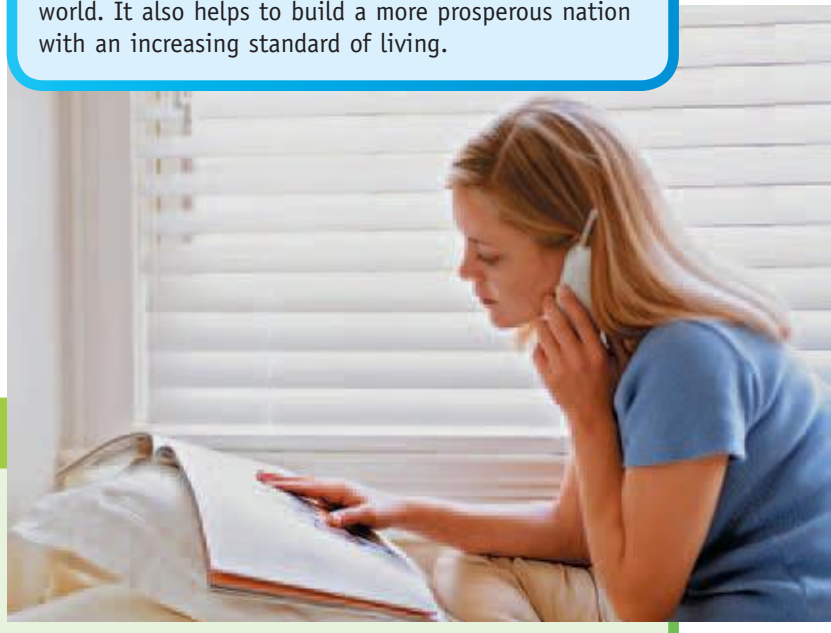
Investment decisions

Investment is when money is spent so as to gain a profitable return. Businesses and individuals carry out investment, and they do so for a variety of reasons.

- Businesses may invest in new machinery, factories, other firms or their own workforces (through programs to increase the workers' skills and efficiency levels). Companies do this to increase their profit levels.
- Individuals invest their savings in order to achieve some future goal. These goals may be short term (0 to 3 years), medium term (3 to 5 years) or long term (over 5 years). Examples of goals that might lead individuals to look for investment opportunities include the desire for extra income and future security, to pay for a major purchase, to fund a holiday or a child's education, or to ensure a comfortable retirement.

Comfact

Governments also invest; for example, in areas such as education, roads, railways, justice systems and defence forces. This type of investment does not directly create a profit. Its purpose is to ensure that a country is competitive against all other nations throughout the world. It also helps to build a more prosperous nation with an increasing standard of living.



Casestudy

Decisions, decisions!

Nadia looked at the bank statement in front of her in disbelief. She was $1000 in debt. How could this be? After all, she earned a fortnightly salary of $1800 and she still lived at home with her parents. It was definitely time to get her act together and work out a savings plan. Nadia felt exhilarated by the idea, and was determined not only to repay what she owed, but to become one of those responsible people who invest for the future!

She made a careful budget and, by cutting back on her expenses, she managed to have a positive bank balance within a month. Nadia realised that if she continued to spend her money wisely, she could make some serious savings. However, as she thought about it, it didn't seem wise to just leave the money in the bank. Although an online savings account would give her 4 per cent interest, she was certain that there were better opportunities to be gained.

Nadia's best friend Liza advised her to buy shares on the internet using an internet broker as this would be cheaper than using a stockbroker. The prospect of making lots of money was exciting, but Nadia thought it was all just a bit too confusing and it seemed to be a high-risk option. After all, what did she know about the Australian stock exchange? A work colleague suggested that she should consider investing in a **managed fund** as it was a better option for first-time investors, but Nadia was still in two minds.

She loved living with her parents, but perhaps it was time to leave the nest. She had read that property could provide a very lucrative investment. Her mother, on the other hand, had stressed the importance of **superannuation** because she claimed that you can never have too much money stacked away for your retirement.

And, just to make things even more confusing, the Sunday paper had a long article outlining the difference between something called debentures and unsecured notes. Apparently, the first was better because if the firm to which you lent money went into liquidation, your investment was still safe as you would be first creditor in line to be repaid.

'This is just too confusing! There are too many choices. I give up!' Nadia exclaimed in frustration. She had to take the next big step and ask for some professional help. With a sigh she picked up the phone.

'Best Practice Financial Planning Service. How may I help you?', a cheerful and confident voice greeted Nadia.

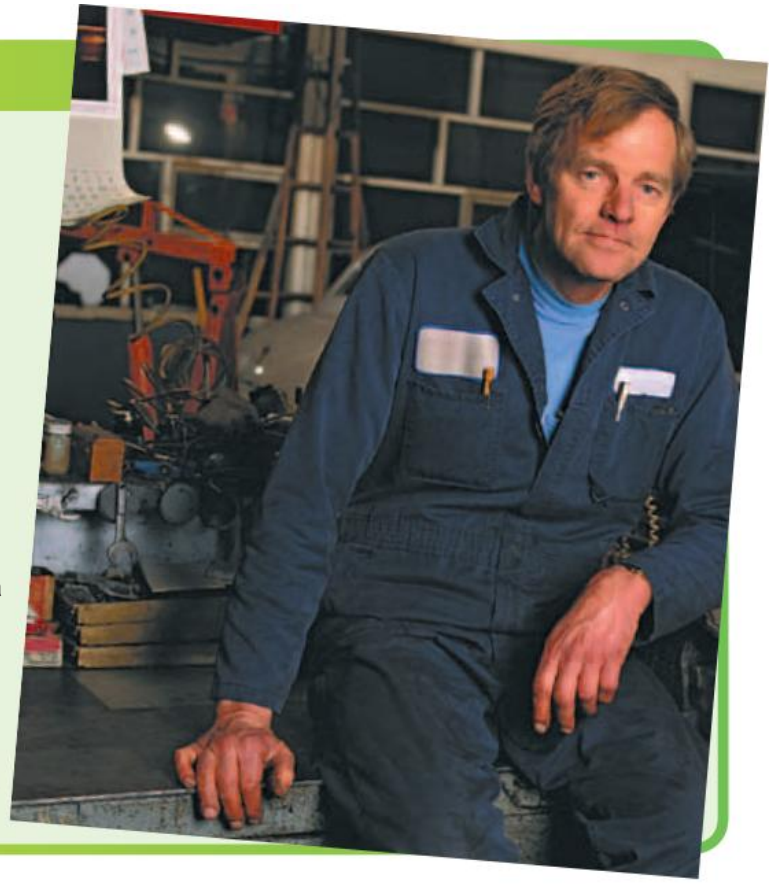
Case*study*

Terry's retirement plans

Terry worked as a panel beater for a smash repair company. When he was 18, he began to pay into his superannuation fund.

As Terry grew older his circumstances changed. There was a wedding, children, holidays, education and retirement plans that all had to be paid for. However, while Terry changed the amount he put into superannuation, he always paid as much as he felt he could afford as he wanted to secure his future once he retired.

Terry is now 55 and intends to retire when he is 58. When he retires, he expects to receive a lump sum of almost one million dollars. After seeking advice from a financial adviser, Terry intends to invest this money in a combination of shares and high interest bank deposits. With the dividends and interest he receives from this, he expects to be able to maintain his current lifestyle and have enough to pay for a holiday each year. As he enters old age, he and his wife will sell their large 4-bedroom home and buy a smaller unit. The money left over from this will ensure their continued happiness.



Activities

Understand

1 Copy the passage below and fill in the missing words from the information in this section.

_____ is when money is spent so as to gain a _____ return. Individuals, _____ and _____ generally carry out investment.

Businesses may invest in new _____, factories, other _____ or its own _____.

_____ may invest in areas such as _____, roads, _____, justice systems, and _____ forces.

Individuals invest their _____ so as to achieve some future goal such as a holiday.

2 Refer to the case study on Terry's retirement plans.

(a) How did Terry's circumstances change as he grew older?

(b) Where does Terry intend to invest his retirement money?

(c) Describe how Terry intends to obtain more money once he retires.

3 Refer to the case study of Nadia 'Decisions, decisions!' on the previous page.

(a) List all the types of investments about which Nadia was given advice.

(b) Describe how Nadia managed to change her $1000 debt into a positive bank balance.

(c) Explain why Nadia was confused.

(d) Which financial planning firm did Nadia contact? What do you think the benefits would be from contacting this firm?

Think

4 Write out your own financial goals for the:

(a) short term (0 to 3 years)

(b) medium term (3 to 5 years)

(c) long term (over 5 years).

Estimate the funds that you might need to achieve your goals.

Communicate

5 Interview a parent, other relative or family friend about their short-term, medium-term and long-term financial goals and the types of decisions they have made in order to try to achieve them.

Glossary

investment putting money into something in order to make a profit. Individuals, government and business all carry out investment.

managed fund a pool of money that comes from people who have similar investment goals. It is invested by a fund manager in assets such as shares or property.

superannuation a way of saving so an employee has some money in retirement

5.2

Financing investment

There are two main ways of financing an investment: through personal savings or by borrowing. Most people save for smaller investments and borrow money by taking out a bank loan for larger investments. People who wish to begin investing should first assess their current financial position to avoid over-committing funds that they cannot afford.

Saving for an investment

The advantage of saving before you invest is that you do not have to pay interest on a loan. However, it takes time to save sufficient funds to make the investment. This may mean you have extra costs, such as paying rent while saving for a house.

Before starting to save, it is important to work out how much you are spending and whether there are ways to spend less and save more. Some steps to begin this process include:

- writing out a set of financial goals
- preparing a weekly budget of likely spending
- keeping a record each week of income and expenditure and comparing it to your budget.

Any surplus funds should be transferred to an investment account that earns higher interest than a regular bank account.

Borrowing to invest

When borrowing money for an investment, you must first ensure that you can afford the repayments. Shop around for some loans that suit your purposes and carefully check and compare the features of these loans. For example, personal loans may be secured (the bank or financial institution retains an interest in the item purchased, such as a boat or car) or unsecured; and home loans involve a choice of either a fixed interest rate or a variable rate.

A **fixed interest rate** remains the same for the period of the loan. Fixed interest rate loans give you greater control over your finances because the repayment amount remains the same for the fixed interest period. However, fixed interest loans cannot usually be paid off before the set date without having to pay a penalty fee.

A **variable interest rate** moves up or down depending on the financial market. With a variable rate, you are, therefore, at the mercy of the market. Interest rates will vary considerably over time. To a certain extent, the Reserve Bank of Australia is able to set the actual rates of interest.

Income and expenditure account of Khanh Nguyen

Date	Income	Amount	Date	Expense	Amount
1 Jul	Balance available to invest	$ 30.00	1 Jul	Rent	$ 60.00
1 Jul	Pay for casual work	$ 200.00	2 Jul	Magazine	$ 8.00
3 Jul	Medicare refund	$ 17.00	4 Jul	Groceries	$ 27.00
6 Jul	Interest on deposit	$ 47.00	5 Jul	Donated to Red Cross	$ 5.00
	Total income	$ 294.00	7 Jul	Mobile phone	$ 20.00
.....	.....	.....		**Total expenses**	$ 120.00
			7 Jul	Balance available to invest	$ 174.00
			.....	.....	.....
8 Jul	Balance available to invest	$ 174.00	8 Jul	Rent	$ 60.00
8 Jul	Pay for casual work	$ 208.00	9 Jul	Groceries	$ 29.00
12 Jul	Medicare refund	$ 20.00	11 Jul	Doctor bills	$ 18.00
14 Jul	Birthday gift	$ 50.00	11 Jul	New fishing rod	$ 50.00
	Total income	$ 452.00	12 Jul	Newspaper bill	$ 18.00
			13 Jul	Entertainment	$ 36.00
			14 Jul	Petrol for car	$ 23.00
				Total expenses	$ 234.00
	Balance available to invest	$ 218.00	14 Jul	Balance available to invest	$ 218.00

A typical income and expenditure account

Income and expenditure account

To determine exactly how much an individual or business has to invest, it is a good idea to prepare a weekly **income and expenditure account**. This is a record of income earned and money spent during the previous week. The income and expenditure account of Khanh Nguyen on page 158 gives the following information.

1. At the start of the week, Khanh had $30 left over from the previous week. This is listed as the balance at 1 July at the start of the income column. All income is then listed and totalled. In the first week, this is $294.00.
2. Expenses are listed in the right-hand column and then totalled. In this case, total expenses were $120.00.
3. To calculate the amount that Khanh has available to invest at the end of the week, the total expenses are deducted from her total income. This is then written as 'Balance available to invest' and is $174.00.
4. Khanh now transfers this amount from 7 July in the right-hand column to the start of the next week on the 8 July as her new balance. She again adds her income and deducts her expenses to gain the balance of $218.00 for the week ending 14 July.
5. The process continues and Khanh can see exactly where her money has come from and where it has gone. She is also able to determine exactly how much she has available to invest.

Glossary

fixed interest rate interest rate that remains the same for the period of the loan

income and expenditure account a record of income earned and money spent during the previous week

variable interest rate rate that moves up or down depending on market forces

Activities

Understand

1 Name the two ways of financing an investment.

2 Describe the main advantages and disadvantages of saving to invest.

3 Outline the difference between a *fixed interest rate* and a *variable* one.

4 Refer to Khanh Nguyen's income and expenditure account.
- (a) How much did Khanh have available to invest at the start and at the end of the week?
- (b) Did Khanh have greater expenses in the first or second week?
- (c) What was Khanh's largest expense?

5 Copy the income and expenditure account for Jamie Chang (below) either into your notebook or a spreadsheet program. Fill in the places where there are question marks.

15 Jul	Balance available to invest	$ 218.00	15 Jul	Rent	$ 60.00
15 Jul	Pay day	$ 180.00	15 Jul	Newspaper bill	$ 11.00
17 Jul	Receive interest	$ 110.00	16 Jul	Meat	$ 45.00
21 Jul	Mowing lawns	$ 45.00	16 Jul	Refreshments	$ 55.00
	Total income	**$?**	18 Jul	Sport fees	$ 2.00
			19 Jul	New car muffler	$ 87.00
			19 Jul	Raffle tickets	$ 5.00
			20 Jul	Petrol for lawn mower	$ 2.00
				Total expenditure	**$?**
			21 Jul	Balance available to invest	$?

6 Prepare the income and expenditure account for Leo Lansky using the information below. If possible use a spreadsheet program to do this.

1 Jul	Balance available to invest	$ 20.00
1 Jul	Pay day — received	$ 210.00
2 Jul	Paid rent	$ 80.00
3 Jul	Purchased groceries	$ 40.00
4 Jul	Purchased meat	$ 20.00
5 Jul	Received bank interest of	$ 12.00
6 Jul	Entertainment costs	$ 40.00
7 Jul	Total and balance off the week's accounts.	
8 Jul	Bring the previous week's balance forward.	
8 Jul	Pay day — received	$ 210.00
9 Jul	Paid rent	$ 80.00
10 Jul	Purchased groceries	$ 30.00
12 Jul	Purchased meat	$ 25.00
12 Jul	Received money for lawn mowing	$ 25.00
12 Jul	Paid sport fees	$ 10.00
12 Jul	Entertainment costs	$ 35.00
14 Jul	Total and balance off the week's accounts.	

eBookplus

7 Use the **Banks and Institutions** weblinks in your eBookPLUS to help you prepare a PowerPoint presentation that compares the different interest rates of the main banks, credit unions and building societies.

5.3

Ethical investments

When making investment decisions, some people decide to invest only in certain companies or organisations whose products, policies and practices are in line with their own beliefs and values. This is known as **ethical** investment (also called green or conscious or socially responsible investment). It is becoming more common as people become more aware of the issues and practices of businesses that can damage our society and the environment.

Some examples of issues that might influence the decisions of an ethical investor include the type of products a company makes or sells, such as cigarettes, alcohol or gambling machines, evidence of the exploitation of child labour, creation of excessive amounts of greenhouse gases, destruction of old growth forests, experiments in genetic engineering or animal testing, creation of excess waste, affecting the Earth's biodiversity and involvement in the nuclear industry.

The two most common ways of investing ethically are negative screening and positive screening.

- Negative screening — avoids investing in some types of firms, for example, cigarette companies or firms that make alcohol.
- Positive screening — involves investing in those firms that are involved in activities which are deemed desirable, such as renewable energy or healthcare.

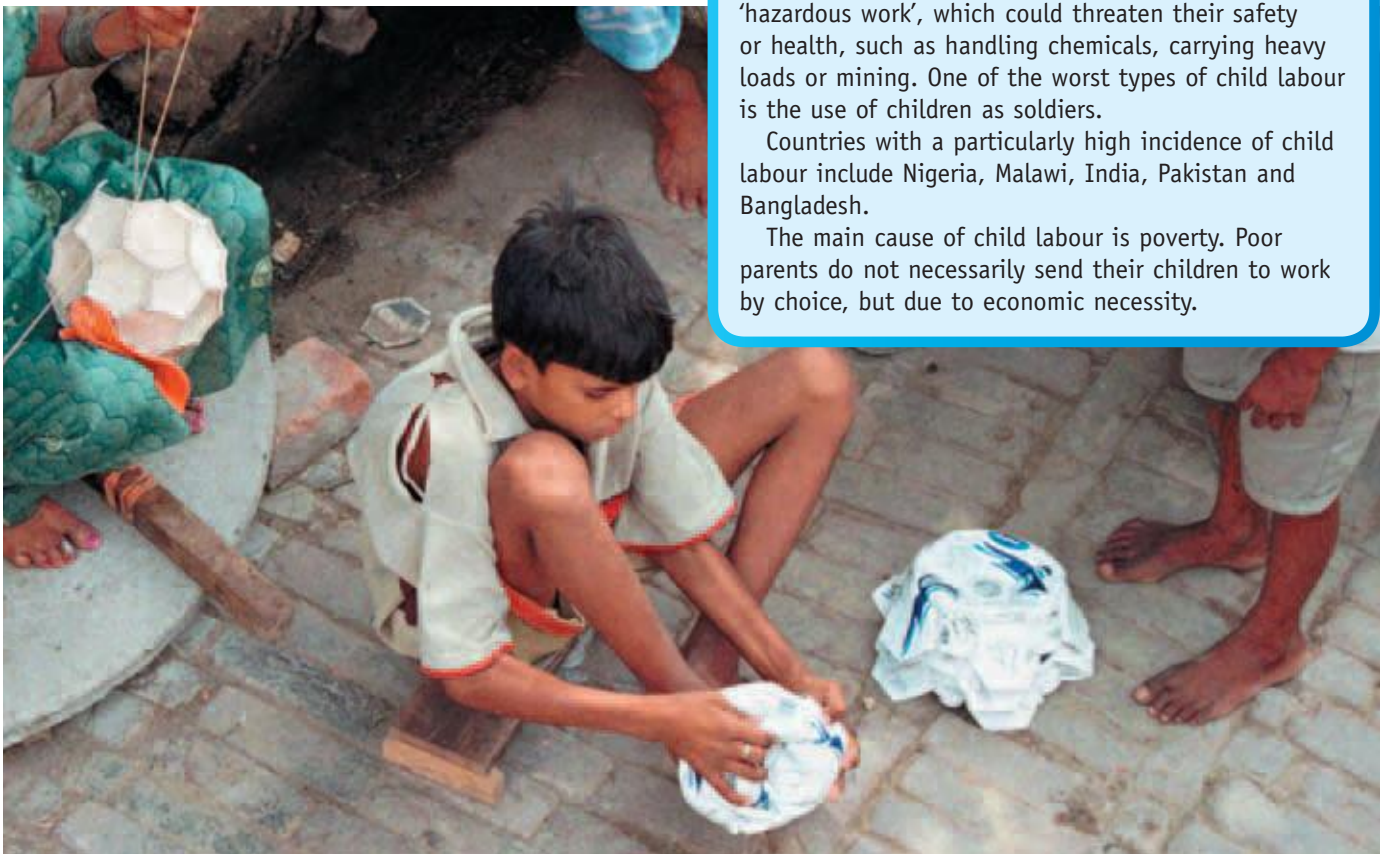
Comfact

Consumers in wealthy countries such as Australia are shocked to find that frequently their clothes, household goods and sporting equipment are the products of child labour. It is estimated that worldwide over 215 million people under the age of 18 work illegally in some form of child labour. This is approximately 14 per cent of all the world's children under 18.

Almost half these children will be involved in 'hazardous work', which could threaten their safety or health, such as handling chemicals, carrying heavy loads or mining. One of the worst types of child labour is the use of children as soldiers.

Countries with a particularly high incidence of child labour include Nigeria, Malawi, India, Pakistan and Bangladesh.

The main cause of child labour is poverty. Poor parents do not necessarily send their children to work by choice, but due to economic necessity.

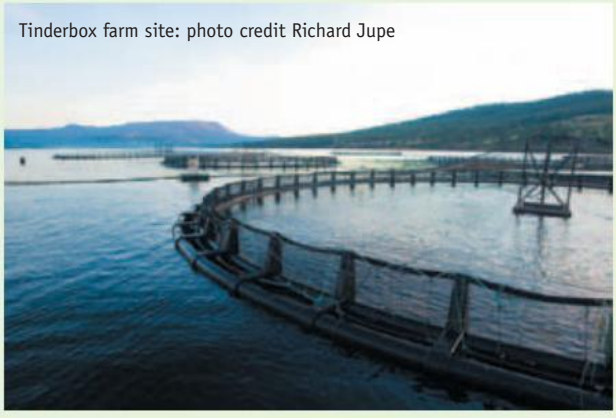


The use of child labour in the developing world is one of the ethical issues facing businesses and, therefore, investors.

Casestudy

Tassal: The Tasmanian Salmon

Aquaculture is an environmentally sound way of farming fish to produce enough fish to meet rising demand without harming wild fish stocks. Tassal was established in 1986 with the aim of farming Atlantic salmon for the Australian market. It constructed a sea farm at Dover in southern Tasmania. The first harvest consisted of 53 tonnes of fish. This has now increased to over 20 000 tonnes and the firm currently employs over 700 people, making it the largest aquaculture company in Australia. Apart from being involved in a very environmentally friendly industry, Tassal is continuously involved in developing support programs for the local communities and offers scholarships to students wishing to study aquaculture.



Tinderbox farm site: photo credit Richard Jupe

Casestudy

Bendigo Bank

The Bendigo Bank can trace its origins to 1858 when the Bendigo Permanent Land and Building Society was formed. For over a hundred years the organisation mainly operated in the Victorian city of Bendigo. However, in the 1990s the firm started to expand into other Victorian centres and interstate.

At this time, most banks in Australia were in the process of closing many of their branches in rural areas and smaller branches in many suburbs. This made normal banking at branches very difficult for many people. In response to this, the Bendigo Bank began to open Community Banks®. This involved local communities purchasing the right to operate a franchised Bendigo Bank branch. The Bendigo Bank provides banking support, and revenue is shared with the locally owned company. Currently, there are more than 200 of these branches operating in Australia and it has proven to be a very popular concept.

Glossary

ethical acceptable to society's current standards

Activities

Understand

1 What is ethical investment? Give two other names for it.
2 List six ethical issues that may concern potential investors.
3 With reference to ethical investing, explain the difference between *negative* and *positive screening*.
4 When was Tassal established? Describe its main business activities.
5 Explain why Tassal would be a suitable ethical investment.
6 To what year can the Bendigo Bank trace its origins?
7 What is a Community Bank®? Why did the Bendigo Bank develop this concept?
8 Which of the following goods or services would *NOT* be on a list of ethical investments? Why?
   (a) Cosmetics that are tested on animals
   (b) Solar research companies
   (c) Alcohol and tobacco companies
   (d) Companies that donate a part of their profit to charity
   (e) Companies in countries that do not support human rights
9 Use the words in the list to complete the paragraph below.
Word List: mining, India, 14 per cent, hazardous, half, incidence
Globally about _____of all the world's people under 18 are involved in child labour. Almost _____ of these children will be involved in _____work such as handling chemicals, carrying heavy loads, _____or soldiering. Countries with a high _____ of child labour include Nigeria, Malawi, _____, Pakistan and Bangladesh.

eBookplus

10 Use the **Tassal** weblink in your eBookPLUS to find information about this firm's products and its community involvement.

Worksheet 5.1 Research the ethical activities and strategies of five major companies.

5.4

Range of investment options

Options available for investors include investment accounts, shares, property, superannuation and managed funds.

Investment accounts

All banks, building societies and credit unions offer a variety of investment-type accounts. These include cash management accounts, internet accounts and term deposits.

A cash management account is similar to a normal statement savings account in that funds can be withdrawn and deposited whenever you like. The differences are that it will pay a much higher rate of interest and there is usually a substantial minimum amount that must be kept in the account; for example, $5000. Internet accounts can be accessed only through the internet. They offer higher rates of interest, few statements and lower fees. They tend to make excellent investment accounts, but have limitations as an everyday access account.

A term deposit is a sum of money deposited with a financial institution that must be left there for a set period of time (the term) in order to receive higher rates of interest in return. You cannot withdraw or add to the deposit if you wish to retain the higher interest rates. Most term deposits give you the choice of when the interest is paid, either monthly or when the term expires (this is called 'at maturity'). Term deposits are for people who wish their money to be very safe and who are also seeking a reasonable level of return.

Shares

A **share** is a part ownership of a public company. Shares are bought and sold on the stock exchange. The price of a share constantly changes and if the price rises, you may make a profit if you sell the share.

A shareholder may also receive a **dividend**. This is the part of the firm's profit that is divided among shareholders.

To purchase shares you may use a **stockbroker**, who specialises in buying and selling shares for a fee, or you may trade online with an internet broker, such as CommSec. Online trading is cheaper than using a stockbroker, but stockbrokers do generally offer a greater depth of knowledge and advice.



Thousands of shares are traded every day on the Australian Securities Exchange.

Property

In most cases, investing in property involves people purchasing their own home or apartment. This tends to be the largest individual purchase a person will make.

Purchasing your own property has advantages, such as no longer having to pay rent, and when your property is sold, any profits from its increase in value are not taxed.

Apart from owning a home to live in, many people purchase an investment property with the intention of renting it out. This provides advantages including the income from the rent, the probability of the property increasing in value (appreciating) and taxation benefits.

Managed funds

A managed fund is made up of a pool of money that comes from many people who have similar investment goals. A professional fund manager invests this money in **assets** such as shares or property. A managed fund allows a small investor to be involved in the share market and real estate.

Comfact

Warren Buffett is the world's richest investor. In 2011, his wealth was estimated at US$47 billion. This makes him the world's third richest person. Despite the wealth, he reportedly does not own a mobile phone and still drives himself to work each day.

Superannuation

A **superannuation fund** is a managed fund designed specifically to produce benefits when people retire from work. Employers pay an amount for each employee to a superannuation fund and employees contribute a small percentage of their income into the fund. When employees retire from work, they receive either a pension or a lump sum payment from the superannuation fund.

Debentures and unsecured notes

A **debenture** is a document issued by a firm when you lend it a sum of money. The debenture states the amount lent, the interest the firm will pay and the period (length of time) of the investment. A debenture is a relatively safe investment as debenture holders are one of the first to be repaid if a firm is liquidated.

Unsecured notes are similar to a debenture except that holders of these are one of the last to be repaid if a firm is liquidated. They are not as safe as a debenture and consequently attract a higher rate of interest.

Sample interest rates for debentures and unsecured notes

Term	Debentures	Unsecured deposit notes
6 months	5.00%	6.00%
1 year	7.85%	8.50%
2 years	8.45%	8.95%
3 years	8.65%	9.50%
4 years	9.00%	10.25%
5 years	9.75%	11.25%

Activities

Understand

1 List the six main options available for investors.
2 Describe the features of an internet bank account.
3 Describe the advantages of owning your own home.
4 Explain the advantages of a managed fund for a small investor.
5 What is superannuation?
6 Explain the difference between a *debenture* and an *unsecured note*.
7 Refer to the table below.

Stock	Last Sale	Volume 000's	Buy Quote	Sell Quote	Year High	Year Low
ANZ	$25.30	6 382	$25.20	$25.40	$30.40	$24.20
BHP Billiton	$37.00	14 607	$36.80	$37.10	$44.20	$36.50
Commonwealth Bank	$49.50	5 683	$49.25	$49.75	$51.50	$41.20
Amcor	$6.50	4 839	$6.40	$6.60	$7.60	$6.30
Coca-Cola Amatil	$8.80	2 239	$8.60	$8.90	$9.20	$8.20
Woolworths	$27.50	4 744	$27.20	$27.60	$35.60	$25.60

(a) Which share had the highest last sale price?
(b) Which share had the most trades on this day?
(c) In the past 12 months which share had the lowest price?
(d) At what price are people prepared to buy Woolworths shares? At what price are people prepared to sell Woolworths shares? What must happen before a sale can occur?
(e) Assume that you own 2000 BHP Billiton shares and that they pay a dividend of 40 cents. How much would you receive?
(f) Using the last sale price, what would it cost to purchase 2000 BHP Billiton shares?

Think

8 'It's easy to lose your money in the stock market.' Discuss this statement outlining the advantages and disadvantages of investing in shares.

Glossary

assets something of value, e.g. property, house, shares

debenture a document issued by a firm when you lend it a sum of money

dividend part of a firm's profit that is divided among shareholders

share a part ownership of a public company

stockbroker individual or firm that specialises in buying and selling shares

superannuation fund a managed fund designed specifically to produce benefits when you retire

unsecured note similar to a debenture except the holders of these are one of the last to be repaid if a firm is liquidated

5.5

Risk and return

A key factor in investing your money is the **rate of return**. This is the profit you receive on your investment as a percentage of the original investment. When investing your money, your main aim is usually to maximise the rate of return; that is, to make the most profit possible. The rate of return is given by the equation:

$$\text{Rate of return} = \frac{\text{Profit from the investment}}{\text{Original investment}} \times \frac{100}{\text{Period (years) of the investment}}$$

Example:
Faiza invested $10 000 in shares. She sold them one year later and made a profit of $1500. Her rate of return is:

$$\text{Rate of return} = \frac{\text{Profit from the investment}}{\text{Original investment}} \times \frac{100}{1}$$

$$= \frac{\$1500}{\$10\,000} \times \frac{100}{1}$$

$$= 15\%$$

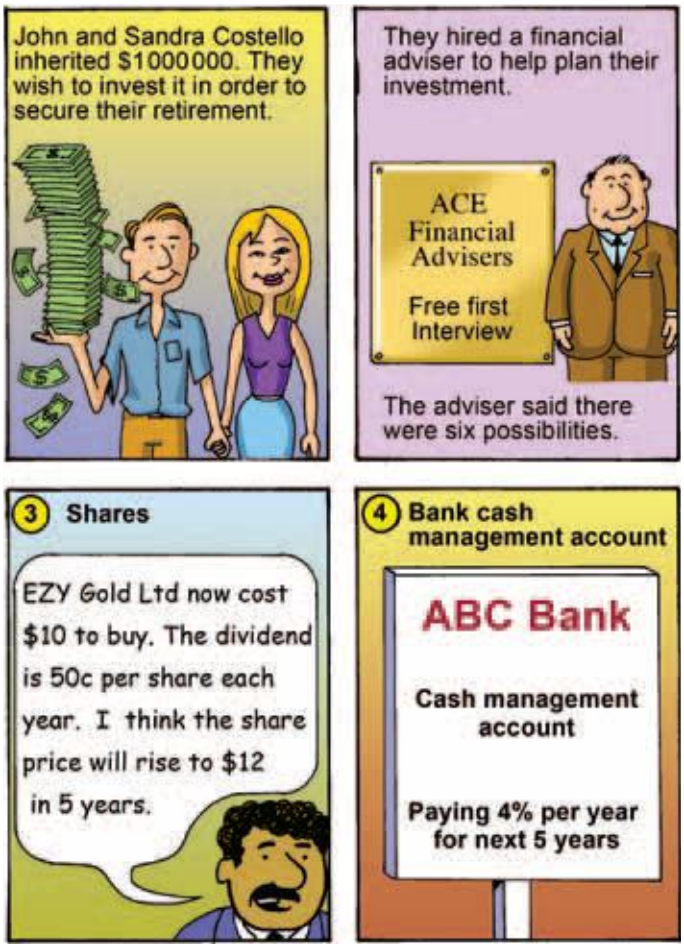
Therefore, Faiza's rate of return was 15 per cent on her investment.

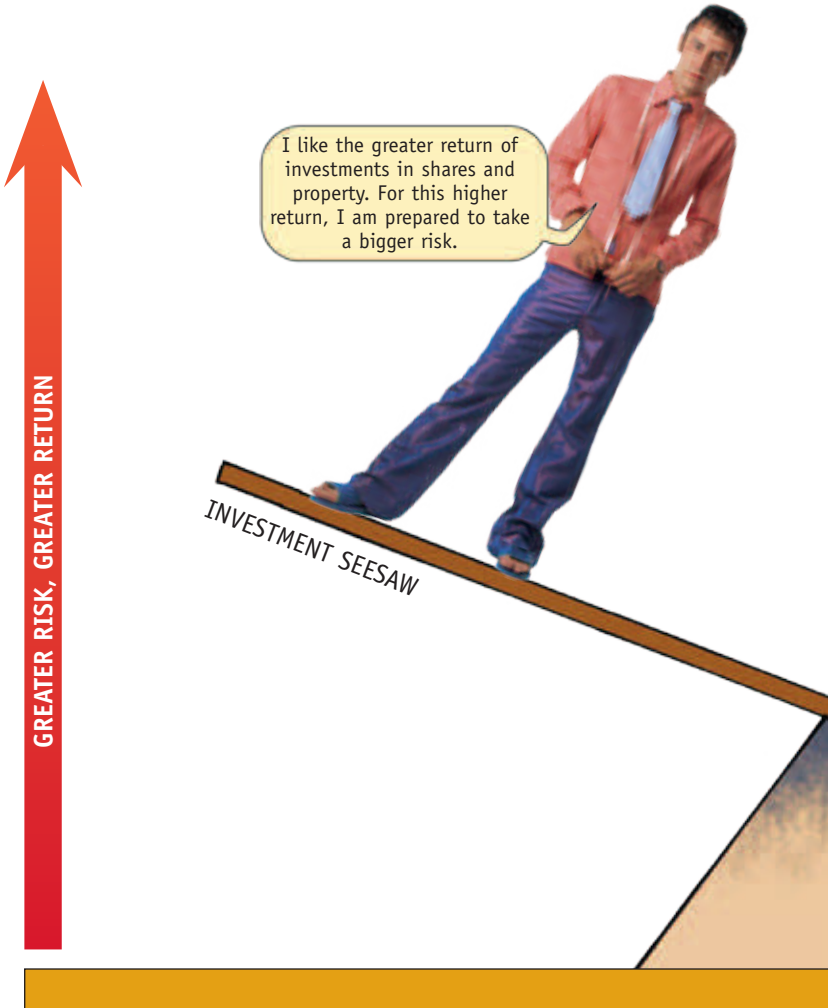
There are two main categories of investment:

1. *Growth assets*, such as shares and property, which generally provide a higher return over longer periods. However, these investments are volatile. This means that their prices fluctuate greatly in the short term so they are higher risk.
2. *Income* or *defensive assets*, such as government bonds and term deposits, which usually provide a lower return but are lower risk — their value does not change dramatically in the short term.

The price of every asset will fluctuate. This is the risk of investing — the higher the rate of return, the greater the risk involved.

An **investment portfolio** is a collection of all the investments an individual has. It is generally wise to invest in as wide a variety of investment products as possible. This would include term deposits, property, government securities and Australian and overseas shares.









Activities

Understand

1 Define the term 'rate of return'.
2 Explain the difference between *defensive* and *growth assets*.
3 What is an investment portfolio?
4 Describe two ways of purchasing shares.
5 Study the diagram showing the Investment Seesaw and describe the relationship between *risk* and *return*.
6 Calculate the rate of return for the following:
   (a) Vic invests $5000 in shares. He sells them for $6000 one year later.
   (b) Fiona buys a unit for $100 000 and sells it for $112 000 one year later.
7 Refer to the cartoon about Mr and Mrs Costello.
   (a) Construct a table showing each of the Costellos' investment options and their rate of return.
   (b) Does the Western Management Trust or the Happy Managed Trust have the most balanced portfolio? What would be the risk of investing in the Happy Managed Trust?
   (c) Using a program such as Microsoft Excel, construct two graphs which illustrate the investment portfolios of the Western Management Trust and the Happy Managed Trust. Copy these and paste them into Microsoft Word or a similar word-processing program. Write a paragraph comparing the two investment portfolios.
   (d) Imagine that you are the Costellos' investment adviser.
      (i) Outline the options that you feel would best suit their plan of securing their retirement future. Give reasons for your answer.
      (ii) Construct a pie graph to illustrate the investment allocation you have outlined previously.

eBookplus

8 Use the ASX weblinks in your eBookPLUS and state the five firms that made the largest gains and losses on the previous day's trading.
9 Use the **Financial institutions** weblink in your eBookPLUS and prepare a PowerPoint presentation on the different investment options that these financial institutions have available for people in the Costellos' situation.

Worksheet 5.2 Provide a wealthy businesswoman with advice on the progress of her investments.

Glossary

investment portfolio all the investments an individual has

rate of return the profit you receive on your investment as a percentage of the original investment

5.6

Selecting a mix of investments

Spreading the risk

Diversifying your investments means spreading your money across different investment types in order to spread the risk. This is one of the main principles of investing. Basically it means 'don't put all your eggs in one basket'.

Investment history shows that different investment types perform well at different times. No single investment will always be the best, but no single investment type will outperform all others over all periods. For example, shares may be a good investment this year, but the previous year they may have lost value, while property was doing very well.

By putting all your money into one investment, you run the risk of losing a considerable proportion of the investment. By spreading your money across a range of different investment types, the risk of a fall in the value of your overall investments can be reduced. A diversified strategy generally provides a greater return.

The table below shows a typical result over several years of the performances of various types of investments.

Comfact

One of the golden rules of investing is that no-one should invest money that they cannot afford to lose. Investments should be funded from money that is surplus — never from money that is needed for daily expenses.

Year	Property % return	Overseas shares % return	Australian shares % return	Government bonds % return	Bank term investments % return
1	8%	12%	10%	3%	4%
2	13%	–18%	–8%	2%	5%
3	–10%	9%	11%	3%	4%
4	2%	2%	1%	2%	3%

Ms Takeo Nakai
6 Creek Street
West End NSW 2877

Dividend Statement

Payment date: 22 March 2012
Record date: 1 March 2012
Reference no.: 566879

Dear Investor,
The details below relate to an interim dividend for the half year ended 31 December 2011 payable on ordinary shares entitled to participate in the dividend at the record rate.
This dividend is fully franked at the Company tax rate of 30% (Class C).

Description	Dividend rate per share	Participating holding	Unfranked amount $	Franked amount $	Imputation credit $
Ordinary shares	7.5 cents	1,000	0.00	75.00	32.14

Net amount: $75.00

TFN/ABN RECEIVED AND RECORDED

BANKING INSTRUCTION:

Commonwealth Bank
Main Street
West End
BSB 792-483 acc no 674219

Casestudy

Greg and Julie

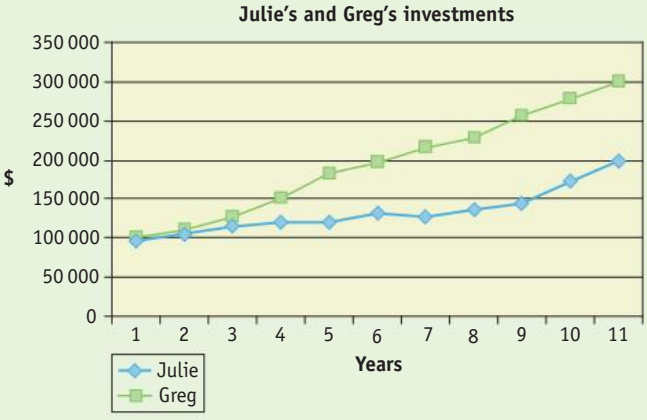
Greg and Julie each invested $100 000 for a period of 11 years.

Greg talked to his financial planner who recommended a balanced portfolio comprising 25% in Australian shares, 25% in global shares, 25% in property funds and 25% in government bonds. His aim was to maintain this balanced portfolio regardless of what happened.

Julie, on the other hand, became a 'Chaser', moving her money from one type of asset to the next, depending on which had the highest return. Unfortunately, this often meant buying assets when the price was high.

Greg also bought and sold assets, but only to return his portfolio to its original 25% weighting for each type of asset. Greg's approach meant that he generally bought assets cheaply and sold his best performing assets at high prices. Since he had diversified, he was not worried about short-term falls in the value of one type of asset. His was a much less stressful and usually more successful strategy.

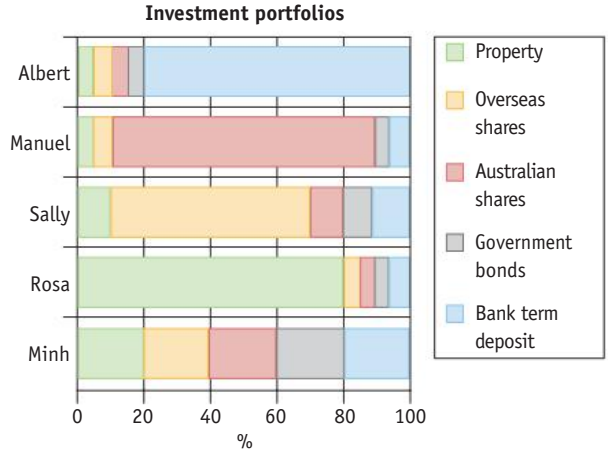
The graph below compares the results of Greg's and Julie's 11 years of investing.



Activities

Understand

1 Define the term 'diversifying'.
2 Outline the advantages of diversifying an investment portfolio.
3 Refer to the table on page 166.
   (a) Which investment provided the best return in each year?
   (b) Describe what would have happened to your investment in Year 2 if you had invested only in overseas shares.
   (c) Which two investments always gave a positive return?
4 State the golden rule of investing.
5 This question refers to the document on page 166:
   (a) What type of document is this?
   (b) How many shares does Takeo Nakai own in this firm?
   (c) What is the rate of company tax according to this document?
   (d) How much is the dividend per share?
   (e) How much money did Takeo receive from the firm? What type of income is this?
6 Refer to the case study on Greg and Julie.
   (a) Define the term 'chaser'. Describe the disadvantages of being one.
   (b) Which person diversified their portfolio and which one was a chaser?
   (c) What was the value of Greg's and Julie's investments after 11 years?
   (d) How many years did it take Greg and Julie to double their initial investment of $100 000?
   (e) How much better off was Greg, who diversified his investment, compared to Julie, who chased the highest return?
7 Refer to the graph below.
   (a) Which person has a balanced portfolio?
   (b) Who has invested most of their money in Australian shares?
   (c) Which person has invested most of their money in property?
   (d) Describe the risks that Sally runs with her current investment portfolio.



Five individuals and their varying investment portfolios

Think

8 You have been employed by a bank to advise customers on the benefits of diversifying their investment portfolios. Prepare a PowerPoint presentation that you could show potential customers who would be interested in doing this.
9 Greg can be classified as an investor, whereas Julie is a speculator. Which do you think is better? Why?

5.7

Maintaining records and monitoring investments

The three main records that shareholders need to keep are:

1. the contract note
2. the CHESS holding statement (CHESS is the Clearing House Electronic Sub-Register System and it keeps records of all transfers of share ownership.)
3. dividend statements, as shown on page 166.

These records are needed to prove ownership of the shares and for taxation purposes.

Comfact

In 2008, the world's stock markets experienced a meltdown with billions wiped off the value of shares. Many people, especially self-funded retirees, lost a large proportion of their investments.

Buying shares and then selling them for a profit is subject to **Capital Gains Tax**. Income received as a dividend has already been subject to company tax as it was part of the firm's profit. Dividends on which company tax has been paid are said to be 'fully franked'. Therefore, the payment of a dividend does not necessarily increase an individual's tax bill.

Investments need to be carefully monitored so that they can be bought and sold at appropriate times. Wise investors complete an investment tracker, similar to the one below belonging to N. Tomic, at least every month but preferably more often. The most shrewd investors complete these daily.

The tracker is a simple investment monitoring table. It compares the investments of N. Tomic in January to the situation in February. All of Tomic's investments are added together; this includes her

Investment tracker for N. Tomic

	January			February		
	Share price	Shares owned	Value	Share price	Shares owned	Value
Bank term deposit			$ 5 000.00			$ 5 000.00
Bank savings account			$ 2 000.00			$ 4 000.00
Value of own apartment			$ 150 000.00			$ 151 000.00
Share portfolio						
BHP Billiton	$ 35.00	400	$ 14 000.00	$ 36.00	400	$ 14 400.00
Commonwealth Bank	$ 40.00	200	$ 8 000.00	$ 40.50	200	$ 8 100.00
Woolworths	$ 30.00	400	$ 12 000.00	$ 32.00	400	$ 12 800.00
Qantas	$ 6.50	400	$ 2 600.00	$ 6.00	400	$ 2 400.00
Billabong	$ 15.00	200	$ 3 000.00	$ 18.00	200	$ 3 600.00
Westpac	$ 25.00	1 000	$ 25 000.00	$ 25.50	1 000	$ 25 500.00
Telstra	$ 5.50	1 000	$ 5 500.00	$ 5.00	1 000	$ 5 000.00
Total value — shares			$ 70 100.00			$ 71 800.00
Minus credit card balance			$ 500.00			$ 1 000.00
Total value — investments			$ 226 600.00			$ 230 800.00

A simple investment tracker

apartment, term deposit, bank account and shares. The value of the shares is calculated by multiplying the last sale price by the number of shares owned. From the total value of her investments, she now must deduct what she owes, such as the amounts owing on her credit cards.

There are numerous software packages available for monitoring investments, or you can devise your own on a spreadsheet. It should be noted that online shares can be monitored with an online dealer, such as CommSec, while non-online share buyers can monitor their investment at www.tradingroom.com.au.

Modifying investments to maximise long-term gains

Once you have an investment, it must be actively managed, otherwise you run the risk of losing money. This may involve changing investments in relation to changed personal circumstances, changed economic conditions or the performance of the investments. Generally in times of economic uncertainty, people invest in bank deposits, gold or **blue chip shares**.

The following table shows that, in January of a particular year, Nadi Suri purchased 1000 shares in Lucky Oil Ltd and 1000 shares in Big Retail Ltd. The value of his Big Retail shares declined dramatically, but the price of his Lucky Oil shares increased greatly. To maximise his return, Nadi should have sold some of his Big Retail Ltd shares and used the funds to purchase more Lucky Oil Ltd. Wise investment managers check their investments several times a day. Nadi was obviously not a wise investment manager.

Comfact

In 2011, the federal government announced that it would guarantee bank deposits up to $250 000. This was felt necessary to avoid any chance of a run on a bank by people concerned about the security of their deposits.

Shares portfolio for Nadi Suri

Month	Lucky Oil Ltd share price	Value of 1000 shares	Big Retail Ltd share price	Value of 1000 shares	Value of share portfolio
January	$ 0.50	$ 500.00	$ 8.50	$ 8 500.00	$ 9 000.00
February	$ 0.65	$ 650.00	$ 7.40	$ 7 400.00	$ 8 050.00
March	$ 0.85	$ 850.00	$ 6.20	$ 6 200.00	$ 7 050.00
April	$ 1.10	$ 1 100.00	$ 5.30	$ 5 300.00	$ 6 400.00
May	$ 2.55	$ 2 550.00	$ 4.10	$ 4 100.00	$ 6 650.00
June	$ 3.60	$ 3 600.00	$ 2.30	$ 2 300.00	$ 5 900.00

Activities

Understand

1 Name the three main documents that relate to share ownership, and their purposes.
2 Buying and selling assets, such as shares for profit, is subject to which tax?
3 Refer to the above table for Nadi Suri.
   (a) Which share had the highest price in January? How had this changed by June?
   (b) How much did Nadi spend on shares to begin with?
   (c) By how much did the shares in Lucky Oil Ltd increase?
   (d) By how much did the shares in Big Retail Ltd decline?
   (e) By how much did the portfolio decline in total?
4 Refer to the investment tracking table for N. Tomic. Complete a table for March using the following information.

Bank term deposit	$5 000.00
Bank savings account	$3 000.00
Value of apartment	$152 000.00
BHP Billiton	$37.00
Commonwealth Bank	$42.00
Woolworths	$34.00
Qantas	$5.50
Billabong	$20.00
Westpac	$24.00
Telstra	$5.50

Think

5 Explain how Nadi Suri managed his share portfolio very poorly.

Glossary

blue chip shares very safe and secure shares

Capital Gains Tax a tax on the profits arising from the increased value of assets such as shares or property

Chapter 6

OPTION

Promoting and selling



Imagine driving along a busy road and suddenly experiencing the aroma of grilled steak. The Bloom grocery store chain in North Carolina erected a giant outdoor display as part of its marketing campaign to promote and sell a new brand of beef. The sign uses high-powered fans to waft the aroma of charcoal-grilled pepper steak over hungry commuters during rush hour. Scent marketing is rapidly becoming popular. Officeworks uses coffee scent at its South Melbourne store, and the scent of chocolate will be diffused through Federation Square during the Melbourne Food and Wine Festival. Market research has shown that consumers who associate a smell with a pleasant experience are more likely to make a purchase. In order to succeed, businesses are constantly looking for innovative ways to promote and sell their products.

Focus

On completion of this chapter, you will have analysed strategies that sellers use to promote products and maximise sales, and evaluated the impact on consumers.



Glossary

advertising a paid, non-personal message

ethical consumerism buying products that are not harmful to the environment, animals and society

ethics a set of principles of right and wrong behaviour

evaluating the comparison of planned performance against actual performance

Fairtrade an alternative method of international trade which promotes environmentalism, fair wages, alleviation of global poverty and a fair price for growers

market segmentation when the total market is subdivided into groups of people who share one or more common characteristics

materialism an individual's desire to constantly acquire possessions

monitoring checking and observing the actual progress of something

personal selling communication between a sales representative and a potential customer

primary target market the market segment at which most of the marketing resources are directed

product differentiation when products that are the same or similar are made to appear different and/or better than those of their competitors

product endorsement when celebrities, who act as opinion leaders, express their support for a product

product placement the inclusion of advertising in entertainment

product positioning the creation of a product image compared with the image of competing products

promotion methods used by a business to inform, persuade and remind customers about its products

promotion mix the various promotion strategies a business uses in its promotional campaign

publicity any free news story about a business's products

relationship marketing the development of long-term relationships with individual customers

sales promotion the use of activities or materials as direct inducements to customers

secondary target market a smaller and less important market segment

social media advertising online advertising using social media such as Facebook and Twitter

sponsorship promoting a product by associating it with a specific event

target market the group of customers to whom the business intends to sell its product

6.1

The selling process

Product differentiation

Walk into any supermarket to buy a loaf of bread and you are faced with a wide selection from which to choose: white, wholemeal, sliced, unsliced, gluten-free, vitamin enriched, thick for toasting and so on. Providing so many different types of breads is a deliberate selling strategy and is an example of **product differentiation**. This occurs when products (goods or services) that are the same or similar are made to appear different from and/or better than those of their competitors. By listing the differences between one product and another, a business (seller) is simply trying to make its product more desirable to consumers. If successful, the business is able to gain a little more control in the marketplace, especially in regard to price. Examples include jeans with designer labels, washing detergent with brightener additives and preservative-free foods. Because they offer a wide range of differentiated products, businesses such as The Coca-Cola Company, Apple Inc. and Mercedes-Benz have remained successful over many years.

Factors which differentiate products

The difference could be as simple as changes to the packaging or labelling, or more complex, such as offering top quality service, greater convenience, better value for money or products that are environmentally friendly. These factors help in persuading consumers that the product is superior, therefore influencing them to buy it.

Customer service

Consumers expect a high level of customer service. Pre-sales and after-sales service are very important to consumers purchasing expensive items such as cars or electrical appliances.

Service may also include the presentation of the premises, the atmosphere, or the range of products that set a business apart and capture the consumer's interest.

For example, an exclusive restaurant will offer full-table service, an extensive menu and a comprehensive wine list. These features differentiate it from a self-serve bistro.



A high-class restaurant provides high levels of service as well as creating an image of exclusivity and opulence.

Convenience

Because today's consumers are busy, they will often select products that are convenient to use. For example, many consumers do not have a lot of time for meal preparation. Consequently, they will select prepared meals from a supermarket or fast-food store: the 'quick-and-easy' product.

In response, food manufacturers have developed a range of convenience food products. The packaging and cooking requirements are designed to make the preparation as convenient as possible.



Lean Cuisine offers convenient, low-fat frozen meals that are free from artificial flavours, colours and preservatives. These characteristics are used to differentiate the product.

Environmental issues

People are becoming more concerned with 'quality of life' issues, especially the physical environment. Businesses that create pollution may risk losing customers, whereas businesses that adopt a 'green' philosophy and produce environmentally friendly products may see their sales increase. For example, The Body Shop is committed to producing products that are sensitive to environmental concerns. It sells all its products in reusable or recyclable containers, many of which are refillable.

Value for money

As a consumer, you want the best value for your money. To satisfy this requirement, sellers will offer and promote a range of products at different prices. For example, Avon cosmetics has introduced a collection of medium-priced cosmetics.

Social and ethical issues

A growing number of consumers are becoming more ethically minded and will actively purchase products or brands that they believe do not exploit workers, producers or the environment. These consumers want to know more about the way goods are made, including the conditions in the factories and where they come from.

Ethical consumerism provides businesses with opportunities to satisfy the demands of this growing number of consumers. For example:

- in response to the dislike of genetically modified (GM) foods by some consumers, various producers are labelling their products as GM-free
- the **Fairtrade** Certification system is gaining influence, with more consumers choosing to buy products carrying the FAIRTRADE Certification Mark, ensuring minimum prices, fair labour practices, sustainable production and an additional premium for community development
- the cosmetic industry is delivering more natural products that are not tested on animals.

FAIRTRADE ®

Fairtrade means fairer trading conditions and opportunities for producers in developing countries to invest in their businesses and communities for a sustainable future.

Product positioning

Closely tied to product differentiation is the practice of **product positioning**. This refers to the creation of a product image in the minds of consumers compared with the image of competing products. Some brand names, such as Rolex, Ferrari and Louis Vuitton, can immediately suggest an image of the product's quality. This image gives the product its position within the market. In highly competitive markets, businesses will attempt to create an image that differentiates their product.

Activities

Understand

1 What is meant by the term 'product differentiation'?
2 What is the purpose of product differentiation?
3 In pairs, select three products with which you are familiar and describe how they are differentiated from their competitors.
4 Use an example to explain how product positioning can be used to differentiate a product.

Communicate

5 Design an A4 print advertisement for a new model mobile phone that highlights its 'exclusive' features. You may wish to use desktop publishing software to present the advertisement with text and graphics.

Think

6 'Environmentally friendly products are just a clever promotional strategy to make purchasers feel good.' Do you agree or disagree with this statement? Give reasons for your answers.
7 In what ways is the Fairtrade movement committed to production practices that are ethically responsible? For help, use the **Fairtrade** weblink in your eBookPLUS.

eBookplus

Worksheet 6.1 Do advertisements help consumers spend their money wisely or are they just trying to get people to buy goods for the wrong reasons?

Glossary

ethical consumerism buying products that are not harmful to the environment, animals and society

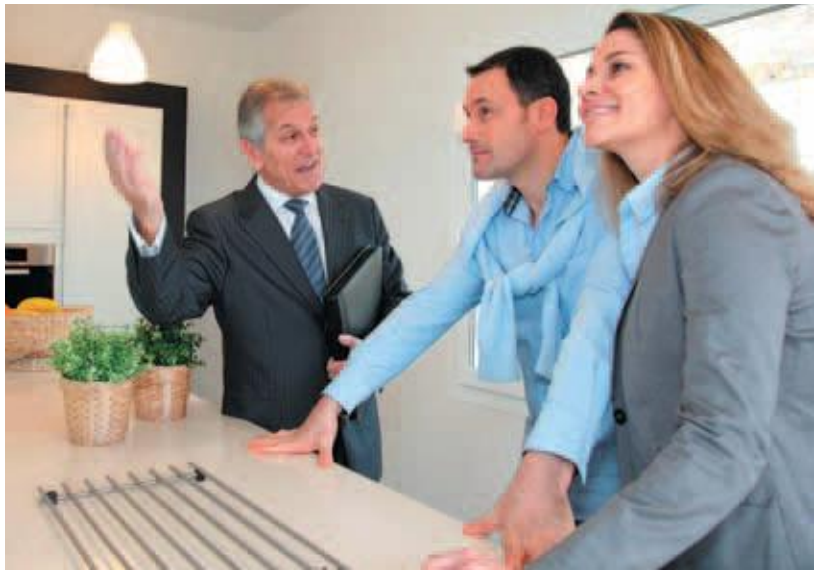
Fairtrade an alternative method of international trade which promotes sustainable farming, fair wages, alleviation of global poverty and a fair price for growers

product differentiation when products that are the same or similar are made to appear different and/or better than those of their competitors

product positioning the creation of a product image compared with the image of competing products

6.2

Product promotion strategies (1)



By listening to the customer's needs, personal selling can be a highly effective technique.

What do the following products have in common: St. George Bank, Coca-Cola, Mars Bar and Mercedes-Benz? They all rely on a range of promotional strategies to catch the attention of customers and, hopefully, make a sale.

Promotion

In order to sell more of its products, a business has to change customers' behaviour through information or persuasion. This is achieved through promotion. The role of **promotion** is to inform, persuade and remind consumers about a business's products with the aim of:

- attracting new customers by raising awareness of a particular product
- increasing brand loyalty by reinforcing the image of the product
- encouraging existing customers to purchase more of the product.
- encouraging new and existing customers to purchase new products.

Many people confuse promotion with advertising because of its visibility and frequency. However, advertising is just one of the five elements of the promotion mix. A **promotion mix** is the various promotion strategies a business uses in its promotional campaign: personal selling, advertising, relationship marketing, sales promotion, and publicity and public relations.

Personal selling

Personal selling involves the activities of a sales representative directed at a customer in an attempt to make a sale. For example, a real estate agent uses personal selling when he or she shows a house and tries to persuade the potential home owner to purchase it. Because of its one-on-one nature, personal selling can be much more persuasive than advertising. In addition, the message can be modified to suit the individual customer's circumstances.

Advertising

Which current advertisement has most impressed you? What product is it advertising? Why did it impress you? You can probably answer these questions without too much thought. This is because you have been influenced by advertising. Everywhere you look, businesses are using advertising to influence our buying habits and choices.



Advertising informs, persuades and reminds.

Advertising is a paid, non-personal message. Print and electronic mass media are used to communicate a message about a product. Because of the enormous number of products available, advertising is an important promotion strategy for business. A successful advertising campaign can result in increased sales and profit for a business.

The main advantage of advertising is that it provides businesses with the flexibility to reach an extremely large audience or to focus on a small, distinct segment of the population.

Advertising may take many forms, from buying time on national television, to inexpensive leaflets or posters, to internet banner advertisements. Advertising media is a term for the many forms of electronic and print communication used to reach an audience and includes:

- *mass marketing* — television, radio, newspapers and magazines
- *direct marketing catalogues* — catalogues mailed to individual households
- *telemarketing* — the use of the telephone to personally contact a customer
- *e-marketing* — the use of the internet to deliver advertising messages
- **social media advertising** — online advertising using social media such as Facebook and Twitter
- *billboards* — large signs in strategic locations.

Relationship marketing

Customers want more individualised treatment. In response, businesses are looking for ways to develop long-term relationships with individual customers, a process known as **relationship marketing**. The ultimate aim is to create customer loyalty by meeting the needs of customers on an individual basis, thereby keeping customers coming back.

Comfact

Australian businesses spend about $13 billion per year on various forms of advertising.

Casestudy



Positive relationships: it's personal

A highly successful relationship marketing strategy introduced during the early 1990s was the FlyBuys loyalty reward program operated by the Coles Group. This was followed in 2007 by the Woolworths Everyday Rewards scheme. These schemes offer 'rewards' to those 'loyal' customers who spend specified amounts or make repeat purchases. Some loyalty schemes, such as the St. George Frequent Flyer Visa card, reward members each time they use their credit card. The points earned can be redeemed in the future for awards such as free or greatly discounted products. Relationship marketing can provide a business with a competitive advantage.

Activities

Understand

1 What is the role of promotion? What does it aim to achieve?
2 List the five elements of the promotion mix.
3 Why can personal selling be much more persuasive than advertising?
4 What is the main advantage of advertising?
5 What is the aim of relationship marketing?

Think

6 Which form of advertising would you choose for the following products? Give reasons for your choices.
   (a) Nike sports shoes
   (b) School textbooks
   (c) A hairdressing salon
   (d) Toys for children
   (e) Dell computers
7 What do you think makes a good advertisement? Share your answer with the rest of the class.
8 In pairs, investigate how social media advertising helps businesses reach potential customers.

Communicate

9 In small groups, use the brainstorm technique to:
   (a) state reasons for the recent popularity of loyalty reward programs
   (b) determine the benefits to a business of this type of relationship promotion strategy
   (c) explain how social media advertising can be used to reinforce relationship marketing.

Glossary

advertising a paid, non-personal message
personal selling communication between a sales representative and a potential customer
promotion methods used by a business to inform, persuade and remind customers about its products
promotion mix the various promotion strategies a business uses in its promotional campaign
relationship marketing the development of long-term relationships with individual customers
social media advertising online advertising using social media such as Facebook and Twitter

6.3

Product promotion strategies (2)

Sponsorship and product endorsement

Nowadays, whenever you attend a sports match, rock concert or art exhibition you will be exposed to sponsorship and product endorsement.

Sponsorship provides an opportunity for a business to directly promote its products towards a select group of consumers who have a common interest. **Product endorsement** occurs when celebrities, who act as opinion leaders, express their support for a product. These promotion strategies help improve the customer image of a product or brand.



Sponsorship and product endorsement increase brand recognition.

Publicity

What's worse than being talked about? Not being talked about! Businesses rely on being in the public eye. **Publicity** is any free news story about a business's products. It differs from advertising in that it is free and its timing is not controlled by the business. The main aims of publicity are to:

- enhance the image of a product
- raise awareness of a product.

Sales promotion

A business may decide to offer a direct inducement to customers in an attempt to sell more of its product. This type of promotion is referred to as **sales promotion** and aims to:

- entice new customers
- encourage trial purchase of a new product.

Examples of sales promotions include:

1. *Coupons.* These offer discounts on particular items by a stated amount at the time of purchase.
2. *Loyalty reward programs.* These offer 'rewards' to those 'loyal' customers who purchase specified amounts or make repeat purchases.
3. *Premiums.* A premium is a gift that a business offers the customer in return for using the product.
4. *Refunds.* Part of the purchase price is given back to those customers who send in a voucher with a specific proof of purchase.
5. *Samples.* A sample is a free item or container of a product.

Casestudy

A blooming success

Edible Blooms, an Australian-based gourmet gift company, was started in 2005 by Kelly Baker. This unique business specialises in edible bouquets made of chocolate, fresh fruit, cookies, and even beer and champagne. The business is one of the busiest flower and gift websites in Australia.

Kelly appreciates the importance of developing the right promotion mix for the business. She complements her core business values — outstanding customer service, high-quality products and value for money — with



innovative e-marketing and traditional branding strategies to achieve continued growth. The online side of the company presently accounts for about 70 per cent of sales. Kelly uses an e-newsletter to inform customers of new products. Word-of-mouth promotion and online e-marketing campaigns have proved highly successful strategies. She also uses social media as part of her promotion strategies. Facebook fans receive alerts on special offers and engage in discussion on the site, and the fun link allows people to send their friends virtual blooms. People can also follow Miss Baker on Twitter.

The role of gender in product promotion

There are two major criticisms of some promotion strategies, particularly advertising, which relate to gender. First is the use of stereotypical images of male and female roles. For example, in most advertisements it tends to be the male who uses the power tools, or who watches sport with his mates. Females, on the other hand, are portrayed preparing meals, cleaning the house or caring for the children.

The second major criticism refers to the overuse of sexual themes and connotations to sell products. Some advertisers target certain groups and appeal to personal desires such as physical and sexual attractiveness. Unrealistic images are portrayed as attainable.

Sex appeal can be found in advertisements for products ranging from motor vehicles to toothpaste. Advertisers use sex appeal to suggest to consumers that the product will increase the attractiveness or charm of the user. Although many people are sceptical of such claims, advertisements that use sex appeal can have subtle and persuasive impact. Consumers need to be critical of such advertisements and realise they do not represent reality but are using an attribute — sex appeal — to sell a product.



Advertising often uses stereotypes.

Glossary

product endorsement when celebrities express their appreciation and support for a product

publicity any free news story about a business's products

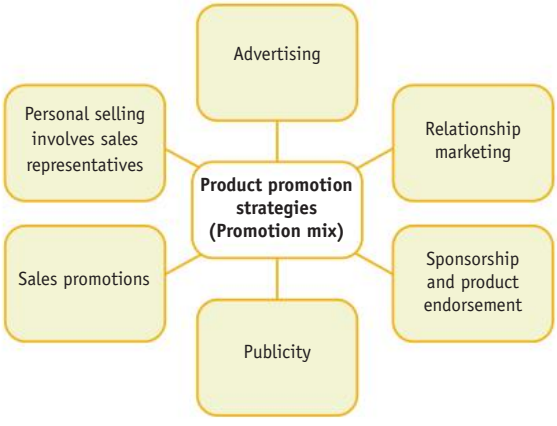
sales promotion the use of activities or materials as direct inducements to customers

sponsorship promoting a product by associating it with a specific event

Activities

Understand

1. What is the aim of sponsorship?
2. Why do businesses use product endorsement?
3. What is publicity? How does it differ from advertising?
4. Refer to the information on pages 174–6. In your notebook, construct and complete a concept map, like the one started below, to summarise product promotion strategies. The first one has been started for you.



5. Read the case study on page 176 and identify the product promotion strategies used by Edible Blooms.
6. Outline how advertising may perpetuate existing gender stereotypes.

Think

7. In your opinion, what are the two most effective techniques for sales promotion? How does each of these techniques supplement advertising?
8. Why do you think sponsorship and product endorsement are increasing in popularity among marketers?
9. What do you think are the strengths and weaknesses of the following promotion strategies?
   (a) A manufacturer of a new type of disposable razor gives out thousands of free razors at a football grand final.
   (b) A lifestyle magazine runs its own lottery-style promotion for five weeks in which first prize is $20 000 worth of furniture.

Communicate

10. As a class, discuss whether advertising:
    (a) leads or reflects the change in gender roles
    (b) could be criticised for over-emphasising sex to sell products.

6.4

Targeting customers

Market segmentation

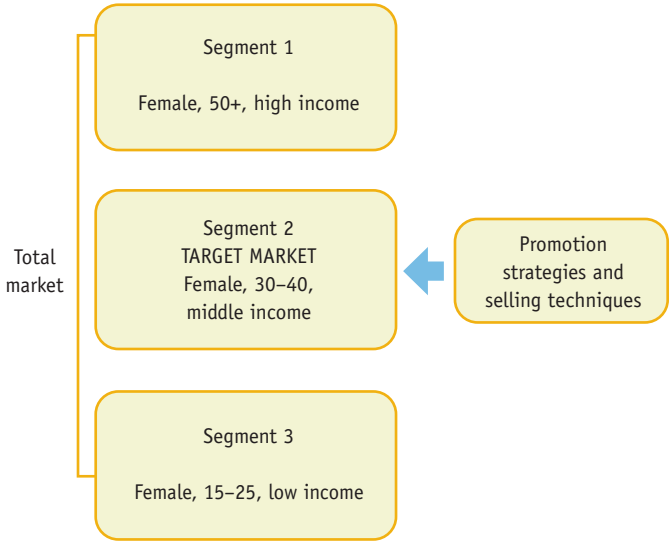
Few businesses can sell their products to the entire market — the market is just too big. Therefore, a business will divide the market into distinct segments. A business that is marketing motor vehicles, for example, would not direct its marketing efforts towards every person in the total vehicle market. Some people might want only a sports car; others might want a four-wheel drive. The business would thus direct its efforts towards a particular *segment* of the total market for motor vehicles.

Market segmentation occurs when the total market is subdivided into groups of people who share one or more common characteristics. The main features used to segment the total market are:

- age
- gender
- income level
- educational background
- geographical location
- lifestyle
- family structure.

Once the market has been segmented, the business selects one of these segments to become the target market.

The ultimate aim of market segmentation is to increase sales and profits by better understanding and responding to the desires of the target customers.



Selecting a market segment to be the target market



The fashion retailer Sportsgirl has a primary target market of 18- to 25-year-old females, and a secondary target market of 26- to 40-year-old females.

Target market

Target market refers to the group of customers to which a business intends to sell its product. Once the target market has been identified, the business concentrates its promotion efforts on that group.

For example, an exclusive women's fashion boutique in central Sydney would normally aim its promotion strategies at female, 25- to 50-year-old and city-based professionals with a high income.

Sometimes, a business may be able to identify both a **primary target market** and a **secondary target market**. A business's primary target market will generate most of its revenue. These are the customers who are loyal to a particular business and make repeat purchases. The secondary target market provides an alternative in case there is a loss of customers from the primary target market.

Niche markets

Some businesses target a very small segment of the total market. This is known as niche marketing. In a sense, it is a segment within a segment, or a 'micro-market'. For example, look around any newsagent and you will see row upon row of magazines, each appealing to a specific niche market — male, female, young, old, urban, rural, outdoor lifestyle, indoor lifestyle and so on.

Case*study*

Belle's Floral Studio — target market

Belle Wilkes is owner-operator of a retail florist store called Belle's Floral Studio. The business provides fresh and dried flowers and associated product lines for all occasions. The business markets to a wide cross-section of the population within the surrounding suburb, but particularly to females aged 15 to 65 and males aged 15 to 25.

Belle's primary target market consists of females between the ages of 35 and 65 who decorate their homes with floral displays. The two secondary target markets consist of:

- females between the ages of 15 and 65 who purchase flowers for special occasions
- males between the ages of 15 and 25 who purchase flowers for their partners.

These target markets are important as they represent repeat customers who are essential for the business's long-term survival.



Target market variables

Geographic (where people live)
Belle's Floral Studio targets the residents of the local area. Sales to customers from outside the surrounding suburbs are only occasional, not regular, and are not an important segment for the purposes of Belle's marketing plan.

Demographic (population characteristics)
Customer research data collected over the last 12 months reveal that 67 per cent of customers were female and 33 per cent male.

Purchase decision maker (benefits sought)
Generally, the purchase of fresh and dried flower arrangements is considered to be a gift purchase, for the individual or another person.

Income level (people's lifestyles)
Belle's Floral Studio caters for the middle to high income groups. These groups consist of individuals and households who do not see the buying of flowers as a luxury, but as a regular (weekly or fortnightly) purchase.

Activities

Understand

1 Explain how market segmentation and target market are linked.

2 What is the purpose of market segmentation?

3 Once the total market is segmented, a business selects a target market. List the different ways a market may be segmented.

4 Read the case study on Belle's Floral Studio and then answer the following questions.
- (a) Identify the primary and secondary target markets.
- (b) What is the importance of these target markets to Belle's Floral Studio?
- (c) What four variables does Belle Wilkes use to segment the target markets?
- (d) How does segmenting the total market help Belle Wilkes achieve her long-term business objectives?

Think

5 Here are five different market segments:
- (i) young married couple, no children
- (ii) female teenager, part-time worker
- (iii) older single person, female, retired
- (iv) younger single person, male, working
- (v) male teenager, full-time student.

Copy the following list of ten products into your notebook and, beside each item, write the most appropriate market segment number for that product. In some cases you may want to write more than one number. Compare your answers with those of the rest of the class.

- (a) Financial advice _____
- (b) Ballet tickets _____
- (c) Bus tour _____
- (d) *Dolly* magazine _____
- (e) Health insurance _____
- (f) iPod _____
- (g) Rover lawnmower _____
- (h) School textbook _____
- (i) Computer _____
- (j) Furniture _____

Investigate

6 In pairs, conduct a survey of 30 people to find out what types of movie they watch at the cinema. Using a database, group the respondents by age and gender. Present your results in the form of graphs and charts.

eBookplus **Worksheet 6.2** Learn why advertisers are now targeting the 'tweens'.

Glossary

market segmentation when the total market is subdivided into groups of people who share one or more common characteristics

primary target market the market segment at which most of the marketing resources are directed

secondary target market a smaller and less important market segment

target market the group of customers to whom the business intends to sell its product

6.5

Product promotion strategies: legal and ethical issues

Legal issues

The *Competition and Consumer Act 2010* (Cwlth) makes false and misleading advertising illegal. Advertisements must not use words that are deceptive or claim that a product has some specific quality when it does not. Such actions convey a false impression of the exact nature of the product. However, a number of methods are still used by some businesses. The most common include:

- *exaggerated claims.* These cannot be proved. For example, a claim that a certain shampoo is superior to any other on the market cannot be confirmed by consumers.
- *vague statements.* This involves using words so ambiguous that the consumer will assume the advertiser's intended message. For example, *helps* is a common vague word, as in 'helps fight against' or 'helps restore'. Vague statements allow the marketer to deny any intention to mislead or deceive.
- *before and after advertisements.* Consumers may be misled when 'before' images are worsened and 'after' images are enhanced.
- *special offers.* It is misleading to imply that a special offer is available for a limited period when, in fact, the offer is continuously available.

Comfact

Misleading advertising claiming that a product has environmentally friendly qualities is not only a breach of **ethics** but may actually be illegal. For example, labelling which states a product has '50 per cent more recycled material than before' is misleading if the recycled content has increased only from 2 per cent to 3 per cent.

Ethical issues

Truth in advertising

Advertising can represent real ethical dilemmas. The use of terms such as 'low fat', 'huge reduction' and 'limited offer' can be interpreted in many different ways. For example, what precisely does the word 'special' mean when it is displayed above a product for sale? Most consumers would take this to mean the item is for sale at a cheaper than normal price; however, this may not necessarily be the case. The business may interpret the word 'special' to mean that the product has a distinct quality, that it is different from what is ordinary or usual. The two interpretations can easily be confused. If the business uses this word attempting to knowingly mislead customers, then this would not only be unethical, it could also be illegal. If the business wants to advertise the fact that the product is available at a bargain price, then the words 'on special' would have a clearer meaning.

Children's advertising

The marketing of junk food is an area presently being criticised by health advocates, especially as childhood obesity rates approach epidemic proportions. For example, Kellogg's Nutri-Grain, promoted as an 'iron man food', contains 32 grams of sugar for every 100 grams!



One in three television advertisements during children's program times in Australia is for food that is high in fats, sugars and salt.

Invasion of privacy

Presently, because most websites infer consent (the consumer agrees to their web searches being tracked unless the person opts out by ticking a box), many consumers are unaware that data is being collected on them. This data is then used by businesses for target advertising purposes. Collection of data in this way may breach consumer privacy.

Creation of needs — materialism

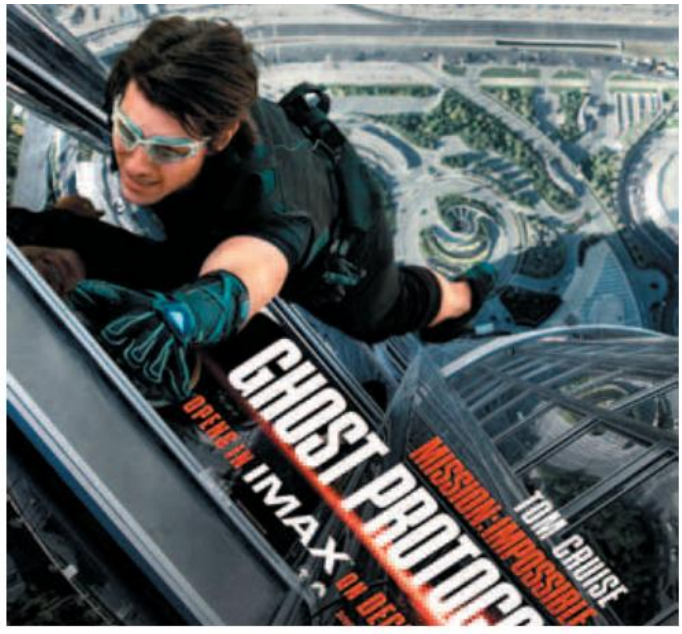
Does product promotion encourage materialism? **Materialism** is an individual's desire to constantly acquire possessions. Those who argue that product promotion does not encourage materialism point out that promotion merely satisfies existing needs of customers; it does not create those needs.

However, critics of product promotion feel that most businesses, especially large businesses, use sophisticated and powerful promotional strategies (particularly advertisements) to persuade and manipulate customers to buy whatever the firm wants to sell. These critics argue that promotional strategies create needs, many of which are artificial, by playing upon an individual's emotions.

Product placement

In the latest *Mission Impossible* movie, *Ghost Protocol*, products from Apple, BMW, Canon, Coca-Cola, Ferrari, Oakley and Prada also have 'starring roles'. Various companies spend hundreds of millions of dollars placing their products in movies and television shows. The inclusion of advertising in entertainment is a promotion strategy referred to as **product placement**. Generally, the insertion of these products is subtle: a can of Coca-Cola seen when a refrigerator door is opened; while at other times they are prominently displayed.

Businesses are keen to use this promotional technique because it allows them to reach savvy, but advertisement-weary, consumers. However, critics of product placement argue that, because of its 'concealed' nature, this type of advertising blurs the line between what is advertising and what is entertainment.



Mission possible for the makers of Oakley sunglasses — product placement in Mission Impossible 4: Ghost Protocol

Activities

Understand

1 What does the Competition and Consumer Act make illegal?
2 Explain how the following promotion strategies may mislead consumers.
   (a) Vague statements
   (b) 'Before' and 'after' advertisements
3 What is meant by the term 'materialism'?
4 Why are businesses keen to use product placement?

Think

5 In each of the following examples, state whether there has been a breach of the Competition and Consumer Act.
   (a) A company advertises jumpers and claims that they are made in Australia when, in fact, they are made in Hong Kong.
   (b) A company advertises that the special deal is for one week only, when, in fact, it plans to extend it indefinitely.
6 Why do you think the collection of data by tracking web users could be considered unethical?
7 Do you consider product placement an ethical or unethical promotion strategy? Give reasons for your answer.

Communicate

8 As a class, discuss whether advertising creates unrealistic expectations that many consumers can never attain. Record the main points on the board. Write a paragraph in your notebook summarising the points recorded.
9 In small groups, prepare a report critically analysing the ethical issues involved in:
   (a) advertising to young children during morning television programs
   (b) using sexual overtones and imagery in advertisements.

Glossary

ethics a set of principles of right and wrong behaviour
materialism an individual's desire to constantly acquire possessions
product placement the inclusion of advertising in entertainment

6.6

Applying selling techniques

Selling techniques for a particular product — 'Coca-Cola'

Worldwide, The Coca-Cola Company (TCCC) sells more than 3500 different types of beverages in over 200 countries. Products range from regular and diet sparkling (carbonated) beverages to still beverages such as fruit juices and fruit drinks, waters, teas and coffees, sports and energy drinks, and milk-and-soy-based beverages. There is a drink to suit all tastes and preferences, aimed at specific target markets. This selling technique — a targeted product range — is one reason why TCCC is the world's number one seller of still and sparkling beverages.

Coca-Cola advertising

Since 'Coca-Cola' was released onto the Australian market in 1937, TCCC) has used advertising campaigns as a major selling technique. Originally targeted at older age groups, the target market was modified in the 1950s to concentrate on teenage and young adult consumers. For the past 60 years, teenagers and young adults have grown up believing that this product truly is a part of their lives: 'The Coke Side of Life'. Through its sophisticated promotion strategies and selling techniques, TCCC has built on its highly recognisable brand name, which allowed Coke to become one of the most successfully marketed products in history.



Who would have ever thought that brown, sugary, fizzy water with addictive qualities would become the universal product it is today?

Distinctive packaging

Sometimes, the shape of the packaging can become part of the product itself. One of the most easily recognised shapes in the soft-drink market is the distinctive 'pinched in at the waist' Coke bottle. In 1977, Coca-Cola argued that the 'distinctively shaped contour' had become so well known that it was granted trademark protection by the United States Patent Office.

Casestudy



Targeted product range

Coca-Cola Amatil (CCA), the Australian manufacturer, seller and distributer of Coca-Cola products, offers a range of sparkling and still beverages for different target markets, segmented according to age and gender. Energy drink *Mother*, for example, targets 18- to 29-year-old males. The more health-conscious adult market is served with *Diet Coke*, which has a primary target market of females aged over 25 years and a secondary target market of anyone wanting a low-calorie drink. *Deep Spring Natural Mineral Water* was introduced for the 29- to 49-year-old unisex (male and female) markets who want a healthier, tasty drink which is neither a soft drink nor water. *Fanta* and *Sprite* have as their primary target markets 12- to 16-year-old teenagers who are seeking fun with friends. *Appletiser* is aimed at 25- to 39-year-old females who want a sparkling apple juice, whereas *Powerade* and *Pump* have as their core market 14- to 29-year-old males who are active in sports and who want to compete at their best.

Casestudy

New product launch — Coke Zero

Coca-Cola Zero — the taste of Coca-Cola with zero calories because it uses artificial sweeteners instead of sugar — has been one of the most successful product launches in TCCC's history. The drink was targeted primarily to health-conscious, 18- to 39-year-old males. The advertising of Coke Zero was modified to its primary target market by referring to it as 'calorie-free' instead of 'diet'. This was because the target market tended to connect the word 'diet' with female drinks; 'calorie-free' was thought to give the product a more masculine image. For this reason, Coke Zero is sometimes nicknamed 'Bloke Coke'.



Selling techniques of The Coca-Cola Company

The Coca-Cola Company uses a wide variety of selling techniques to maximise sales.



Product development

- Wide range of products including:

Coca-Cola	Pump
Coca-Cola Zero	Lift
Diet Coca-Cola	Appletiser
Sprite	Powerade
Fanta	Mother

Product promotion

- Advertising
- Sponsorship
- More distribution outlets e.g. fast food fountains, vending machines
- Sales representatives
- Interactive web page
- Competitions
- Product placement
- Social media advertising

Comfact

In its first year, about 10 servings of 'Coke' were sold per day. Today, approximately one billion servings are consumed worldwide every day. This equates to about 11 500 serves every second of every day.

Product differentiation

- Product features e.g. bottle shape
- Advertising to reinforce image
- Recognised brand name, symbol, logo and colour

Product pricing

- Reduce prices for specific promotional activities and supermarket sales
- Premium pricing for niche products
- Bulk pack pricing

Product niche focus

- Targeted promotion strategies, e.g. SMS messaging to 18–30-year-old generation
- 'Mother' energy drink for 18- to 20-year-old males

Product enhancement

- Different 'Coke' products targeted at specific markets e.g. Coca-Cola and Coca-Cola Zero
- Improved packaging
  - bottles
  - cans
- New signage
- New themes e.g. It's the real thing, 'Coke' is it

Activities

Understand

1 How has Coca-Cola's target market changed over time?

Think

2 'The successful formula for "Coke" is not the ingredients of the drink but its superior selling techniques.' Do you agree or disagree with this statement? Give reasons for your answer.

3 'Any business that neglects to develop effective selling techniques will almost certainly experience low levels of sales and reduced profit levels.' Why is this so?

4 What are the advantages to The Coca-Cola Company in diversifying and selling water and alcoholic beverages?

5 Select three selling techniques used by The Coca-Cola Company and explain how each one helps the company increase its sales.

Investigate

6 Use **The Coca-Cola Company** weblink in your eBookPLUS to view a number of Coca-Cola advertisements. What is the message The Coca-Cola Company has adopted in its advertisements?

eBookplus

7 A business can have a product's name or symbol registered as its trademark. The 'Dynamic Ribbon' device and the Contour Bottle are trademarks of The Coca-Cola Company.
(a) What is meant by the term 'trademark'?
(b) What icon is used to show that the name or symbol is a registered trademark?
(c) Why would a business want to protect its trademark?
To help you, use the **Intellectual Property Australia** weblink in your eBook PLUS.

6.7

Monitoring and evaluating selling techniques

An interview with Alegria Bartock, Omni Electronics Pty Ltd

Interviewer: *What does Omni Electronics produce?*

Alegria: Omni manufactures a range of home theatre systems including digital receivers and integrated digital televisions.

Interviewer: *Alegria, what is your role in the business?*

Alegria: I am the Sales Manager.

Interviewer: *What selling techniques has your company used in the past?*

Alegria: Our products are aimed at the male, high income, 45 to 55 years age group target market. Consequently, our products were sold through exclusive hi-fi stores. We relied heavily on personal selling and below-the-line promotions. Our sales representatives concentrated on specific stores within their territories. Very little direct advertising was done, apart from some trade journal media releases and pamphlets distributed at trade fairs.

Interviewer: *Why did you recently introduce a new selling technique?*

Alegria: Because the company decided to target a new market. We wanted to start selling to the male and female, middle income, 20–30 years age group target market.

Interviewer: *What new selling techniques did you introduce?*

Alegria: We decided to use a print and social media advertising campaign. Full page, colour spreads were placed in electronics, video, hi-fi and suitable lifestyle magazines. These advertisements were supplemented with an update of our website.

Interviewer: *How have you been involved with the new selling techniques?*

Alegria: As the sales manager, one of my main tasks is to monitor and evaluate the effectiveness of the new selling techniques. **Monitoring** means that I have to check and observe the actual progress of the new selling techniques. This requires gathering sales figures data.



Print advertising was through magazines and catalogues.

Just as a hospital patient is regularly monitored by medical staff for any signs of change, so, too, must the selling techniques be monitored.

Interviewer: *What do you do with the data you collect?*

Alegria: The data collected during the monitoring stage are used to evaluate the selling techniques. **Evaluating** involves comparing what we forecast to happen against what actually happened. Remember, the aim of selling and promoting is to increase sales and maximise profit. By evaluating the new selling techniques, I can determine whether our actual sales are above or below what we forecast. If the sales are above what we forecast then the new selling techniques have been a success. If the figures are below, we need to take some type of corrective action.

Interviewer: *Were the new selling techniques a success?*

Alegria: Here are the sales figures for April, May and June — the second quarter of the year.

Sales for Omni Electronics — 2nd quarter

Sales territory	Forecast sales $	Actual sales $	Difference $	% change (– decrease + increase)
1	50 000	58 000	8 000	+16.0
2	80 000	85 000	5 000	+6.3
3	70 000	67 000	–3 000	–4.3
4	65 000	72 000	7 000	+10.8
5	45 000	50 000	5 000	+11.1
Total sales revenue	310 000	332 000	22 000	+7.1

If you look at the bottom line, you can see that the total sales revenue increased by $22 000 or 7.1 per cent above our forecast. This is a pleasing result.
I am concerned about the result in sales territory 3. I will need to investigate that later. However, all the other territories performed above expectations. This tells me that the new selling techniques are a success. We will obviously continue with them.

Interviewer: *How do you evaluate the effectiveness of the selling techniques on your customers?*

Alegria: This is more difficult but it is important that it be done. Essentially, we rely on two methods. First, we make regular contact with our customers and talk to them. This feedback provides me with lots of ideas. It also lets us know if the customers are satisfied with our products.

In addition, written surveys are sent twice a year to a representative sample of our customers. The survey asks for feedback about satisfaction with product features, performance, quality and the level of after-sales service. We outsource the survey to a marketing company.



Regular customer contact is made to assess the level of consumer satisfaction.

Interviewer: *Why don't you just use the sales figures as an indication of customer satisfaction?*

Alegria: If your products, customer service and selling techniques are all functioning well, sales will increase. However, it is possible that we are not achieving maximum level of sales because of some consumer dissatisfaction. We can only evaluate this by talking to our customers.

Glossary

evaluating the comparison of planned performance against actual performance

monitoring checking and observing the actual progress of something

Activities

Understand

1 What data did Omni Electronics need to collect to monitor and evaluate the new selling techniques?
2 How can a business evaluate the effect of its selling techniques on its customers?
3 Why is it important to survey customers?
4 Explain how monitoring and evaluating are linked.
5 Look at the Omni Electronics sales data at left and then complete the tasks.
   (a) Which sales territory had the:
      (i) highest actual sales
      (ii) lowest actual sales?
   (b) What does the 'Difference' column measure? What is the importance of this column?
   (c) Which sales territory had the:
      (i) largest percentage change
      (ii) smallest percentage change?
   (d) What is the importance of having a '% change' column?
   (e) Convert these data into two line graphs measuring 'Forecast sales' and 'Actual sales'. Carefully label the graphs and provide a key.

Think

6 A business has a sales potential of $90 000 but achieves actual sales of only $25 000. What does this signify? What should the business do next?
7 'Any business that fails to monitor its sales will not be able to evaluate the effectiveness of its selling techniques.' Discuss.
8 You have just been appointed sales manager for Oz-T-Shirts Pty Ltd. One of your first tasks is to evaluate the sales performance as shown in the following table.

Sales for Oz-T-Shirts — 2nd quarter

Sales territory	Forecast sales $	Actual sales $	Difference $	% change (– decrease + increase)
1	39 000	45 000	.....	.....
2	64 000	68 000	.....	.....
3	42 000	46 000	.....	.....
4	47 000	43 000	.....	.....
5	54 000	62 000	.....	.....
Total sales revenue	.....	.....	.....	.....

   (a) Complete the table.
   (b) Analyse the forecast and actual sales. What do these figures indicate?
   (c) Would you recommend continuing with the selling techniques? Why?

eBook plus **Worksheet 6.3** Identify strategies for selling and promoting products.

Chapter 7

OPTION



E-commerce

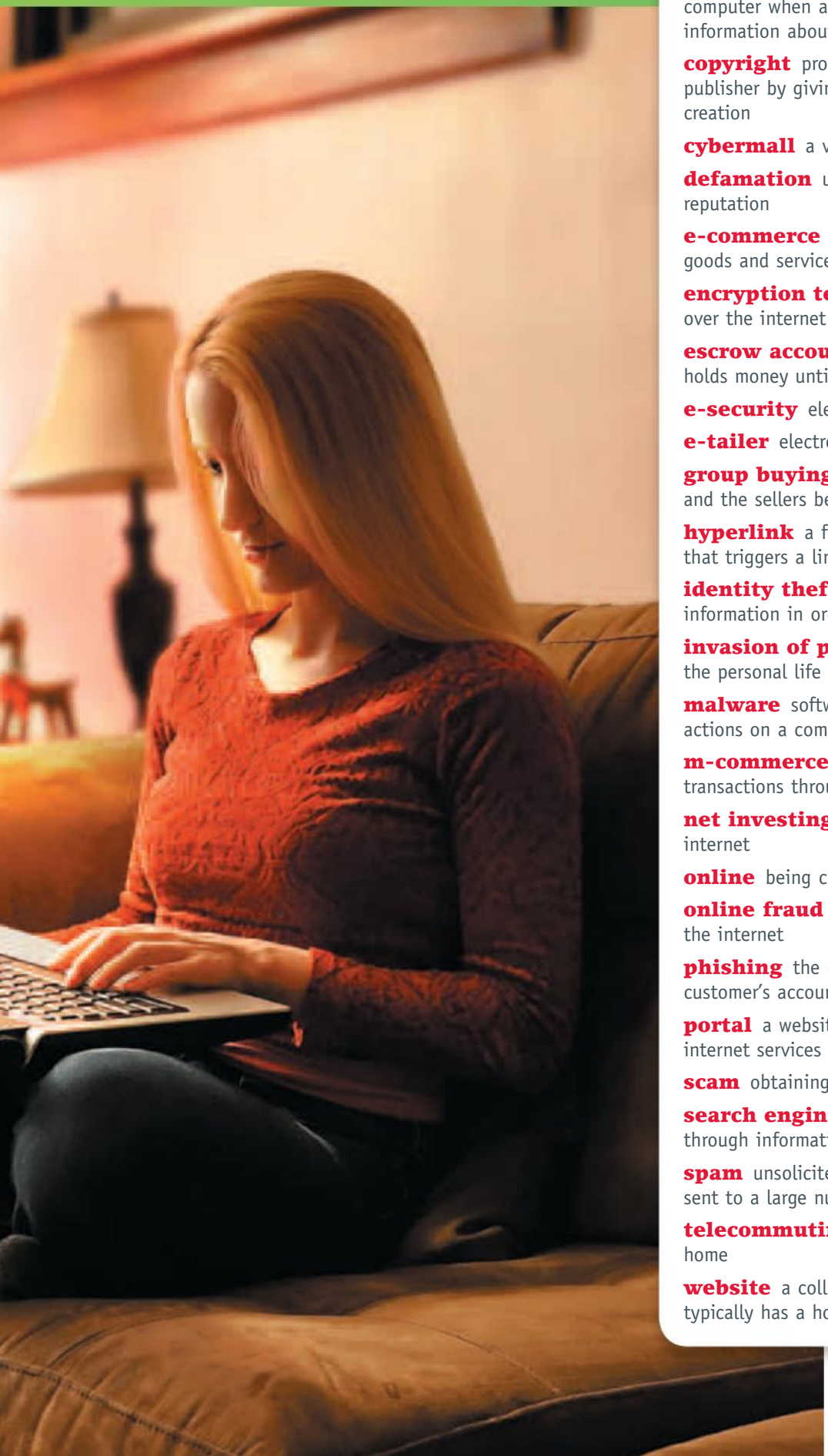
Do you ever shop online? A recent national survey found that while about 21 per cent of Australian consumers regularly shop using the internet, this rises to over 33 per cent at Christmas time. Australia is now the world's third biggest per capita online consuming nation!

The internet is revolutionising the way people socialise, learn, communicate, work, romance and, increasingly, shop. At the click of a mouse or touch of a screen, vast amounts of information and numerous shopping sites are at your fingertips.

Online shopping offers unique ways of buying and selling goods and services. However, as with all commercial transactions, wise consumers need to be aware of the possible traps involved when conducting business online. You need to be a smart online consumer: smart about what you do and the choices you make.

Focus

On completion of this chapter, you will have learned how to use the internet for researching commercial and legal information, and buying and selling goods and services.



Glossary

cookie a file that a web server stores on the user's computer when a website is visited. A cookie gathers information about a user.

copyright protects an author, artist, musician or publisher by giving them exclusive rights over their creation

cybermall a virtual shopping mall

defamation unlawfully damaging a person's reputation

e-commerce the buying and selling of information, goods and services via the internet

encryption technology scrambles data travelling over the internet to prevent unauthorised access

escrow account an account where a third party holds money until goods are delivered

e-security electronic security on the internet

e-tailer electronic retailer

group buying buying in bulk so both the buyers and the sellers benefit from the deal

hyperlink a feature highlighted within a document that triggers a link to another document

identity theft the crime of stealing personal information in order to assume that person's name

invasion of privacy the wrongful intrusion into the personal life of another

malware software intended to perform unwanted actions on a computer

m-commerce the ability to conduct business transactions through a mobile device

net investing direct investor trading over the internet

online being connected to the internet

online fraud intentional deception committed on the internet

phishing the use of a fake bank website to elicit a customer's account details

portal a website designed to offer a variety of internet services from a single convenient location

scam obtaining money by means of deception

search engine a program that gathers and sorts through information on the web

spam unsolicited email, usually advertising, which is sent to a large number of people

telecommuting using technology to work from home

website a collection of related web pages which typically has a home page where users enter the site

7.1

The scope of e-commerce

Over the last decade there has been an explosion in electronic commerce, largely brought about by the development of **e-commerce**: the buying and selling of information, goods and services via the internet. E-commerce provides opportunities for any aspiring entrepreneur, regardless of age or experience, to create a virtual business that can sell direct to the world without the associated costs of a 'bricks and mortar' business.

Today, consumers expect a business to have a **website**. In response, more and more Australian businesses are using the internet to cover all aspects of commercial transactions.

Casestudy

Small business goes online

Ellie Jordan and Taylah Golden own and operate a successful online business.

The fashion label Jordan Taylah, an online sleepwear business started in 2008 by Ellie and Taylah, operates from the homes of these two fashion designers. Taylah and Ellie design and hand-make pyjamas of all sizes, and sell their collection online. Originally they sold their products at local markets and fairs, but with help from family and friends their online business was created. The most remarkable aspect of their venture, though, is that they were only 12 years of age when they started the business!

The business's motto is 'dream big'; quite appropriate for these two e-tailers.



Taylah Golden and Ellie Jordan. Who says you can't start up a business at the age of 12?

Using e-commerce for commercial purposes

There are two main types of e-commerce transaction.

- *Business-to-consumer (B2C)*. This covers products and services sold or distributed over the internet, with payment usually by credit card.
- *Business-to-business (B2B)*. This covers a business's electronic transactions with other businesses, including paying bills, sending quotes and ordering supplies.

B2C, usually referred to as **online** shopping, is the most commonly used aspect of e-commerce, which consumers have taken to with enthusiasm. This is because consumers believe that online shopping provides access to a greater range of cheaper products, without the inconvenience of crowds or queuing. With a few clicks of a mouse, consumers are able to buy just about anything they want. Who would have anticipated the success of electronic retailers — **e-tailers** — such as Amazon, Yahoo! or ninemsn? There are now thousands of Australian and overseas e-tailers to choose from, as well as an abundance of commercial internet sites aimed at helping consumers navigate the network of options.

People are not only spending more on their online purchases, but are also using online shopping in greater numbers. For example, the main operator of global online auctions, eBay™, which can be likened to a huge online garage sale, presently has about 233 million users worldwide. This reflects the popularity of online auction business, which has become the most profitable e-commerce strategy on the web.

Apart from the buying and selling of goods and services online, e-commerce is gradually being used for more traditional transactions such as:

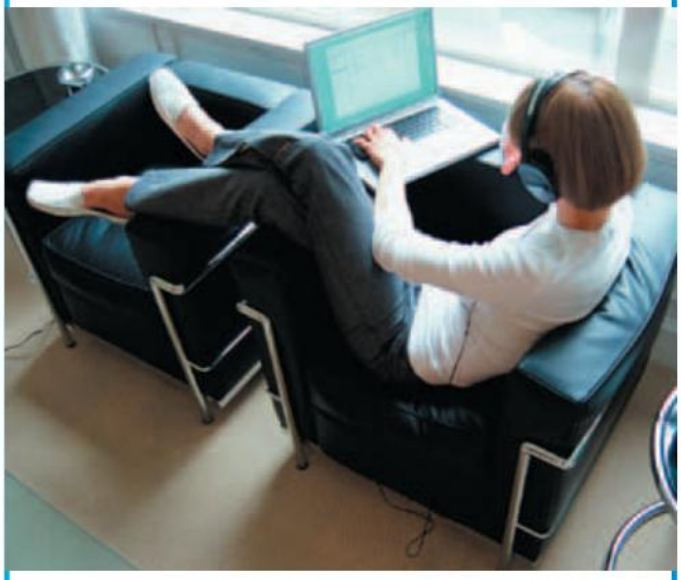
- researching commercial and legal information
- taking orders online
- conducting online banking transactions
- offering training courses
- providing customer service and support.

While e-commerce offers many advantages, consumers and businesses need to be aware of the possible disadvantages of using the internet for commercial purposes.

Advantages and disadvantages of using the internet for commercial purposes

Advantages

- Instant access to a wide range of information sources
- Convenient 24 hours a day, 7 days a week availability
- Comparison shopping is made easier
- Can access up-to-date information
- Email makes follow-up contact easier
- Faster and cheaper than traditional research methods
- Information can combine text, graphics and pictures
- Information can be easily stored for future reference
- Businesses can sell to a global market
- No GST on overseas purchases
- Cheaper overseas prices when the exchange rate is favourable



Disadvantages

- Sometimes there can be too much irrelevant information on a site
- Can be time wasting, due to inadequate search skills
- Difficult to verify the accuracy and integrity of information
- Proliferation of scams and internet fraud
- Websites may not be regularly updated
- Distractions caused by on-screen (pop-up) advertisements
- Can sometimes be difficult to distinguish between advertisements and articles
- Damage caused by viruses
- Data overload due to unsolicited emails (spam)
- Cost of computer purchase

Comfact

A net address contains the user's identification at a site or domain. The domain identifies the organisation running the site and the kind of site it is. The suffix at the end of the address identifies the type of organisation.

Suffix	Type of organisation
.com	Commercial businesses
.edu	Educational institutions
.gov	Government departments
.net	Organisations that run large networks
.org	Non-profit organisations

Activities

Understand

1 Why are small businesses such as Jordan Taylah having an online presence?

2 Distinguish between *business-to-consumer* and *business-to-business transactions*.

3 Do you think the advantages of online shopping outweigh the disadvantages? Why?

4 What type of organisation has the following suffix?
(a) .gov (b) .edu (c) .org (d) .net (e) .com

Think

5 In pairs, prepare a one-page report on the impact that the development of the internet has had on:
(a) your life and the life of your family
(b) how you buy and sell goods and services.

6 What do you think are the main causes of the growth in online shopping in recent years?

7 'With easier access to vast amounts of information about products and prices, the electronic marketplace increases competition and therefore benefits consumers'. Do you agree or disagree with this statement? Give reasons for your answer.

Communicate

8 In small groups, brainstorm how e-commerce may affect:
(a) Australian consumers
(b) large retailers such as Woolworths and Coles.
Present your group's ideas to the rest of the class.

eBookplus **Worksheet 7.1** Evaluate the online marketing techniques used for the launch of Outback Trekkers.

Glossary

e-commerce the buying and selling of information, goods and services via the internet

e-tailer electronic retailer

online being connected to the internet

website a collection of related web pages which typically has a home page where users enter the site

7.2

Online shopping (1)

The web is revolutionising the way people shop. If you have a personal computer and are connected to the internet, a whole new shopping experience is available to you. Most of the online shopping sites let you view a description and usually a photo of the item for sale. Once an item has been selected it can be placed in the virtual shopping trolley. The next step is to proceed through the virtual checkout where, after entering some personal and payment details, funds are transferred from your account to the business's account.

Online protection

Either through complacency, ignorance or foolishness, some consumers will become victims to online fraud or identity theft. Therefore, whether you are a first-time user or a regular user, there are ten basic steps you can take to help protect yourself. Be aware of the possible risks when transacting online.

Cybermalls

Imagine shopping in a virtual mall — **cybermall** — from home, visiting different e-tailers and buying almost anything from anywhere in the world.

Those shoppers who are 'time poor' prefer the convenience of shopping online. Other consumers like being able to shop around for the cheapest price or have the opportunity to select from a wide range of goods and services at a time that suits them. However, similar to traditional consumer transactions, you should be aware of some of the risks involved with purchasing goods or services online.

Purchasing online

If you have never shopped online, ask your family and friends to recommend reliable sites. Otherwise, use a **search engine** to find e-tailers. You can limit your search to a particular product, brand name or country. Using a **portal**, a website



Ten basic steps you can take to reduce your risk of being a victim of cybercrime

designed to offer a variety of internet services from a single convenient location, to access an online shopping mall will provide a number of stores to choose from. However, you may be moved between sites without being aware of it, which can make it difficult to know which business you are dealing with.

Shop around

Visit other sites and compare prices and product features to know exactly what you are buying. Prices should be clearly displayed and include all additional costs. There should be an easy-to-follow ordering process that gives you confirmation of your order. Check also the business's:

- refund and return policy
- privacy policy
- currency, postage and delivery charges
- delivery methods
- stock availability.

Be particularly wary if the business's website looks unprofessional or suspicious, or offers bargains that seem too good to be true. You may not get what you pay for. Remember, if you have any doubts, it is safer not to proceed!

Evaluate the business's reputation

Look for the business's street address and phone number in order to ensure you know who you are dealing with. Always check that the contact details are correct. However, the authenticity of online stores cannot easily be guaranteed, therefore it is best to undertake research about an online store before ordering from it. A number of government consumer protection sites such as the Australian Competition and Consumer Commission, Cyber Security Alert Service and Scamwatch can help with your research.

Finally, it is advisable to order from an e-tailer which has a good reputation.

Convert the price to Australian dollars

If you want to purchase a product from an e-tailer in the USA, the US business will want to be paid in US dollars (US$) not Australian dollars (A$). Therefore, it is necessary to convert one currency into another.

The foreign exchange rate is the ratio of one currency to another; it shows how much a unit of one currency is worth in terms of another. Check the exchange rate carefully as it will fluctuate over time. Such fluctuation will affect the price you pay for an imported product. For example, if A$1 = US$0.85, that means one Australian dollar is worth 85 US cents. Alternatively, if A$1 = US$1.09, that means one Australian is worth 109 US cents. In this example, the value of the A$ has increased against the US$: an appreciation. The result is that the price of imports falls; US products have become less expensive. Of course, a depreciation means one A$ buys less foreign currency and the price of imports will rise. (See pages 308–9 for a detailed explanation of exchange rates).

Activities

Understand

1 Identify two reasons why people may prefer to shop online.
2 What are the ten basic steps you can take to reduce your risk of being a victim of cybercrime?
3 What is meant by the following terms: (a) search engine and (b) portal?
4 List four features you should check about a business before making an online purchase.
5 List three sites you should visit to evaluate an online business's reputation.
6 What does the foreign exchange rate show?
7 Why should you convert an overseas e-tailer's price to Australian dollars?

Think

8 How is shopping on the internet:
(i) similar to traditional shopping
(ii) different from traditional shopping?

Communicate

9 Conduct a discussion about class members' online shopping experiences. Record ten of these stories in a table like the one below. What conclusions can you make from this information?

	Items purchased	Internet sites used	Security measures	Methods of payment
Case 1				
Case 2				

eBookplus

10 Use **The Australian Competition and Consumer Commission** weblink in your eBookPLUS and select two 'Online shopper's checklist' recommendations. Explain how knowing this information can make your online shopping experience safer.

Glossary

cybermall a virtual shopping mall

portal a website designed to offer a variety of internet services from a single convenient location

search engine a program that gathers and sorts through information on the web

7.3

Online shopping (2)

Apart from a single e-tailer shopping experience, two recently popular methods of online shopping are online auctions and group buying.

Online auctions

You need to realise that when you are buying something via an internet auction, you are not buying from an auction house, but from a business or individual who may not be an honest, reputable dealer. The auction houses are simply providing a mechanism for people to trade with one another. They do not take any responsibility for any loss you may suffer using their services.

Once your bid has been accepted, the payment for and delivery of your purchase is something you and the seller have to work out. If the good is not what you thought you were buying, or if it does not arrive after you have paid for it, then the auction house will not refund your money. You need to contact the seller and negotiate.

The main risks involved with online auctions include:

- you may not receive the goods
- the goods may be damaged on delivery
- the goods may not be the same as shown in the picture, or they may be the same but of a poorer quality
- the seller may be slow in delivering the goods.



eBay™ is one of the most popular online auction sites.

Group buying

Over the past few years, Australians have been congregating to **group buying** sites (also known as social buying, collective buying or daily deals) such as Scoopon, Jump On It, LivingSocial and Cudo. Online shoppers are attracted by the heavily discounted deals. Deals can range from a meal at a local restaurant to scuba diving lessons to a trip on a luxury yacht.

Group buying uses the power of buying in bulk so both the buyers and the sellers benefit from the deal. The deals are normally offered only for a limited time and will be valid only if the minimum number of purchasers is reached. Once the deal is finalised, the consumer prints off a coupon as proof of purchase and redeems (uses) it within the coupon's time limit. If the minimum number is not reached, then the buyer's credit card is not charged and the deal collapses.

As well as the risks associated with online auctions, the main risks involved with group buying include businesses:

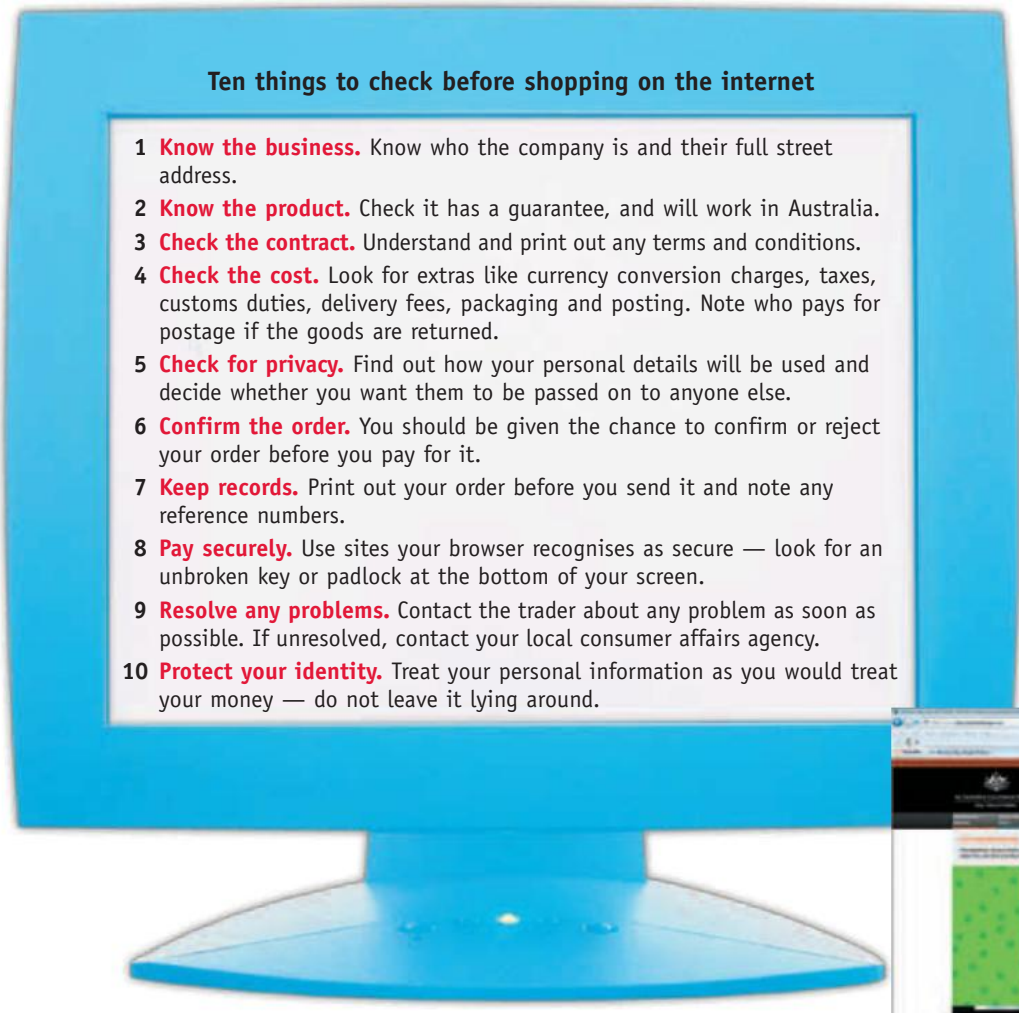
- closing down and not supplying the product
- providing inferior products or not providing what was advertised
- refusing to redeem customers' coupons
- not providing refunds if the product is not delivered.

Comfact

Three golden rules of online shopping.
1. If a deal seems too good to be true — it probably is.
2. If in doubt, it is safer not to proceed.
3. Think before you click.

10-point safety checklist

Whether you are buying products from online businesses, bidding and selling through online auctions or participating in group buying, there is plenty of opportunity to get ripped off. This can largely be avoided by simply following a 10-point checklist before committing yourself to an online purchase.



Make your online shopping experience safer by using this 10-point checklist.

Staysmartonline.gov.au

If you want to shop online, but are still a bit wary, there are a number of state and federal government sites that provide useful information on a wide range of online shopping issues. One of the most comprehensive is the federal government Stay Smart Online site. It provides online users with practical advice on **e-security** and best practice tips for smart transacting online.



Be smart — click onto Stay Smart Online.

Activities

Understand

1 Explain how an online auction operates.
2 Outline how group buying is different to a single e-tailer purchase.
3 What attracts consumers to group buying?
4 Write out the golden rules of shopping online.
5 What sort of risks might you be taking when you buy from an online auction or participate in group buying?
6 Examine the 'Ten things to check before shopping on the internet' above and then answer the following questions:
   (a) What details of the business should you check?
   (b) What information will be contained in the contract?
   (c) Apart from the cost of the good, what extra costs might you be charged?
   (d) How can you tell if the site is secure?
7 How can you best avoid getting ripped off when shopping online?

Think

8 Which of the ten points shown in the checklist above do you think is the most important? Give reasons for your answer.
9 What does the expression 'If something seems too good to be true — it probably is' mean?

eBookplus

10 Use the **Stay Smart Online** weblink in your eBookPLUS and complete the quizzes. How would you rate your performance?
11 Use the **eBay** weblink in your eBookPLUS and briefly outline how eBay protects your account.

Glossary

e-security electronic security on the internet

group buying buying in bulk so both the buyers and the sellers benefit from the deal

7.4

Online shopping (3)

Imagine that after surfing the internet you find a fantastic bargain. You place the item in your cart and proceed to the virtual checkout to pay. There are a number of things you can do to protect yourself when paying for products online.

Paying online

Most internet purchases have to be paid for by credit card when placing the order. This presents an obstacle, because young people are unable to get a credit card until they turn 18 and have an income. You may be tempted to pay by using a debit card, however this should be avoided. This is because the money is taken out of the account straight away. Should there be any problems, you may never see your money again. With a credit card, you can contest transactions that you know were not made by you before the monthly statement is paid.

If you plan to frequently shop on the internet, have a special credit card with a low limit that you use only for online shopping. This will prevent losing a lot of money in case of fraudulent activity.

Security of payment

It pays not to take internet security for granted when using your card. There are criminals out there who want your personal details so they can access the account and buy products without paying.

Provide credit card details only if the online store uses a secure payment system such as Secure Electronic Transaction (SET) or Secure Sockets Layer (SSL). These systems protect your personal and financial details by using **encryption technology** which scrambles your data as it travels over the internet. To know whether a shopping site is secure, look for a:

1. locked padlock or an unbroken key icon somewhere on your browser. If there is no visible security icon, do not send payment details.
2. web address that begins with https:// instead of the normal http://. This tells you that personal details will be safe when they are sent across the internet.

Alternatively you may have access via an adult to an online payment system such as PayPal.



Hypertext Transfer Protocol Secure (HTTPS): a security protocol for online transactions

PayPal security

To protect against fraudulent behaviour involving online auctions, some auction houses provide an **escrow account** facility. This is an account where a third party holds money until products are delivered. For example, eBay™ owns and operates PayPal: a system of payment that does not require sharing your bank account and credit card details with others. When money is transferred using PayPal, the funds are held in a PayPal account until the holder of the funds repossesses them or spends them. For added security, all the information that is sent to PayPal is encrypted into unintelligible data using a code. Using this type of account, both the buyer and the seller are protected.

PayPal is free for all purchases made in Australia; however, sellers are charged a fee.

Identity theft

Identity theft occurs when someone illegally obtains your personal details, such as account numbers or your name, and uses those details to commit fraud. The identity thief uses your stolen identity to do things like:

- borrow money in your name
- open a new credit card account in your name
- buy goods in your name.

To help protect your identity, you should:

- not store personal details on mobile phones
- check your financial records carefully
- use social networking sites cautiously.



Your personal details can be easily stolen by cybercriminals if you do not take precautions.

Anyone who provides personal information to an unsecured website when shopping online risks being a victim of identity theft. If the online seller asks you for additional information such as your email address or phone number, do not provide them unless you are confident the seller can be trusted.

If you think your personal information has been fraudulently used, you can lodge a complaint with the federal Office of the Australian Information Commissioner.

Consumer protection laws

The *Competition and Consumer Act 2010* (Cwlth) and the *Fair Trading Act 1987* (NSW) provide consumer protection on purchases made from Australian and New Zealand e-tailers. Consequently, your consumer rights are protected when purchasing from these businesses. However, if you buy something from an e-tailer located in another country, New South Wales or Australian consumer protection laws may not apply. Therefore, it could be very difficult to enforce these laws. In these cases, you need to contact the relevant consumer affairs department in the country where the business is located.

Activities

Understand

1. Why is it best to avoid using a debit card when making an online purchase?
2. Why is it advisable to use a credit card with a low limit for online payments?
3. What is the purpose of encryption technology?
4. How can you tell whether an online shopping site is secure?
5. Why would an online shopper want to use an escrow account facility?
6. Why do you think eBay™ offers the PayPal facility to online buyers and sellers?
7. What is meant by the term 'identity theft'?
8. Max did not do any security checks when he made an online purchase of a new computer game. Explain why Max could fall victim to fraud.

Think

9. Zac was excited when the expensive computer game he had bought online arrived. On closer inspection, he was shocked to find it was not what he had expected. Worse, the game was faulty.
   (a) Explain what rights Zac has if he purchased the computer game from an Australian e-tailer.
   (b) What problems might he encounter if he purchased the computer game from an e-tailer based in another country?

eBookplus

10. Use a software tool such as Publisher to produce a brochure that provides helpful hints on how to avoid a bad online shopping experience. Use the internet to find out where a consumer can seek help if they have a problem concerning shopping online. Include this information in your brochure. You might find it helpful to look at the **Stay Smart Online** and **Cybersmart** weblinks in your eBookPLUS.
11. Use the **Office of the Australian Information Commissioner** weblink in your eBookPLUS to read the latest Private i magazine. Select one topic of interest and list the main points of the article.

Worksheet 7.2 Write an explanation of how some basic safety tips can protect you in the virtual marketplace.

Glossary

encryption technology scrambles data travelling over the internet to prevent unauthorised access

escrow account an account where a third party holds money until goods are delivered

identity theft the crime of stealing personal information in order to assume that person's name

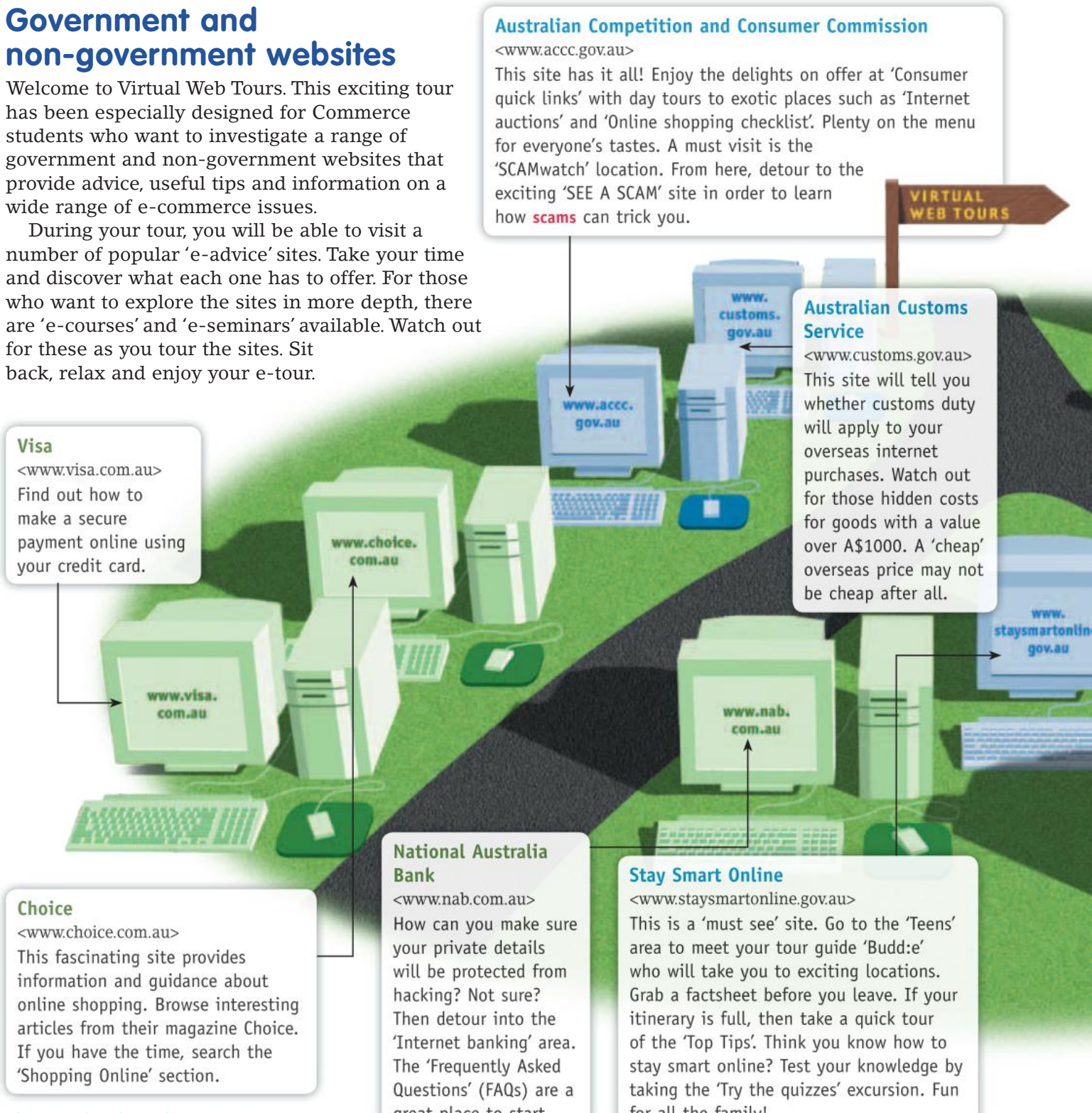
7.5

Advice on consumer issues

Government and non-government websites

Welcome to Virtual Web Tours. This exciting tour has been especially designed for Commerce students who want to investigate a range of government and non-government websites that provide advice, useful tips and information on a wide range of e-commerce issues.

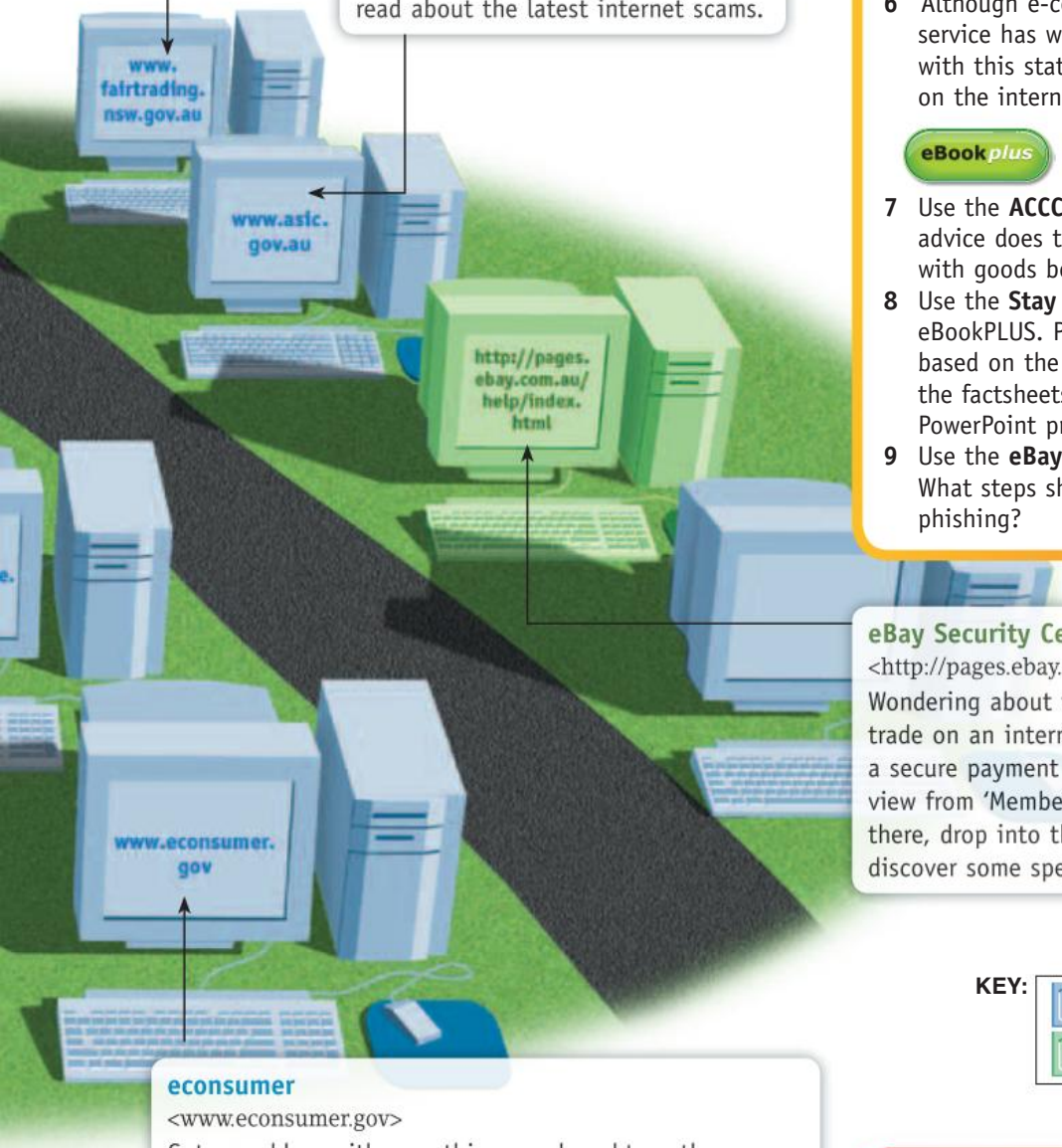
During your tour, you will be able to visit a number of popular 'e-advice' sites. Take your time and discover what each one has to offer. For those who want to explore the sites in more depth, there are 'e-courses' and 'e-seminars' available. Watch out for these as you tour the sites. Sit back, relax and enjoy your e-tour.



The Virtual Web Tour's scenic sites

NSW Fair Trading
<www.fairtrading.nsw.gov.au>
Take the 'Consumers' expedition to discover issues ranging from buying cars and bikes to shopping and credit. While here, why not try the 'Ways to shop' detour to explore the 'Internet shopping' scenery?

Australian Securities and Investments Commission
<www.asic.gov.au>
The Commission is responsible for consumer protection in the financial services area. Transferring funds online should not be attempted without first exploring this site. While here, visit 'Money Smart' and read about the latest internet scams.



Activities

Understand

1 What is the benefit of the e-consumer website to Australian consumers?
2 Which government site is responsible for consumer protection in the financial services area?
3 What will you find at:
(a) SCAMwatch
(b) Money Smart?
4 Which non-government site would you use to access *CHOICE* magazine?

Think

5 In small groups, discuss why you think, despite all the available advice on e-commerce issues, people fall victim to cybercrime. Share your responses with the rest of the class.
6 'Although e-commerce has grown rapidly, customer service has worsened.' Do you agree or disagree with this statement? Suggest ways customer service on the internet can be improved.

eBookplus

7 Use the **ACCC** weblink in your eBookPLUS. What advice does this site provide regarding problems with goods bought online from a business?
8 Use the **Stay Smart Online** weblink in your eBookPLUS. Present a two-minute oral report based on the information contained in one of the factsheets. You may wish to prepare this as a PowerPoint presentation.
9 Use the **eBay Security** weblink in your eBookPLUS. What steps should you take to protect yourself from phishing?

eBay Security Centre
<http://pages.ebay.com.au/help/index.html>
Wondering about the protection you have when you trade on an internet site? Want to know how to choose a secure payment method? Then this site is for you. The view from 'Membership and accounts' is thrilling. While there, drop into the 'Protecting your account' store and discover some specials.

KEY:
- Government computers
- Non-government computers

econsumer
<www.econsumer.gov>
Got a problem with something you bought on the internet from another country? This site provides plenty of detail about international consumer advice and cross-border complaints.

Glossary

scam obtaining money by means of deception

7.6

E-consumer protection issues

Formation of a contract

Imagine you buy a digital camera from an e-tailer. This transaction created a contract, a legally binding agreement. If you buy the digital camera online from an Australian e-tailer, you have the same legal rights as if you bought it directly from a shop. Under Australian law, the product must match the description given by the online seller. The quality of the goods purchased should also be reasonable as judged by the price paid. If these conditions are not met, then you may be entitled to a remedy such as a refund, repair or replacement. However, if you purchased the camera from an overseas e-tailer and it was faulty, then the situation is not so clear cut. For example, it may be difficult to:

- determine from whom you bought the camera
- obtain proof of details of the transaction.

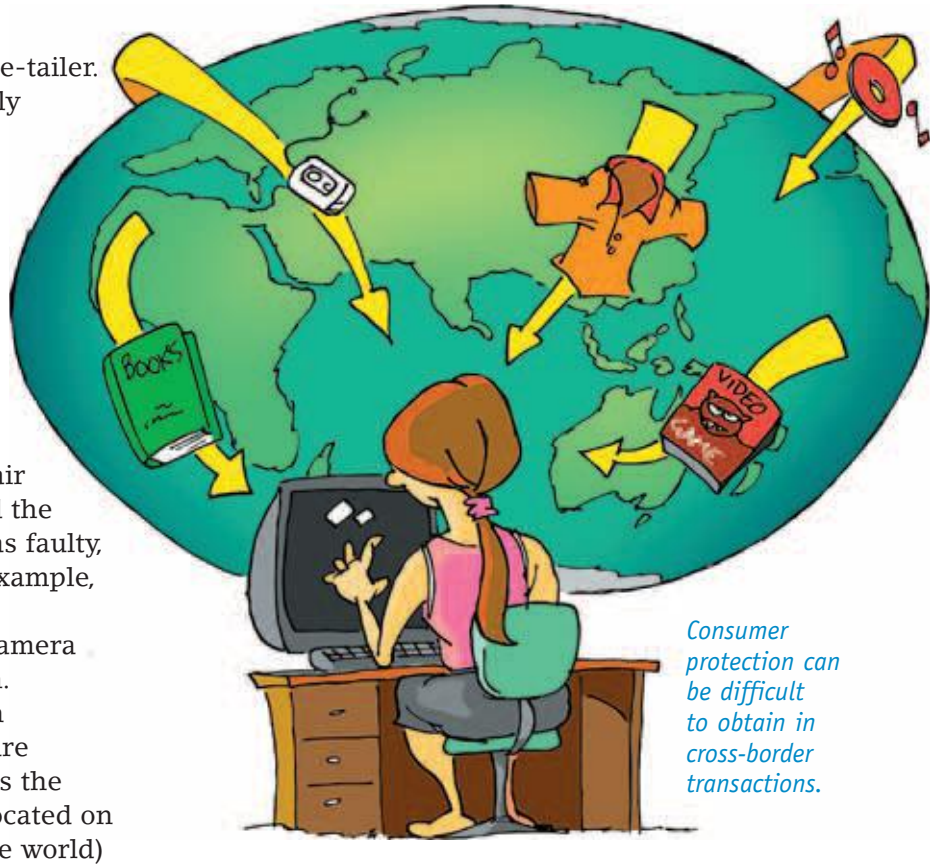
Websites can be created and removed in an instant. The use of **hyperlinks** (a feature highlighted within a document that triggers the link to another document, which may be located on another computer in some other part of the world) confuses the situation even further. The well-known commerce saying 'Let the buyer beware' should now read 'On the internet, let the buyer beware. But where?'

Countries are presently attempting to devise international consumer protection laws. However, problems are likely to continue to occur with transactions that cross national borders, especially when trying to determine which country's laws apply and which country's courts have the power to settle any dispute.

If you are in dispute with an overseas e-tailer, you need to contact the relevant consumer affairs authority in the country where the business is located. The Consumers International organisation has links to many countries and is a good place to start.

Integrity of websites

The vast majority of businesses that operate online are reputable organisations that operate ethically and honestly. However, there are some who use the anonymity of the internet to con people.



Consumer protection can be difficult to obtain in cross-border transactions.

As growing numbers of consumers use e-commerce, experts warn that there are some potential dangers to online shopping including **online fraud**, identity theft, **phishing** and **invasion of privacy**.

Cybercrime

Malware has the ability to steal user name and password information. Cybercriminals use this information to access financial services online, including online banking and online auction sites. Credentials for email systems are also captured and these can be used to send **spam**, or as a stepping stone to access other financial services via the forgotten password features. In addition to user names and passwords, often malware captures other confidential and personal information, such as online loan applications, which could be used for identity theft.

The most popular method for delivering malware to potential victims is to send an email with a link to a malicious website. These emails range in topic from seeing the latest celebrity video to sensational headlines relating to current events — emails we are likely to receive on a daily basis and not think twice about clicking on and passing on.

You should be aware of how to avoid being a victim of cybercrime. This will ensure your experience is safer and you do not get ripped off as you venture into the world of e-commerce.

How to avoid super-highway robbery

1. Do not give personal financial details to anyone you do not know or have not checked out.
2. Do not be fooled by how professional a website looks.
3. Be wary of high-pressure sales tactics such as time limits for special offers.
4. Do not be fooled by any online hype.
5. Remember that people on the net are not always what they seem.
6. Do not respond to unsolicited emails; spam.
7. Regularly update your computer anti-virus protection.

Case*study*

Gone phishing!

Hi, I'm Huan Wu. Recently I was victim to an internet fraud called phishing and had my identity stolen. I was sent an email, supposedly from my bank, requesting me to update my personal information. I clicked on the link in the email and up popped my bank's website. I was suspicious at first but the website seemed genuine. The thieves asked me for information that seemed reasonable, such as my account number, type of account and address. How stupid was I to fall for this trick!

To avoid being a victim of phishing, you should be very suspicious of an email that makes an urgent request for your personal or financial details. Do not click on links within the email or reply to a pop-up screen that asks you for personal details. I now know that legitimate banks will never ask for account details or passwords by email or by clicking on a link in an email — or by phone.



Activities

Understand

1 Why is it sometimes difficult to gain consumer protection when purchasing goods from an overseas e-tailer?
2 What is meant by the saying 'On the internet, let the buyer beware. But where?'
3 What should you do if you are in dispute with an overseas e-tailer?
4 List and explain the four main dangers to shopping online.
5 (a) What do cybercriminals use malware for?
(b) How do cybercriminals deliver malware to potential victims?
6 Read the case study at left and then answer the following questions.
(a) What is meant by the term 'phishing'?
(b) What steps can you take to protect yourself from phishing?
(c) What advice would you give to anyone who receives unsolicited emails?
7 What is the difference between spam and scams?

Think

8 'All unsolicited emails should be treated the same as junk mail offers.' Explain.
9 Why do you think it is important to assess the integrity of a website?

eBookplus

10 Use the **Consumers International** weblink in your eBookPLUS. What is the role of Consumers International?
11 Use the **ACCC** weblink in your eBookPLUS. List the tips the ACCC provides to help protect against scams.
12 To find out more about scams on the internet, use the **SCAMwatch** weblink in your eBookPLUS.

Worksheet 7.3 Learn to identify internet scams.

Glossary

hyperlink a feature highlighted within a document that triggers a link to another document

invasion of privacy the wrongful intrusion into the personal life of another

malware software intended to perform unwanted actions on a computer

online fraud intentional deception committed on the internet

phishing the use of a fake bank website to elicit a customer's account details

spam unsolicited email, usually advertising, which is sent to a large number of people

7.7

Financial services

Accessing practical information and services

Most Australian financial institutions — banks, building societies, credit unions, insurance companies and stock exchanges — have an online presence. They offer a wide range of information whether you are a customer or not.

Australian Financial Services Directory

Currently Australia's largest collection of online financial resources, this site allows you to access numerous financial institutions within Australia and worldwide. The extensive directory provides links to banks, funds managers, Australian publicly listed companies, stock market reports and much more.



This site provides links to numerous financial institutions.

Online share markets — net investing

Would you like to do your own share trading online? If so, one of the most important financial sites to visit is the Australian Securities Exchange (ASX). Here you will find practical financial information including:

- what the stock market is and how it works
- a glossary of financial terms
- a 'Step by Step Guide to Investing in Shares'
- how to conduct online trading — net investing.



The ASX site provides practical information about share trading.

Net investing is direct investor trading over the internet. An investor can access a website with a direct investment facility from one of the larger discount online brokers such as CommSec or any major bank, and then buy and sell shares.

Bill payment — Electronic Payment System (EPS)

Consumers today rarely carry large amounts of cash. Technology has developed alternative methods of transferring funds from customers to businesses.

- *BPAY®*. This is an automated bill-paying system that allows customers to pay bills via telephone (mobile or landline) or internet. Through the BPAY View® service, customers can also see their bills online through a secure internet site.
- *Electronic Funds Transfer at Point of Sale (EFTPOS)*. The use of EFTPOS has increased in recent years, and banks encourage this trend by charging a lower fee for shopping and withdrawing extra cash with EFTPOS.

E-banking and m-commerce

Banking on the internet, e-banking, allows you to bank anywhere in the world, whenever you want. It is quicker and cheaper than traditional banking. It can save time and money and allows you greater control of your finances.

M-commerce (mobile commerce) is the ability to conduct business transactions through a mobile device such as a smartphone. M-commerce enables you to access the internet without needing to find a place to plug in. Once you have downloaded a mobile banking app you can conduct your banking by using your handheld device.

At the touch of a button on your mobile phone, you can:

- pay bills
- open a new account
- access existing accounts
- transfer funds between linked accounts
- check balances.

However, internet banking does have a number of drawbacks, including:

- you have to do more of the work yourself, especially keeping a record of all financial transactions
- you need access to a computer or a smartphone
- the possibility of internet fraud, especially phishing and identity theft.

You need to use the same protective measures in the virtual world as you do in the real world. Do not respond to emails asking for banking or account passwords. Make sure that your computer has up-to-date anti-virus software and firewalls. Never do internet banking or online payments from an internet café or public library; do it from home where you are sure of the software loaded for protecting your personal information.



Banking in the palm of your hand

Comfact

A password is secure only if it is chosen carefully. Many people choose their names, their birthdates or even a telephone number. Each of these types of password can be found by clever hackers who send random search messages over the internet, hoping to break into sites where simple passwords like these have been used.

Glossary

m-commerce the ability to conduct business transactions through a mobile device

net investing direct investor trading over the internet

Activities

Understand

1 In your own words, explain how net investing works.
2 Explain what is meant by the following terms:
(a) BPAY® (b) EFTPOS (c) m-commerce.
3 In what ways are banks encouraging customers to use EFTPOS rather than over-the-counter transactions?
4 List the protective measures you need to use in the virtual world.

Think

5 Although banking and paying bills via the internet is very convenient, what problems might result in terms of customer privacy and security?
6 How might older people and the poor be disadvantaged if over-the-counter transactions attract a high fee, but internet banking is less expensive in terms of the bank fees payable?
7 Identify the main advantages and disadvantages of internet banking.

Create

8 In small groups, imagine yourselves living in the Year 2050. You are to develop a concept for how you think banking will operate at that time. Be as creative as possible and remember that in the 1980s, banks were hand writing balances in paperback passbooks. We have come such a long way in 30 years; where will we be in another 40 years?

eBookplus

9 Use the **Australian Financial Services Directory** weblink in your eBookPLUS. Take the 'Site Tour' and list ten financial categories that can be found at this site.
10 Use the **Australian Securities Exchange** weblinks in your eBookPLUS. Read about 'The ASX Sharemarket Game'.

Worksheet 7.4 Investigate the security measures that major financial institutions make available for online banking.

7.8

Laws relating to young people using e-commerce



Information and advice on issues important to young people

The internet has changed the way people access information. It has also dramatically increased the amount of information available.

The internet is often seen as a one-stop shop for information. However, much of the data available are poorly organised, so you need to develop searching skills to efficiently locate what you need. Much of the information is also unfiltered, making it important to evaluate its validity, reliability and authenticity.

Once you have your favourite websites bookmarked, it is a good idea to visit them every couple of months. This lets you see what new information is available.

Government youth-related websites

Youth.gov.au is the federal government's youth website. It is easy to navigate and provides access to a wide range of current youth topics.

Youth.NSW is the state government's website for young people, which provides links to information about issues, services and activities.

These sites provide enough background material so that you know which questions to ask. This makes your internet searching more meaningful. They also contain numerous links to other websites.

Privacy, defamation and copyright laws

The rapid expansion of the internet, the proliferation of websites, the enormous volume of information and the range of topics all pose problems for lawmakers. Of major concern is protecting the individual's rights to privacy, the creator's rights to copyright and people's reputations from defamation.

1. *Privacy*. Transactions on the internet can leave their own trail that can be followed and recorded. For example, a web server can send a program called a **cookie** over the internet to be placed on the searcher's hard drive *without* permission or notification. The information collected about the searcher's pattern of usage could be accessible to other businesses. This could be seen as a invasion of privacy.



Youth.gov.au home page

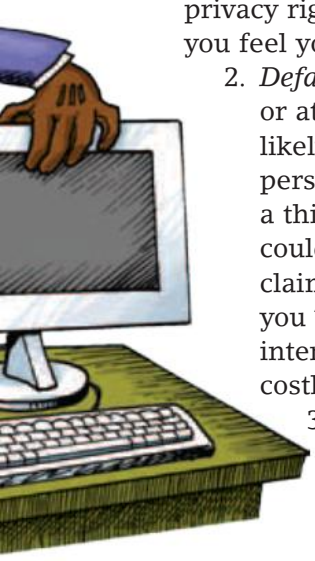


Youth.NSW home page

Source: © Commonwealth of Australia 2012. Reproduced and communicated with permission.

The *Privacy Act 1988* (Cwlth) provides privacy safeguards that federal government departments and credit providers must observe, but private businesses remain unregulated.

The Office of the Australian Information Commissioner provides information about privacy rights and how to lodge a complaint if you feel your privacy has been compromised.



2. *Defamation*. Imagine you sent an email or attachment that contained information likely to damage the reputation of another person. If the message is 'published' to a third party, even accidentally, then you could be the subject of a **defamation** claim under NSW laws. Alternatively, if you 'published' a defamatory article on the internet, then you could face a potentially costly defamation claim.
3. *Copyright*. **Copyright** protects an author, artist, musician or publisher by giving them exclusive rights over their creation. The *Australian Copyright Act 1968* (Cwlth) and international treaties such as the Universal Copyright Convention give some protection to Australian copyright owners. However, preventing any infringements can be quite difficult.

Copyright protection was at the centre of a successful court case recently brought by the Australian Record Industry Association (ARIA) against a number of university students who operated a music sharing website. The website was subsequently closed down and the students fined.

Spam

Spam is unsolicited email, usually some type of advertising material, which is sent to a large number of people. It is the online equivalent of junk mail.

Spam is a serious worldwide problem for the following reasons:

- The material contained in some spam messages can be offensive, such as material that is racially biased or intended to incite violence against a particular group or community.
- Sometimes it can advertise products that may be illegal in Australia.
- It is cluttering the email system, reducing its effectiveness as a communications tool.

To restrict the growth of spam, the Australian government passed legislation, the *Spam Act 2003*, to enable the courts to prosecute individuals and companies if they are found guilty of generating spam. However, a lot of spam is generated in other countries, so the government is also working to develop international agreements on spam.

Comfact

Check with your Internet Service Provider (ISP) to see if it offers a spam blocking service. This can help reduce the amount of junk emails coming into your account.

Activities

Understand

1 Why should you regularly update your bookmarked websites?
2 What is meant by the term 'cookie'?
3 Unscramble the following words and use them in a sentence to explain their meaning:
   (a) prygtihoc
   (b) cypvira
   (c) nmfdaeiato.

Think

4 Why can a person's privacy be easily compromised when making transactions on the internet?
5 In small groups, discuss whether you think:
   (a) defamation laws should apply to blogs
   (b) people should be prosecuted for downloading from a music sharing website.
   Share your responses with the rest of the class.

Communicate

6 Imagine the federal government has asked you to design a creative poster to publicise the Youth.gov.au website, aimed at high school students. Display your posters in the classroom.

eBookplus

7 Use the **Office of the Australian Information Commissioner** weblink in your eBookPLUS. Read the 10 Steps Guide to Protecting Your Personal Information. What can you do if you feel your privacy rights have been compromised?
8 Use the **Youth.gov.au** weblink in your eBookPLUS. List two weblinks from each of the six topic areas.
9 Use the **Youth.NSW** weblink in your eBookPLUS. What are the advantages of using this site when researching youth-related topics?

Glossary

cookie a file that a web server stores on the user's computer when a website is visited. A cookie gathers information about a user.

copyright protects an author, artist, musician or publisher by giving them exclusive rights over their creation

defamation unlawfully damaging a person's reputation

7.9

Workplace issues



Working from home — telecommuting

Telecommuting means working from home. Instead of travelling to the workplace every day, employees can 'telecommute' using electronic technology, especially the personal computer. Portable notebook computers and other hand-held communication devices have made the virtual office a reality for some workers.

Case*study*

'Telecommuting has given me back my life'

Hi, I'm Henna Billah.

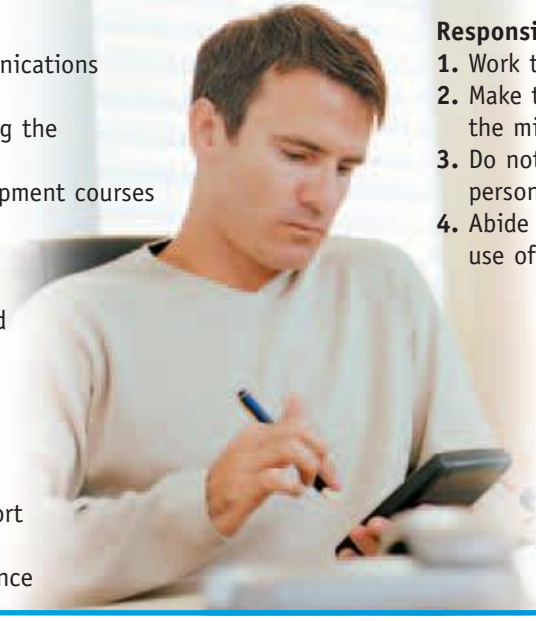
I used to commute more than three hours each day to and from Gemline's Sydney head office. I have now reduced that to about 15 seconds.

With the assistance of Gemline — they paid for the personal computer, ISDN line, modem, fax machine and multifunction centre — and a spare room at home, I have turned my daily commute into a telecommute. This has given me back my life. I feel more in control of my work schedule. I like the flexibility the new arrangements give me and I can work in comfortable surroundings.

There are a few downsides to telecommuting, especially the lack of direct contact with other employees. Email and phone calls are therefore important as they let me keep in touch with what is happening at the office. Also, because the projects I am completing are at home, I tend to work more hours than if I left my work at the office. However, these are minor compared to the hassles of rush hour and constant travelling.

Rights of telecommuters

1. Employer-provided telecommunications equipment
2. Some flexibility in determining the work schedule
3. Access to training and development courses
4. Opportunities for promotion
5. Provision of policies on the use of the internet
6. Compensation for work-related expenses
7. Support of supervisor or manager
8. Provision of full technical support
9. The encouragement and support of colleagues
10. An appropriate work/life balance



Responsibilities of telecommuters

1. Work the number of agreed hours.
2. Make the home 'work' environment meet the minimum health and safety standards.
3. Do not use company resources for personal purposes.
4. Abide by the company's policies on the use of the internet.
5. Maintain the security and privacy of transactions over the internet.
6. Ensure telecommunication equipment's safety by providing security locks and a fire extinguisher.
7. Protect home-based computer from viruses.
8. Maintain security of any passwords and software.

Privacy

Within the guidelines of the *Workplace Surveillance Act 2005* (NSW) and the *Privacy Act 1998* (Cwlth) telecommuters can have their work performance monitored. This could involve monitoring telephone conversations, internet transactions, keystrokes, web hits or completion time. Some people argue that monitoring to this extent is an invasion of privacy. Others say that monitoring is necessary to provide feedback for the employee.

In recent court cases, it has been shown that personal emails sent by employees using the business's facilities can be accessed and read by management and that this is not an invasion of an employee's privacy.

Guidelines on workplace web browsing and emails

Currently, there is widespread concern in the workplace about the use of the internet by employees for web browsing and the sending of personal emails. To overcome this problem, many businesses have developed a set of guidelines that set out acceptable uses of the internet.

Internet and email policies usually prohibit:

- excessive personal use of the internet or email
- unlawful activities such as hacking, harassing others or sending spam emails
- creating or transmitting viruses that could harm the network's security
- downloading or transmitting offensive material.

Some workplaces, however, allow access to the internet and social media during working hours so the organisation can benefit from their employees' own social networks.

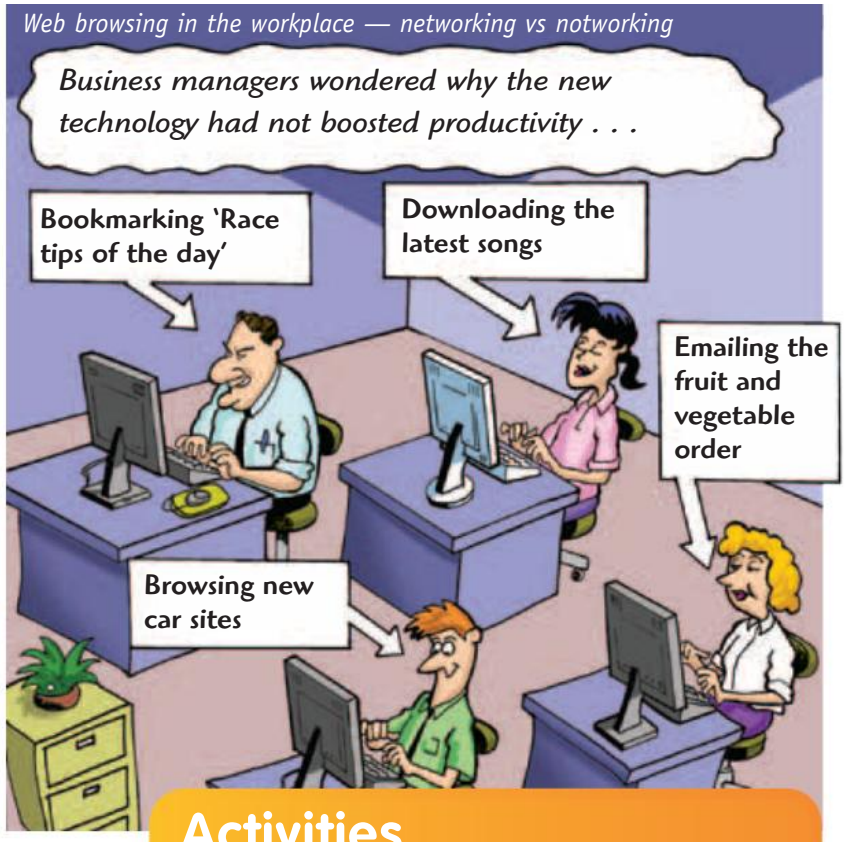
Comfact

Research recently released from PayPal found nearly 80 per cent of employees admitted shopping online during work time.

Glossary

telecommuting using technology to work from home

Web browsing in the workplace — networking vs notworking



Activities

Understand

1 What is meant by the term 'telecommute'?
2 List four types of technological communications used by a telecommuter.

Think

3 Imagine your school has agreed to let you telecommute all your lessons for the rest of the year. Identify the advantages and disadvantages of working from home.
4 'Monitoring an employee's use of the internet is an invasion of their privacy'. Do you agree or disagree with this statement? Give reasons for your answer.

Investigate

5 In small groups, use the library, newspapers and the internet to research the growth in telecommuting in Australia over the last decade. Present your research to the rest of the class. You may wish to prepare this as a PowerPoint presentation.

Communicate

6 Examine the cartoon at left. In small groups, develop a set of guidelines on workplace web browsing and email usage. Display your guidelines in the classroom.
7 In pairs:
   (a) Devise a method of ensuring that a telecommuter's rights and responsibilities are clearly communicated to all employees.
   (b) Explain why it can sometimes be difficult to enforce a telecommuter's rights and responsibilities.

Chapter 8

OPTION



Global links

Question: What is the diameter of the Earth? Answer: One quarter of a second — the time it takes to send an email around the world. Welcome to the world of globalisation.

Globalisation, assisted by the revolution in information communications technology, is radically altering the shape of world markets, as well as the nature of business and everyday life. Figuratively speaking, the world is shrinking in many ways, with nations more closely linked than ever before. The current process of globalisation is remarkable for its phenomenal speed and reach, especially in relation to flows of finance and information. Not only has the world economy been transformed, but new communications, information and transportation technology have redefined our concepts of distance and time. The world is becoming a very small place!

Focus

On completion of this chapter, you will have learned about the effects of globalisation on our commercial and legal environment and be able to assess the impact on the individual, the economy and society.



Glossary

appreciation an upward movement of the Australian dollar (or any currency) against another currency

bicultural able to appreciate and understand the business practices and customs in the host country

cultural diversity the multitude of individual differences that exist among people

depreciation a downward movement of the Australian dollar (or any currency) against another currency

domestic trade economic transactions that take place within Australia

e-commerce the buying and selling of information, goods and services via the internet

equities (shares) ownership entitlements in a company

exports goods and services sold to another country

foreign aid financial and technical assistance by government and non-government (private) organisations from developed (high income) nations to developing (low income) nations

foreign exchange rate the ratio of one currency to another; it shows how much a unit of one currency is worth in terms of another

free-trade agreement an agreement between countries that results in reductions in barriers to trade

global consumer a person who buys goods and services from other countries

globalisation the movement across nations of people, goods, money and ideas

gross domestic product the total value of all goods and services produced in an economy in a given year

imports goods and services bought from another country

intellectual property property that is created by an individual's intellect; a song, poem, novel and so on

international (global) trade the buying and selling of goods and services between nations

labour standards those conditions that affect a business's employees, or those in its supply chain

managed fund money from a large number of smaller investors pooled together and managed as one large investment portfolio by a professional investment manager

parent company a company that owns or controls another company (subsidiary)

political risk any political event which has a negative impact upon business operations and profit

subsidiary a company owned and controlled by another company

transnational (multinational) corporation (TNC) a large business organisation that has a home base in one country, and operates businesses in other countries

8.1

The global consumer

Case*study*

The world at his fingertips

Jack grabbed the shopping list as he left the house. It was his turn to prepare the evening meal and he needed some ingredients. As he pushed the shopping trolley down the first aisle, he decided to read the labels to find out which countries produced the vast array of goods within the supermarket.

He discovered the tinned tomatoes came from Italy; soy sauce from Singapore; bamboo shoots from China; pink salmon from the USA; hokkien noodles from Taiwan; asparagus from New Zealand; corn spears from Thailand; and baby carrots from Belgium. In his shopping trolley were foods from all around the world.

Jack realised there must be shoppers in many other countries buying Australian-made products. He then pictured the enormous amount of goods and services flowing around the world — *a global marketplace*.

Sourcing products internationally

We live in a global world, rather than a world limited by national borders. Consider the news and entertainment we receive from around the planet, the clothing and footwear brands being sold worldwide, the rapid telecommunications access to all parts of the globe, and the large number of products Australia buys and sells on the world market.

This process has been strengthened by the impact of **globalisation**: the movement across nations of people, goods, money and ideas.

Globalisation is not a new process. Trade, exploration, and the movement of people and ideas globally has been occurring for centuries. However, it is only since the 1950s and, in particular, the last 20 years, that the world has experienced such rapid and widespread globalisation.

Com*fact*

Globalisation has not been welcomed by everyone. Critics argue that the process results in a 'race to the bottom' in wages and conditions. This inevitably leads to exploitation of workers, especially in developing countries, and the loss of jobs in developed countries.

Trends towards a global market

Think of the Earth as a global community whose individual members are linked through the mechanism of **international (global) trade**: the buying and selling of goods and services between nations. The world's consumers are also linked via modern mass communication technologies, especially the internet. Consequently, consumers around the world will just as readily browse an internet shopping site as examine a catalogue or visit a store. By using the internet, the **global consumer** can now shop in a global marketplace.



The global consumer

E-commerce — online shopping

Over the last decade, **e-commerce** (online shopping via the internet) has become the most commonly used method of purchasing products from overseas.

The internet provides a whole new shopping experience. It increases the range of products available, which increases your choice. You can shop globally from the comfort of your home.

Case*study*

Amazon.com: a global store

Amazon.com is one of the most successful online stores with recent annual sales of A$51.4 billion and attracting about 65 million global customers to its US website each month. At the heart of its e-commerce success is a computerised operating system that allows you to conveniently browse thousands of product lines with speedy delivery. Even though business is conducted via the internet, Amazon.com's e-commerce computer platform offers a personalised shopping experience for each global customer. Its data centres, warehouses and distribution centres deliver to millions of global customers annually.



The relationship between domestic and international trade

Each day in Australia, millions of goods and services are bought and sold. This type of trade is referred to as **domestic trade**.

Domestic and international trade are linked with businesses and consumers relying on being able to purchase a wide range of goods and services, many of which come from overseas. Visit any department store, for example, and you will discover goods made in a number of different countries.

Today, many goods and services are sold in other countries (**exports**) and **imports** are bought from foreign countries. Our economy is therefore linked to the world economy via the flow of exports and imports.

Activities

Understand

1 On a map of the world locate and label the countries referred to in the story at the beginning of page 208. What does this indicate about many of the products that are sold in supermarkets?
2 What is meant by the term 'globalisation'?
3 How has information communication technology, especially the internet, changed existing consumer shopping practices?
4 Outline how domestic and international trade is linked.

Think

5 How do you think the development of global consumers encouraged the process of globalisation?
6 Predict what your life would be like if there was no international trade.

Investigate

7 List five different products you regularly use, such as your computer, iPad or shoes.
   (a) What is the brand name of the product?
   (b) What company made it?
   (c) In which country was it made?
   (d) Why do you think it was made there?
   Compare your list with other class members, noting similarities and differences. What conclusion about global consumerism can you derive from this investigation?

Glossary

domestic trade economic transactions that take place within Australia

e-commerce the buying and selling of information, goods and services via the internet

exports goods and services sold to another country

global consumer a person who buys goods and services from other countries

globalisation the movement across nations of people, goods, money and ideas

imports goods and services bought from another country

international (global) trade the buying and selling of goods and services between nations

International trade: the buying and selling of goods and services across the globe

8.2

Australia's changing trade patterns — exports



Australia has traditionally relied on the export of primary products, especially minerals.

Australians live in a large, wealthy country. However, we cannot produce all the goods and services that we require. Also, our population of about 23 million means we have a small domestic market (consumers in a home country) compared with the foreign market (consumers in the rest of the world). These two factors mean that we need to trade with the rest of the world. International trade has always played an important part in Australia's economic development.

What does Australia export?

Since the mid-1800s Australia has relied on the export of primary products for economic survival. It was once said that Australia 'rode on the sheep's back', reflecting the importance of the wool industry, which had its beginnings in the early 1800s. By the 1850s the wool trade made up about two-thirds of total exports. The wool industry flourished for the next hundred years with the record for wool prices being reached in the 1950s. During this time, land was being cleared to grow crops, especially wheat, another important export earner.

The gold rushes in the 1850s had a remarkable effect on the economy of the colonies. Minerals became important export items and still are. During the 1960s mining boom mineral exports grew rapidly. Mineral exploration uncovered rich deposits of many minerals including nickel, copper, iron ore, coal, uranium, natural gas and bauxite. Ever since, mining has made up a large percentage of Australia's exports. This is evident today in the current boom in mining where iron ore and coal together made up 34 per cent of total exports for 2011.

Over the past twenty-five years, trade in services such as tourism and education has grown. Exports of manufactured products such as motor vehicles, and scientific and medical equipment also increased rapidly over this time. However, the growth in these sectors has slowed since 2008. This is largely due to the impact of the global financial crisis, which reduced demand for Australian products, and the high value of the Australian dollar. This makes Australia a more expensive destination for overseas students and visitors, and increases prices of manufactured products. The result is a two-speed economy: rapid growth in mineral exports but below average growth in manufacturing and services exports. Consequently, twenty-first century markets present greater challenges for Australian exporters, which must often be willing to look at other exportable products, in order to succeed. There's a global market of seven billion people out there!

Australia's export trade by broad category 2008 and 2011

Items	2008 A$ billion	% share	2011 A$ billion	% share
Primary e.g. wool, mineral ores, meat	162	*56.8*	182	*61.2*
Secondary e.g. machinery, foodstuffs	44	*15.4*	41	*13.8*
Tertiary e.g. tourism, education	54	*19.0*	51	*17.2*
Other	25	*8.8*	23	*7.8*
Total exports	**285**	***100.0***	**297**	***100.0***

Source: Derived form STARS database. Department of Foreign Affairs and Trade.

Case*study*

Slim Secrets going global

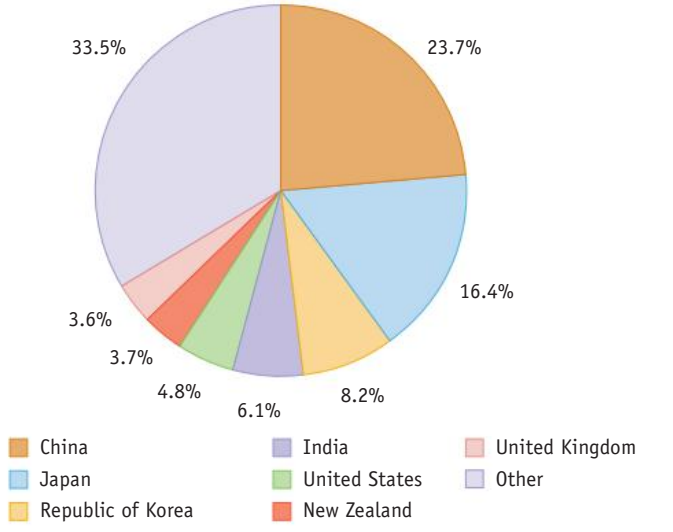


Slim Secrets, owned and operated by Sharon Thurin, markets and distributes a healthy snack alternative. Sharon spotted a gap in the market for tasty, healthy snack products that have a low glycaemic index (GI). With support and advice from Austrade (the Australian government's trade and investment development agency), Sharon has turned this niche market product into a global success story. The business's global markets include Singapore, New Zealand, the United States, Canada, the United Kingdom, Malaysia, Japan and China. Sharon modified her product to suit overseas markets; for example, she obtained Halal accreditation — for food that fulfils Muslim dietary rules — for the Malaysian market.

Who are Australia's main customers?

Due to Australia's historical links with the United Kingdom and Europe, the majority of our trade used to be with these regions. However, since the end of the 1940s:

- exports to the United Kingdom and countries belonging to the European Union (EU) have declined relative to the total
- as new markets began to emerge, more of Australia's exports have been sold to Asian countries and the United States
- China is now Australia's main customer, followed by Japan and the Republic of Korea
- Latin America, the Middle East, Africa and Central Asia are future emerging markets.



Source: Based on data from *Composition of Trade Australia 2010–11*, DFAT, p. 29.

Australia's main customers — percentage of total exports, 2011

Activities

Understand

1. Why does Australia need to trade with the rest of the world?
2. What is meant by the expression 'Australia rode on the sheep's back'?
3. Provide evidence to support the statement that 'minerals make up a large percentage of Australia's exports'.
4. Examine the table opposite and decide whether the following statements are *True* or *False*.
   (a) Mineral ores are secondary goods.
   (b) Tertiary exports account for the second largest share of total exports.
   (c) Only primary exports rose as a percentage between 2008 and 2011.
5. Outline the main changes since the late 1940s to Australia's export markets.
6. Using an outline map of the world, show with arrows the direction of Australia's exports to the top seven export markets for 2011.

Think

7. What generalisation can you make about the composition of Australia's main exports?
8. Should Australia be concerned about its reliance on primary exports? Explain your view.
9. Read the case study above. Why do you think Sharon Thurin had to modify her product for overseas markets?

Create

10. In small groups create a poster, video clip, animation or song publicising Australia's main export items. Present your creation to the rest of the class.

eBookplus

Worksheet 8.1 Evaluate the trade patterns in Australia's exports of services.

8.3

Australia's changing trade patterns — imports



Most of the consumer electrical products sold in Australia have been imported from overseas.

You may not realise it, but you have been using imported products all of your life. In fact, if your parents used disposable nappies, you first came into contact with imports soon after you were born.

Why do we import products?

The amount of money Australian consumers spend on imported products has steadily increased over the past twenty years. This is due mainly to a rise in Australian incomes, a decrease in the relative price of imported products and a change in consumer tastes for greater variety. Australia imports many products, and does so for several main reasons.

1. *Cheaper products.* We can purchase many products more cheaply from overseas because Australian producers may not make a product as efficiently as it is made in another country. Over the last few years, for example, there has been a massive drop in the price of televisions. Most of these televisions, and many other electrical products, are manufactured in low-cost Asian countries. Cheaper prices are also due to:
   - decreases in transportation costs (a significant factor in Australia's case)
   - reductions in the barriers to trade (protection) by the signing of **free-trade agreements**.
2. *Encourage competition.* Imported products are brought into the country to encourage competition with domestic producers. Higher levels of competition will result in lower prices. Walk down the aisle of any electrical retailer and you will see examples of this.
3. *Lack of resources.* Australia cannot produce some products itself because it does not have the necessary resources. Imports of energy products such as unrefined (crude) and refined petroleum, for example, have increased significantly in recent years because Australian producers cannot meet the demand. This trend is expected to persist, especially if the current mining boom continues.
4. *Ingredients in production.* Imports are used as ingredients or components in products that are manufactured or assembled in Australia. The label on many food items, for example, states 'Made from imported and local ingredients'. The recent locally-built Holden Cruze motor vehicles were assembled with about 55 per cent imported parts, with the engines from Austria and the Republic of Korea. Australian companies do this for the same reason consumers purchase imported products: cheaper prices, availability of products or better quality.

What does Australia import?

Since the arrival of the First Fleet in 1788 at what is now Sydney Cove, Australia has been reliant on a steady flow of imported products. In those early years settlers, soldiers and convicts depended on goods imported from Britain to satisfy their essential wants. Today, imagine all the luxury cars, Nike sports shoes and iPads sold in Australia during the past year. They are just a small part of all the imports which Australian consumers buy.

Over the years there have been two noticeable trends in the composition of Australian imports:

- the majority of Australia's imports consist of machinery and equipment such as computers, passenger motor vehicles, heavy vehicles, office machines and telecommunication devices. This growth was mainly due to Australia's expanding industrial capacity.
- unlike many other industrialised countries, we import a relatively small amount (25 per cent of primary imports) of processed or unprocessed food. The majority of Australia's primary imports consist of oil and petroleum.

Australia's passion for overseas travel was supported by the high value of the Australian dollar. This resulted in a recent surge in international travel; a significant import product. In 2011, for example, a record 7.8 million Australian residents departed for a short-term visit to an international destination of which 1.4 million went to Thailand and Indonesia.

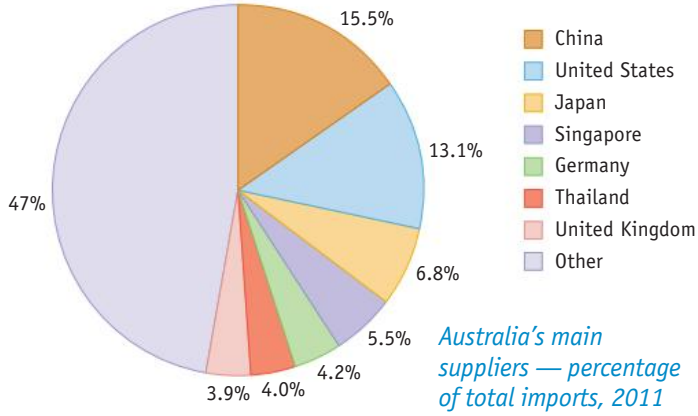
Australia's import trade by broad category 2008 and 2011

Items	2008 A$ billion	% share	2011 A$ billion	% share
Primary e.g. food, crude petroleum	44	*15.9*	47	*17.3*
Secondary e.g. machinery, computers	159	*57.4*	155	*57.3*
Tertiary e.g. travel, transportation	58	*20.9*	57	*21.0*
Other	16	*5.8*	12	*4.4*
Total imports	**277**	***100***	**271**	***100***

Source: Derived form STARS database. Department of Foreign Affairs and Trade.

Who are Australia's main suppliers?

Today, Australia imports from countries all over the world. As one of the effects of globalisation, we as consumers can buy overseas products in stores or in our own home purchasing from an online store. While the composition of imports has been much more stable than that of exports over the long term, the sources of imports have changed considerably. Since the late 1940s, the dramatic decrease in the importance of the United Kingdom has been offset by an increase in the importance of the Asia Pacific Region countries — namely China, United States and Japan — and the growing significance of the South-East Asia region. This is largely due to Australia's free-trade agreements with several countries of the area.



Australia's main suppliers — percentage of total imports, 2011

Source: Based on data from *Composition of Trade Australia 2010–11*, DFAT, p. 29.



Machinery and equipment are two of Australia's main imports.

Comfact

Today, China is Australia's largest export market and import source.

Activities

Understand

1 Complete the following table to summarise the main reasons why Australia imports products. The first one has been started for you.

Reason	Explanation
1. Cheaper products	• Overseas producers may be more efficient.
2. Encourage competition	
3. Lack of resources	
4. Ingredients in production	

2 What is meant by the term 'free-trade agreement'?

3 Examine the table at left. Draw a bar graph to represent Australia's import of goods and services for (i) 2008 and (ii) 2011, using a horizontal scale of 1 cm = 10 per cent (therefore the bars will be 10 cm long). Shade in each sector of the bars. Provide a title and key for the graph.

4 What generalisation can you make about the composition of Australia's main imports?

5 Outline the main changes since the late 1940s to Australia's source of imports.

Think

6 Explain how the purchase of imports can improve your standard of living.

7 Should Australia be concerned about its reliance on secondary imports?

Communicate

8 As a class, discuss the topic: 'We should buy Australian-made products instead of imported goods and services'. Record the comments for and against. What conclusion can you draw from the discussion?

9 Imagine you are the business reporter for a daily newspaper. Your editor has asked you to write a story about Australia's current outbound tourism. In your article, refer to the impact of a strong Australian dollar and detail the most popular destination points. The heading for the article is 'Outbound tourism about to depart'.

Glossary

free-trade agreement an agreement between countries that results in reductions in barriers to trade

8.4

The global investor



Investing money in the global financial markets

You could be excused for thinking that you will probably never be involved in investing money in another country. However, over the past twenty years it has become much easier for local investors to purchase **equities (shares)** on overseas stock markets, either by the direct purchase of shares or through investments in **managed funds**. When you place your money in a local managed fund, depending on the type of fund you select, your fund manager will probably purchase international shares with your money. Consequently, becoming a global investor is something that is becoming a reality for many Australians.

Casestudy

September 2008 global financial crisis

In September 2008, there was a massive loss of confidence in the United States financial system. It was caused by the substantial increase in the number of US home owners defaulting on their mortgage payments.

Like a house of cards, the system quickly started to collapse as the loan defaults spread throughout the entire US financial system. In the space of a few days, hundreds of billions had been wiped off the New York Stock Exchange.



The repercussions of this financial meltdown sent shockwaves throughout the world's financial system and stock markets. What started as a financial disaster on Wall Street quickly developed into a US and then global economic crisis. Economies around the world slipped into recession and resulted in the 2011 European debt crisis.

2011 European debt crisis

In 2011 five European countries — Greece, Portugal, Spain, Italy and Ireland — struggled to repay their national debts. The risk of a default (failure to repay a loan) was possible. Greece's debts were so large that they actually exceeded the size of the nation's entire economy! To varying degrees, these countries had not created enough economic growth to pay back their lenders (bondholders). The crisis had far-reaching consequences and threatened the world's economy. Other European countries organised loans to help the struggling economies, fearful that, like the *Titanic*, they could all go under. The world's financial system and stock markets were once again under enormous pressure.

Ask the expert: *International investing*

Helena Dunlop

financial adviser at Dent Equities



Q. I have just inherited $10 000 and want to invest it. I would like to buy some shares in overseas companies. Is that possible? What are the risks of buying international shares?

P. J., Crookwell

A. *Investing internationally gives you access to a wider range of investment options. You can buy shares in companies such as Microsoft, IBM and Toyota, which are traded in the world's largest economies, or in companies in newly emerging economies such as China and India. Also, by diversifying your investments you spread the risk, which is a good investment strategy. If one market is not performing well, you have the others to fall back on. One other benefit of buying international shares is that they can protect you against falls in the Australian dollar (AUD). Of course, should the AUD rise in value, then the value of your international shares will fall. All investments contain some risk, so select your shares carefully.*

Q. I own my own home and I have just received my superannuation payout of $135 000. I would like to invest $50 000 in international shares but I do not know which shares to purchase. I have never bought shares before. What should I do?

H. W., Moss Vale

A. *Deciding which international shares to purchase can be risky, especially if this is your first time.*



The New York Stock Exchange (NYSE) on Wall Street is one of the world's largest stock exchanges.

My advice is to use a managed fund that deals in international equities. This is the easiest option for most people. Their knowledge of global markets should provide you with a better return. As with all managed funds, you will have to pay entry, exit and ongoing management fees for this service. Make sure you know how much these are before committing yourself.

Q. I have always used an online broker for my domestic transactions. I now feel confident enough to purchase some international shares directly. Which method do you recommend? Is it more expensive than buying shares in local companies?

E. M., Dubbo

A. *The internet now makes it easy to directly buy and sell shares in international companies. Alternatively, you can use a stockbroker who has access to international stock exchanges. The cost of international purchase is higher than for Australian shares so calculate the total cost before you decide to buy.*

Q. I have recently sold some assets and have $38 000 to invest internationally. I do not want to buy shares as I consider them too risky. Is there any other way I could invest overseas?

T. M., Sydney

A. *To minimise your exposure (risk) you can deposit your money in a fixed interest account in almost any country. You will need to compare the interest rates of Australia and your selected country to determine which provides the better return. However, a word of caution. If the Australian dollar rises in relation to the currency of your selected country, the value of your investment will fall. You need to keep this in mind.*

Comfact

Today's quick quiz

Q. What are the Nikkei Index, Hang Seng Index, FTSE (Financial Times Stock Exchange) Index and Dow Jones?

A. *They are stock market index measurements for Japan, Hong Kong, England and the USA respectively.*

Activities

Understand

1 What is meant by the term 'equities'?
2 Explain the role of a managed fund.
3 Read the case study on page 214 and then answer the following questions.
   (a) What caused the 2008 global financial crisis and the 2011 European debt crisis?
   (b) What effect did these two events have on the world's stock markets?
4 Examine the 'Ask the expert' article on the left. According to Helena Dunlop's answer to:
   (a) P. J., Crookwell, what are the main advantages and disadvantages of buying international shares?
   (b) H. W., Moss Vale, why should a first-time investor use a managed fund?
   (c) E. M., Dubbo, what two methods can be used to buy and sell international shares?
   (d) T. M., Sydney, what checks should an investor conduct before investing in an overseas fixed interest account?

Think

5 What advice would you give to a friend who wants to invest $25 000 in shares in overseas companies?

Investigate

6 (a) List the stock market index measurements used in Japan, Hong Kong, England and the USA.
   (b) Record the movement of these measurements over a four-week period.
   (c) Which market performed the best? You may wish to use a spreadsheet to record the measurements.

Glossary

equities (shares) ownership entitlements in a company

managed fund money from a large number of smaller investors pooled together and managed as one large investment portfolio by a professional investment manager

8.5

Transnational organisations (1)

Features of businesses with global links

A **transnational (multinational) corporation (TNC)** is a large business organisation that has a home base in one country, and operates businesses in other countries. The TNC represents the highest level of involvement in global business where national borders do not represent barriers to trade, but are seen as merely lines drawn on a map. Consequently, TNCs conduct a large percentage of their business outside their home country.

McDonald's, Unilever, Ford and BHP Billiton are just a few of the well-known foreign and Australian transnational corporations.



David Korten

Over the years, some TNCs have grown so large their annual revenues from worldwide sales exceed the **gross domestic product** of many nations. This intense concentration of wealth has resulted in critics accusing some TNCs of abusing their power by corrupting the political processes of the countries in which they operate. Here is the view of David Korten, an economist, political activist and former professor: 'We have a world in which a handful of corporations, detached from any link to any place or community, have extended their power beyond the reach of most governments'.

However, TNCs do have a major role to play in contributing to world economic growth.

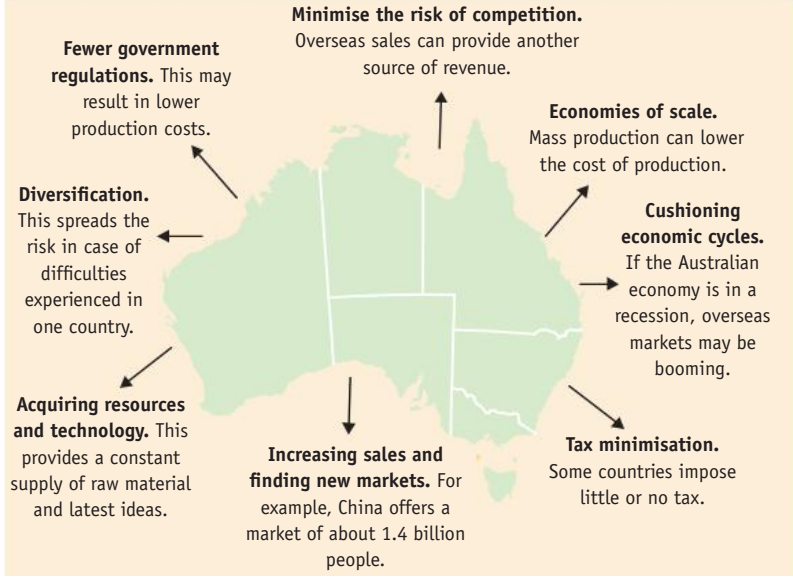
- Approximately 67 per cent of all international trade is undertaken by the top 500 corporations.
- About 43 per cent of international trade is between a **parent company** and its **subsidiary**, which is located in another country.
- The standard of living of people can be improved through investment and employment created by TNCs.
- Parent companies and their subsidiaries also share employees, ideas, technology and resources. This helps less developed economies become more advanced.



Today, much of the world's business is performed by corporations that operate beyond one country's borders.

Reasons for expansion

Businesses enter foreign markets for a number of reasons, all of which are ultimately linked to the desire to increase sales and profits. The growth and expansion of TNCs is one of the main driving forces behind the present sequence of globalisation.



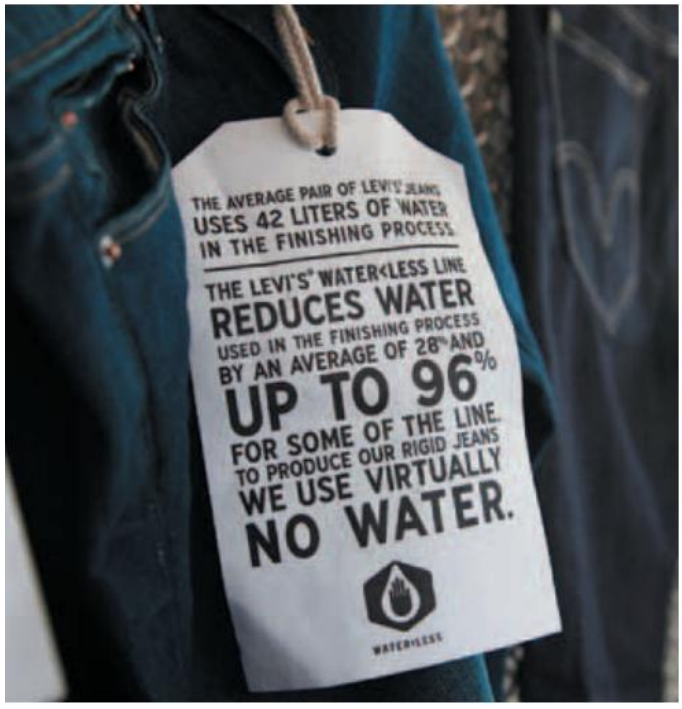
Reasons for expansion

Ethical issues of international trade

As businesses become more global in their operations, many of these corporations recognise the importance of fulfilling their ethical responsibilities.

Environmental standards

There is growing pressure for businesses to adopt ecologically sustainable operating practices. This is in response to concerns about climate change and the destruction of the natural environment. Over the last two decades, the global business community has undertaken many initiatives to put the principle of sustainable development into practice. For example, the jeans manufacturer Levi Strauss and Company has developed its own environmental policy, which includes strict wastewater guidelines and the reduction in greenhouse gas emissions from its global operations. Levi Strauss will conduct business only with business partners who share its commitment to the environment.



Good environmental practices

Source: Jim Wilson/*The New York Times*/Redux.

Human rights code of conduct

Adopting a human rights code of conduct is one method of attempting to perform business in an ethically responsible way. Once a code of conduct has been established, the business may insist that all its suppliers conform to it. Adidas, for instance, will deal only with suppliers who live up to its workplace standards, which includes no forced or compulsory labour, fair wages and benefits, a safe and healthy work environment, freedom of association and, most importantly, no child labour.

Some businesspeople doubt whether such individual company codes can stop labour abuses in other countries, in part because other competitors may not abide by similar standards.

Activities

Understand

1 What is meant by the term 'transnational corporation'?
2 List five examples of TNCs with which you are familiar.
3 Outline three ways that TNCs contribute to world economic growth.
4 What is the main reason for businesses entering foreign markets?

Think

5 Elaborate on the following statement: 'Transnational corporations play a crucial role in our society. Without them, consumers would not have such a wide range of goods and services to select from.'
6 Research undertaken by the Global Business Responsibility Centre revealed that TNCs which conducted their operations ethically outperformed other companies on the stock market. Why do you think this is so?
7 Do you agree or disagree with David Korten's statement? Give reasons for your answer.

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8 Use **The Body Shop** weblink in your eBookPLUS and prepare a brief oral or written report about the five core values of this TNC.
9 Use the **Adidas** and **Levi Strauss** weblinks in your eBookPLUS and research their commitment to their social and environmental obligations. Prepare either an oral or written report and present it to the rest of the class.

Glossary

gross domestic product the total value of all goods and services produced in an economy in a given year

parent company a company that owns or controls another company (subsidiary)

subsidiary a company owned and controlled by another company

transnational (multinational) corporation (TNC) a large business organisation that has a home base in one country, and operates businesses in other countries

8.6

Transnational organisations (2)



Andy Irons, Billabong-sponsored surfer

Every business needs effective management to succeed; they do not operate automatically. The skills and expertise of a TNC's management team in coordinating the business's resources will influence its success.

Operations

Billabong International Limited

One example of an Australian TNC is Billabong International Limited. Established in Queensland in 1973 by Gordon Merchant, Billabong originally manufactured only boardshorts. Today, Billabong designs, produces and distributes a wide range of surf and extreme sports clothing and accessories including swimwear, backpacks, skateboards, sunglasses and jewellery. It currently is the leading surf wear apparel brand in Australia.

From its head office at Burleigh Heads in Queensland, the company controls its major brands — Billabong, Element and Vonzipper, Honolua Surf Company, Kustom, Palmers Surf, Nixon, Xcel, DaKine, Sector 9, RVCA and Tigerlily. Billabong products are distributed in more than 100 countries and are available in approximately 11 000 outlets worldwide. Billabong employs about 10 000 staff around the world.

Billabong's products are manufactured in wholly owned operations in Australia, North America, Europe, Japan, New Zealand and Brazil. This requires a sophisticated system of monitoring the production and delivery schedules. Billabong is committed to ethical and responsible business practices and requires all suppliers to abide by the Social Accountability 8000 standard (SA8000).

Employment issues

A business's success is very much determined by the abilities and performance levels of its employees. Therefore, the quality, quantity and composition of the available labour force are important considerations for any business as it undergoes global expansion.

Staffing

In a global business, finding the right people can be difficult, especially for senior management positions. These positions require people who are preferably **bicultural**, able to appreciate and understand the business practices and customs in the host country, and who can speak the language of both home and host country.

Global businesses must also deal effectively with **cultural diversity** among their employees. Diversity in terms of gender, race, ethnicity and religion is a permanent feature of today's workplaces.

Minimum standards of labour

Each country has specific labour laws which outline the minimum wage and non-wage conditions for employees. Obviously, there are regional and cultural differences in labour standards. **Labour standards** refer to those conditions that affect a business's employees or those of its suppliers, subcontractors, or others in the supply chain.

The desire for greater profit margins among some TNCs has sometimes resulted in the use of sweatshops, especially in the clothing industry in low-income countries. There is increasing pressure to ensure employees who work for low wages in many low-income countries are not exploited by unscrupulous businesses.

Casestudy

Are your clothes made in sweatshops?

Working conditions in sweatshops are often inadequate. Workers are forced to work overtime with restricted toilet breaks. Women and children work long hours in extreme heat with poor lighting and ventilation with virtually no safety precautions. Wages are low.

Sweatshop workers are usually not employed directly by TNCs. However, the TNCs buy their garments from the companies that do employ them. The garments then find their way into fashionable shops in Sydney, carrying labels that are instantly recognisable.



Poor working conditions and wages are common in the sweatshops of the clothing industry.

Management issues

A business that operates globally has to deal with a more complex set of issues compared to a business that operates only in a domestic market. The business's success is mainly determined by how well it manages these issues.

Commercial issues

- Business practices and ethics varying between countries
- Tax obligations
- Social and cultural differences

Legal issues

- Unique legal systems
- Need to understand local customs
- Difficulty in resolving contract-related disputes

Employment issues

- Approaches to staffing
- Cultural diversity
- Labour law variations
- Shortage of skilled labour



Environmental issues

- Ecologically sustainable practices
- Location of facilities
- Type of raw materials to be used

Financial issues

- Currency (exchange rate) fluctuations
- Methods of payment
- Insurance costs
- Credit risks

Managing a diverse range of issues is a challenge, but it can also be a rewarding experience.

Activities

Understand

1 What is Billabong's main business activity?
2 List the major brands under Billabong's control.
3 Where are Billabong's products manufactured?
4 Read the case study above and then answer the following questions.
   (a) Describe working conditions in a sweatshop.
   (b) What is the link between TNCs and sweatshops?
5 List and provide an example for each of the key management issues faced by TNCs.

Think

6 What are the advantages for Billabong of producing products in a number of countries?
7 Why should a global business be aware of the labour laws of the country in which it operates?
8 Why do you think global businesses prefer to employ senior managers who are bicultural?

Communicate

9 Write and perform a roleplay highlighting the problem of labour exploitation in developing countries.

eBookplus

10 Use the **Billabong** weblink in your eBookPLUS. Briefly outline the purpose of the Social Accountability 8000 standard (SA8000).

Glossary

bicultural able to appreciate and understand the business practices and customs in the host country

cultural diversity the multitude of individual differences that exist among people

labour standards those conditions that affect a business's employees, or those in its supply chain

8.7

Global business

Global business and environmental issues

In many developing countries, environmental protection laws are often non-existent or very weak. This has tempted a number of TNCs to use these vulnerable countries as a means of disposing of harmful or illegal products that cannot be sold in other markets. Products such as harmful chemicals, electronic waste (e-waste), poorly designed machinery and inappropriate foodstuffs have been dumped onto the markets of developing countries in recent years.

Of particular concern is the dumping of hazardous materials, including nuclear waste, in developing countries. Countries are often pressured into taking such materials; they may receive financial or other incentives and extra revenue may be used to repay staggering foreign debts. Often the environmental laws of the host country are so lax that this hazardous material is not properly stored or treated. As a result, contamination of dumping sites may be extremely high. One such example was the dumping of 500 tonnes of toxic waste in sites around the port city of Abidjan in the Ivory Coast, Africa. Eight people died and 40 000 sought hospital treatment. Ghana, Kenya and Guinea Bissau have also suffered similar toxic waste scandals in recent years.

Since there are few laws prohibiting the disposal of hazardous products in many developing countries, such actions of TNCs are not technically illegal; but, they are highly unethical. Of course, due to the imbalances of market power, TNCs have little fear of any retaliatory actions from individual citizens of developing countries.

Risks associated with selling to global markets

Each country is unique. Any business that wishes to sell in the global marketplace must be aware of the unique differences and specific risks that exist when expanding into another country.



Developing countries are often used as a dumping ground for toxic waste.

Currency risks

Countries have their own currency, which they use for domestic purposes. This means that when transactions are conducted on a global scale, one currency must be converted to another — the **foreign exchange rate**. For example, if an Australian business (exporter) sells foodstuffs to Japan, the Japanese firm (importer) will have to pay in Australian dollars, not Japanese yen.

Exchange rates fluctuate over time due to variations in demand and supply. A currency **depreciation** lowers the value of a currency in terms of foreign currencies. Therefore, a depreciation in the Australian dollar makes our exports cheaper on international markets but prices for imports will rise. A currency **appreciation** has the opposite effect. Consequently, exchange rate fluctuations will affect profitability and production costs. Such fluctuations create risks for global business.

Political risks

A **political risk** is defined as any political event which results in a drastic change to the country's business environment and which ultimately has a negative impact on business operations and profit. Political risks tend to be greater in countries experiencing social and economic unrest, particularly terrorism, war or other violent conflict. In such situations, businesses may have to find means to directly influence politically powerful people in order to obtain permission to operate in the country.



Severe social unrest often results in acts of violence.

Legal risks

Global business is affected by many thousands of laws and regulations because each country has its own unique set of laws and legal systems. These can vary dramatically between countries. This poses a number of risks for a global business in the areas of:

- Contract law — especially the methods of enforcing contracts
- Legal disputes — resolving these can be very complicated due to differences in legal systems and culture
- **Intellectual property** rights — weak protection can cost international businesses a great deal of money.

Social and cultural risks

International business is conducted on the world stage. This means that people are working in societies and cultures that differ from their own. It is important that international businesspeople fully understand and appreciate the customs and traditions of the countries they deal with. Failing to do so may result in either an embarrassment or lost business opportunities.

Comfact

Customs and traditions: some useful information for the global businessperson

- Don't pass documents with the left hand in Saudi Arabia. The left hand is considered unclean.
- Placing your hand on someone's head in Singapore or Thailand is highly offensive, as the head is considered sacred.
- When having a meal in Egypt, it is considered very impolite not to leave some food on your plate.
- It is considered rude to leave any food on your plate when eating in Malaysia or Singapore.

Activities

Understand

1 What tempts some TNCs to use developing countries as a toxic dump?
2 Why do some developing countries accept toxic waste?
3 What impact does a depreciation of the Australian dollar against the US dollar have on the price of Australian:
   (a) exports to the USA
   (b) imports from the USA?
4 Use the following words in a sentence to explain their meaning: (a) political risk and (b) intellectual property.

Think

5 The term 'environmental racism' has been used to describe the deliberate placement of hazardous waste sites in many developing countries. If you were the manager of a waste management company, what factors would you take into consideration when selecting a new facility site?

Communicate

6 Add extra elements to the mind map started below to summarise the risks associated with selling to global markets. You may wish to use a word-processing application to prepare the mind map.



eBookplus **Worksheet 8.2** Use currency and exchange information to compare international costs.

Glossary

appreciation an upward movement of the Australian dollar (or any currency) against another currency

depreciation a downward movement of the Australian dollar (or any currency) against another currency

foreign exchange rate the ratio of one currency to another; it shows how much a unit of one currency is worth in terms of another

intellectual property property that is created by an individual's intellect; a song, poem, novel and so on

political risk any political event which has a negative impact upon business operations and profit

8.8

International aid programs

Imagine what it is like not having access to the basics of life: clean drinking water and safe toilet facilities. This is the situation for millions of people.

What is foreign aid?

Foreign aid consists of financial and technical assistance by government and non-government (private) organisations from developed (high income) nations to developing (low income) nations. The assistance comprises:

- *Loans* — involving the payment of an interest rate to the donor country
- *Grants* — gifts which do not have to be repaid
- *Technical assistance* — trained personnel, such as engineers, teachers and medical staff, to help with development programs
- *Food and emergency aid* — donations of food, clothing and shelter in response to natural or human disasters
- *Education and training programs* — as part of a project or education in the developed country
- *Technological aid* — machinery and equipment
- *Community-based projects* — construction of schools, wells, health centres and so on.

Sources of aid

1. *Non-government aid.* This is provided by over 110 Australian humanitarian, non-government organisations (NGOs). These include religious and voluntary organisations such as CBM Australia, TEAR Australia and World Vision, and non-religious organisations such as CARE Australia, Oxfam and the Red Cross.
2. *Government aid.* The Australian government's overseas aid program is managed by AusAID, the Australian Agency for International Development, which provides assistance for over 60 million people living in poverty around the world. These programs play an important role in assisting the economic development of and maintaining the links with recipient countries, most of which are located within the Asia–Pacific region.



CARE Australia: a non-government aid agency

The Australian government intends to increase Australia's foreign aid to 0.5 per cent of gross domestic product (GDP) by 2015. While pleasing, it is below the 0.7 per cent required to fulfil Australia's contribution to the United Nation's Millennium Development Goals.

Role of foreign aid

Australian NGOs and the Australian government deliver aid because:

- two-thirds of the world's poor live in Australia's region
- one billion people in the world lack basic literacy skills
- 2.6 billion people do not have safe sanitation facilities
- almost 900 million people do not have access to safe drinking water.

Foreign aid is used to support economic development in the recipient countries. Developing countries lack the financial and technical assets to improve their physical and human resources. The richer countries are in a position to provide help to developing countries. At the heart of all aid programs should be the desire to encourage ecologically sustainable economic development.

Successful aid programs will reduce poverty and improve the standard of living, resulting in stronger, more stable communities. From building roads and bridges, providing healthcare and educational facilities, to delivering clean drinking water, foreign aid is a crucial element in a developing country's drive for economic development. This is demonstrated in the TEAR Australia and AusAID projects.

Casestudy

TEAR Australia project

Real change, one goat at a time

In rural Tanzania, most people are subsistence farmers who face a daily struggle to produce enough food for the family table.

Life is challenging enough, but for widows and those with HIV/AIDS, it's even harder. With no government support, they have to survive on help from neighbours and friends or by finding casual work.

Wakuru Bita's husband died two years ago and she now lives with her three children, aged 20, 15 and 2. Her 20-year-old daughter also has two small children, and the family of six have only a small plot of land from which to live. Through a livelihood project run by Tanzanian TEAR partner the Buhemba Rural Agricultural Centre (BRAC), Wakuru was able to access agricultural training and a goat for breeding, which has helped improve her household income and her family's nutrition.

Through the project training, Wakuru has learnt how to manage and rear goats, build a goat shed and grow and prepare trees for fodder (BRAC promotes zero grazing for goats to reduce the stress on the environment). She cultivates cassava, sweet potatoes and sorghum in her field and is using knowledge from the program to implement a solar-drying method to preserve vegetables that she grows.



Casestudy

AusAID project

Improving the lives of cocoa farmers in Solomon Islands

Cocoa farmer Moddy Theretoona was able to grow only 150 cocoa trees on her small plantation in Solomon Islands. The income from this was barely enough for her family to survive.

The Cocoa Livelihoods Improvement Program has been teaching farmers how to reduce the height of their trees and stimulate growth of new shoots and pods. The Australian-funded program has now set up 53 demonstration sites across the country to show other farmers how to benefit from the farming methods and boost production.

As for Moddy, thanks to her training, her cocoa farm has more than doubled. She is now making enough money to pay her children's school fees and repair her house.



Moddy Theretoona (centre)

Activities

Understand

1 Use the term 'foreign aid' in a sentence to demonstrate its meaning.
2 Explain the difference between a *loan* and a *grant*.
3 List four non-government organisations involved with providing foreign aid.
4 Read about the projects in the case studies above.
  (a) What is the aim of each project?
  (b) How does the family benefit from each project?

Think

5 Why might it be in Australia's best interests to provide aid to other countries in our region?
6 Why is it important to involve the citizens of the countries that are receiving the aid in the aid programs?

Create

7 Using the information on these pages to give you ideas, create a multimedia presentation showing the role of foreign aid in supporting economic development. Show your presentation to the class.

eBookplus

8 In small groups, research Australia's foreign aid projects to developing countries. To help you, use the **AusAID**, **TEAR Australia**, **CARE Australia** or **CBM Australia** weblinks in your eBookPLUS. Present your report orally using multimedia applications to enhance the information.

Worksheet 8.3 Compare the contrasting lifestyles of two people in different situations.

Glossary

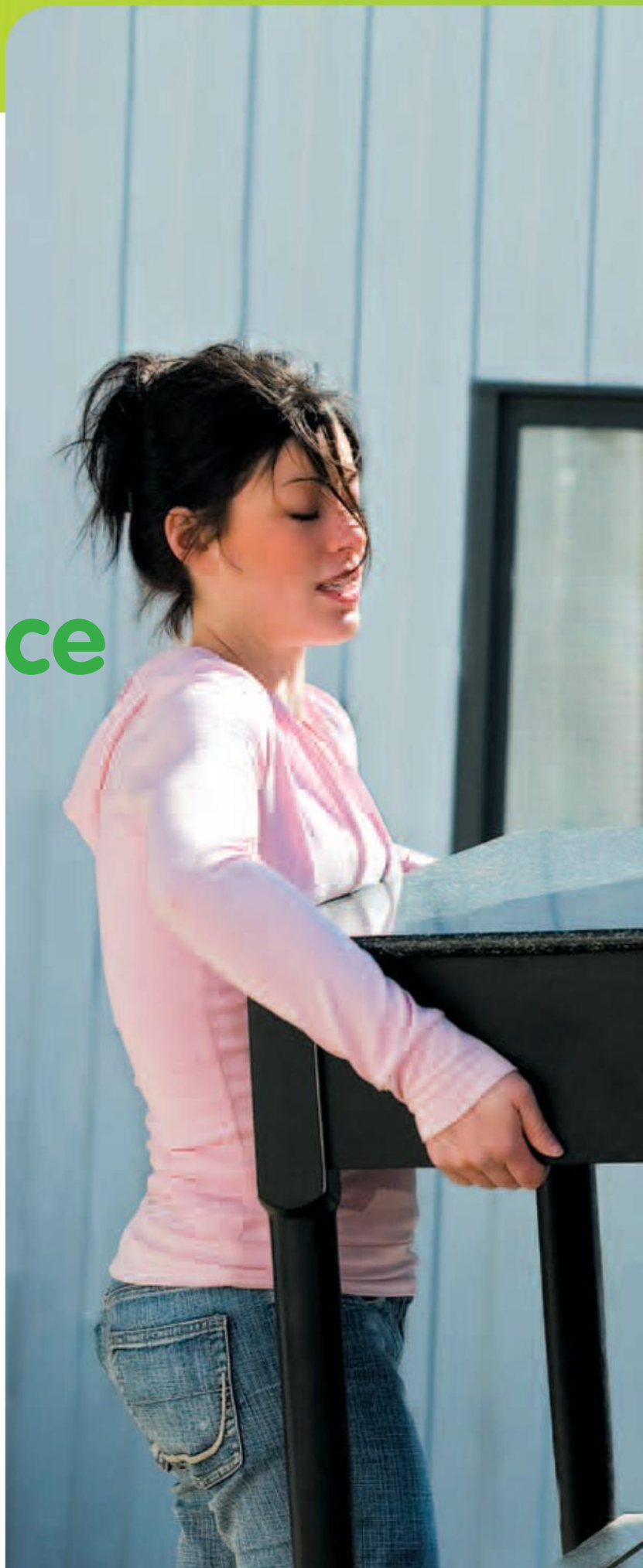
foreign aid financial and technical assistance by government and non-government (private) organisations from developed (high income) nations to developing (low income) nations

Chapter 9

OPTION

Towards independence

Moving out of home to live alone or with friends is a big step. Recent trends show that nowadays many young adults leave this step towards independence until much later than previous generations did. Some young people choose to 'leave the nest' after careful planning and organisation. Others may find themselves with little choice but to 'go it alone'. No matter if the time is right or whether unfortunate circumstances make it necessary, there are resources and support groups to help with the financial and legal matters that arise. Knowing about the issues and possible pitfalls can help make the transition safer and easier.



Focus

On completion of this chapter, you will have developed problem-solving and decision-making skills to assist you in relation to commercial and legal issues which may affect you when you leave home.



Glossary

bond money that is lodged with the Rental Bond Board. It is used to cover any damages or cleaning costs if the rented premises are left in an unsatisfactory condition.

Centrelink the main federal government welfare agency. It provides financial assistance as well as counsellors and social workers to those in need.

community services services largely funded from within the community to provide something that is desirable but not profit making

condition report details the exact condition of a property when new tenants move in

debit card plastic card that allows you to buy goods by electronically transferring money out of your account and into the store's account. It can also be used to obtain cash.

establishment costs one-off costs for setting up a new place to live or a business

exclusions the things that an insurance policy will not specifically cover

inclusions the things that an insurance policy covers

insurance the payment of an amount of money that covers a person or property in the event of loss, damage or accident so that the person does not suffer a severe financial setback

insured the person who is covered by the insurance policy

insurer the company that is providing the insurance

kitty a central fund

landlord the person who owns the premises being rented

lay-by the system that allows a customer to purchase a good by paying a deposit and then making regular repayments for a set time. You obtain the good when the final payment is made.

mortgage a loan for goods or a property. If you fail to make your loan repayments, then the mortgagee will repossess the goods and sell them.

ongoing costs those costs that keep on recurring such as rent, mortgage and electricity bills

premium the amount of money to be paid to receive insurance cover

reservation fee usually one week's rent that will reserve the premises for a person while their application for tenancy is being considered

residential tenancy agreement the standard agreement between tenants and a landlord when a house or flat is being rented

tenant the person who rents a property from a landlord

warranty a promise to repair any defects that are in a product

9.1

Moving from home

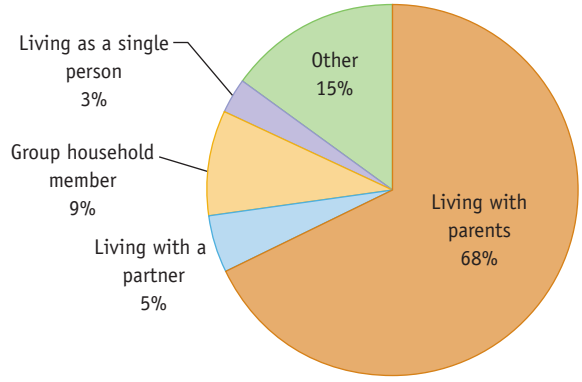
Reasons for leaving home

Most people will eventually leave the home they grew up in and find a home of their own. However, everyone is different. Some people leave home when they are very young, others wait until they are in their 30s and some people live with their family all their lives. The main reasons for people leaving home are to further their education, seek employment, establish an independent lifestyle or due to disagreements with their parents.

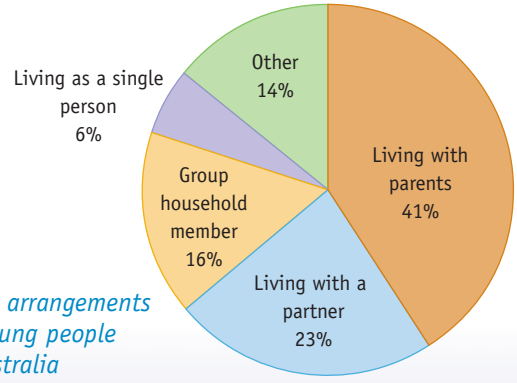
Issues involved in independent living

When leaving home there are many issues to consider including: the cost of financing the move and supporting yourself; finding a safe place to live; having all the paperwork required; and overcoming any homesickness you may feel.

Living arrangements for 18–19 year olds



Living arrangements for 20–24 year olds



Living arrangements for young people in Australia

Source: ABS derived from Household and Family Projections, Australia, 1996–2021.

There are many issues to deal with when you leave home.



Support organisations

The organisations that provide support to young people who are not living at home come under three main classifications: government, religious and community.

Government organisations

- *Department of Families, Housing, Community Services and Indigenous Affairs.* This is a federal government department providing services to young people.
- ***Centrelink***. This is the main federal government welfare agency. It provides specialist staff, including counsellors and social workers, who work with young people in greatest need.
- *Community Services.* This is a New South Wales state government department. It is the largest welfare agency in the southern hemisphere and employs over 9000 people.

Religious organisations

Each of the main religious groups has created organisations to provide support for people. This is generally offered irrespective of a person's religion. These organisations include Anglicare, St Vincent de Paul and the Salvation Army. The Salvation Army provides many welfare services, including hostels for the homeless, counselling, drop-in centres, drug and alcohol rehabilitation, health workers and recreation centres.

Community organisations

These include organisations such as youth refuges, community centres, community housing, drop-in centres and Lifeline. These organisations are usually funded jointly by local and state governments, private sponsorship and donations.

When you are leaving home, these organisations may provide support.





Government
- Department of Families, Housing, Community Services and Indigenous Affairs
- Community Services
- Centrelink

Religious
- Salvation Army
- Anglicare
- St Vincent de Paul

Community
- Youth refuge
- Community centre
- Lifeline
- Community housing

Activities

Understand

1 List the main reasons why young people decide to leave home.
2 Study the two graphs on the previous page and describe the changes in living arrangements that occur as people grow older.
3 List the issues that are involved in leaving home.
4 Name the three types of organisations that provide support to young people who are not living at home. Give two examples of each and list their services.
5 Using the telephone book or the internet, create a directory of organisations that provide support for young people in your area. Present this as either a database or spreadsheet.
6 Why do you think more young people now remain at home for longer than in previous generations? Consider economic and social factors in your answer.

eBookplus

7 Use the **Department of Families, Housing, Community Services and Indigenous Affairs** and the **Centrelink** weblinks in your eBookPLUS to help create an informative poster that advises young people of the services these organisations provide.

Glossary

Centrelink the main federal government welfare agency. It provides financial assistance as well as counsellors and social workers to those in need.

9.2

Arranging accommodation

Types of accommodation

Before deciding to leave home, young people need to carefully consider the alternatives. It is much cheaper to live at home and there will be far fewer security concerns. Leaving home provides more independence, but it also carries more responsibilities. These include such basic tasks as housework and paying your own bills.

The options available when leaving home depend largely on financial and personal circumstances. Options include setting up your own flat, moving into a share house, setting up your own share house, or entering a university college. The most common choice is to set up a flat and share it.

Finding the right place

Generally, houses and flats that are available for renting (or sharing) are advertised in newspapers, on the internet, in real estate agents' windows and on community noticeboards. You should make a shortlist of all those that may meet your requirements and then conduct an inspection. When conducting this inspection, it is a good idea to draw up a checklist such as the one at right. The accommodation you finally choose will be the one that meets most of your requirements.

Check these features	Yes / No / Not important
Can I get along with the other people?	
Is the rent within my budget?	
Are any furnishings provided?	
Is there a laundry?	
Will I have to pay for water?	
Does the bathroom or toilet leak?	
Are any repairs needed?	
Is the gas connected?	
Is the house/flat near shops and public transport?	
Is the water pressure strong or weak?	
Is the flat/house in good condition for its age?	
Is there a stove? Does everything work?	
Is there a TV aerial and connection?	
Any signs of mice, rats, cockroaches, white ants etc.?	
Is there a garage, carport or parking space?	
Do I need to do the mowing or gardening?	
Is a telephone and internet connection available?	
Are there double locks and security doors fitted?	

Casestudy

Fooled by a flatmate

Abdul, John and Allan worked in a factory. They decided it would be a good idea to move into a flat together. Abdul found a suitable unit near a railway station. As it was not furnished, they each paid $1000 to buy a washing machine, a refrigerator and some furniture.

They set the following rules for the unit:

- A roster would be prepared to share out all the jobs.
- Each person would pay $200 per week into a central **kitty**, to pay the rent, groceries and electricity.
- Each person would record their telephone calls in a logbook and pay for them.

Things went wrong when the phone bill arrived. It was for nearly a thousand dollars. Yet the logbook showed only $200 in calls. The excess was due to John calling his girlfriend in New Zealand. None of these calls had been recorded.

Abdul and Allan were angry. They checked the kitty to see if there was any money in it that they could use to pay the bill. However, the kitty was empty: it should have contained about $500.

When John arrived home they questioned him about the bill and the money. He said he intended to repay the money when he received his pay cheque and that the phone calls were because his girlfriend had been sick. He had simply forgotten to write them down.

Abdul and Allan were relieved at this and went to work as usual. However, when they arrived home, all of John's belongings were missing, as were the washing machine, refrigerator and furnishings they had jointly purchased. A note from John said that he had taken these things since he had not used them very much. He intended to sell them and use the money to go to New Zealand to visit his girlfriend.

Share accommodation advice

The main reasons people decide to live in share accommodation is to lower living costs, such as rent, and other bills, such as electricity. A further advantage is that as the costs are lower, you will be able to afford to live in a more expensive area than would otherwise be the case.

Tips for a harmonious share house

- Have everyone's name on utilities accounts such as gas, water, electricity and telephone — whoever's name is on the account is legally responsible for the debt.
- To avoid disputes regarding the telephone, use a mobile and have the landline disconnected.
- Draw up a roster for chores such as cleaning.
- Pay a set amount each week into a kitty; from this pay for basic groceries, electricity, internet, gas and so on. A kitty is a central fund to which everyone contributes and the money is used for particular expenses.
- Draw up rules for any visitors; e.g. No noisy parties.
- Don't keep problems to yourself. Your flatmate may have no idea that his cooking sausages and eggs every morning makes you feel sick.



You must remember that you have little legal recourse against a flatmate who has refused to pay their share of the rent or any other bills. This is because many of the agreements are verbal. If the situation deteriorates, usually one of you will need to move out.

Activities

Understand

1 Describe some of the responsibilities that go with independent living.

2 Describe the accommodation alternatives that are available for people when they leave home.

3 Make a copy of the checklist on page 228 and complete it by pretending that you are looking at the prospect of renting where you currently live.

4 Read the section on share accommodation advice and answer the following.

(a) State two advantages of moving into share accommodation.

(b) Describe four pieces of advice for someone moving into share accommodation.

(c) Why is it often difficult to take legal action against a flatmate who has refused to pay some of their debts?

Think

5 Match each of the following accommodation types with a situation listed below.

Accommodation type:

youth refuge
renting a flat
university college
purchasing a house

Situation:

(a) A young woman entering university having just completed the HSC

(b) A 14-year-old boy who runs away from a violent, abusive home

(c) A 30-year-old wealthy computer programmer who wishes to own her own home

(d) A 22-year-old man who leaves home due to work commitments

6 Study the cartoon above and explain how this situation could have been avoided.

Communicate

7 Read the case study 'Fooled by a flatmate'. Working in small groups, answer the following questions.

(a) What rules were set for the operation of the flat?

(b) Draw up a roster for task sharing in the unit. Allocate jobs fairly by entering either Abdul, John, Allan or All in an appropriate cell.

Task	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Make breakfast							
Make lunch							
Cook dinner							
Wash up							
Take out garbage							
Clean kitchen and mop floor							
Shop for groceries							
Vacuum and dust							
Clean toilet/bathroom							

(c) Allan is given overtime on Tuesdays and Sundays. He cannot do any domestic jobs on these days. Rewrite the roster to accommodate him.

(d) Discuss how the problems with John as described in the case study may have been avoided.

Glossary

kitty a central fund

9.3

Processes for arranging a lease

The main steps involved in renting a property are as follows.

1. Determine exactly what type of premises you require; for example, size and location. You then need to locate the available suitable properties using newspapers, bulletin boards, real estate agents or the internet.
2. Obtain a copy of the **residential tenancy agreement** from the agent. This is an agreement between the **landlord** and the **tenant** that outlines all the terms that both parties must follow. The landlord is the person who owns the premises being rented; the tenant is the person who rents the property. Both have rights and responsibilities in relation to the renting of the property and these should be set out in the agreement.
3. Complete the **condition report**. This details the exact condition of the property when you move in. It is extremely important as any disputes regarding the state of the property when you leave can be related to the condition report. For example, worn carpet, paint chips and any broken/damaged fittings should all be recorded in the condition report.
4. You may be asked to pay a **reservation fee**. This is usually one week's rent that will reserve the premises for you while your application for tenancy is being considered.
5. Sign the lease after reading it and checking it thoroughly.
6. Pay a rental **bond**, usually four weeks' rent. This money is lodged by the landlord at the Rental Bond Board, operated by NSW Fair Trading. It is used to cover the landlord for any damages or repair costs if you leave the unit in an unsatisfactory condition, or if you break the terms of the agreement by failing to pay rent or give notice of vacating. However, most tenants have their bonds refunded when they move out of a property.
7. A tenant must pay the rent in advance from the first day of tenancy. Most landlords or their agents require two weeks' rent in advance.
8. The final step is to take possession of the premises. This involves obtaining the keys and moving in with your belongings.

NEW TENANT CHECKLIST

WHAT YOU MUST KNOW BEFORE YOU SIGN A LEASE

At the start of every tenancy you should be given the following by the landlord or agent:

- a copy of this information statement
- a copy of your lease (tenancy agreement)
- 2 copies of the premises condition report
- a bond lodgement form for you to sign, so that it can be lodged with NSW Fair Trading
- keys to your new home.

The first thing you should do before you sign the lease is read it thoroughly. If there is anything in it which you don't understand, ask questions.

Remember, you are committing to a legally binding contract for which there is no cooling-off period. You will want to be certain you understand and agree to what you are signing.

Only when you can respond with a **Yes** to the following statements, should you sign the lease.

THE LEASE

- I have read the lease and I asked questions if there were things I didn't understand.
- I know the length of the lease is negotiated before I sign, which means it can be for 6 months, 12 months or some other period.
- I know that I must be offered at least one way to pay the rent which does not involve paying a fee to a third party.
- I know that any additional terms to the lease are negotiated before I sign.
- I have checked that all additional terms to the lease are legal; for example, the lease does **not** include a term requiring me to have the carpet professionally cleaned when I leave, unless I have agreed to that as part of a condition to allow me to keep a pet on the premises.



At the start of every tenancy, the tenant must be given a copy of this checklist.

Case*study*

Karen loses her bond

When Karen moved into her new flat, she was given a condition report to fill in and give back to the real estate agent. She was really busy moving in and had forgotten about it. She eventually completed it, but rushed through it and did not fill it out in the detail required.

After a while she noticed that some of the bathroom tiles were broken, the carpet had stains on it and the living areas needed painting.



When Karen moved out, the real estate agent refused to give her the bond money back. The agent explained that the bond money would be used for the repair work on the bathroom tiles, cleaning costs for the carpet and to have several rooms painted.

Karen argued that these things were already like that when she moved in. The agent told her that there had been nothing written on the condition report about these problems. Consequently, she failed to have her bond returned and lost four weeks' rent.

Common rental problems

Common problems tenants face include the landlord failing to:

- carry out necessary repairs
- provide reasonable security such as working window and door locks
- provide a key after changing the locks
- give sufficient notice of any rent increase or if the rent increase is to be excessive
- respect the tenants' privacy.

Solutions to these problems include:

- Notify your landlord/agent as soon as you become aware of a problem. Complain in person or on the phone and then follow up with a letter confirming what was said. If you would prefer, take someone along to act as a witness when you go to see the landlord/agent about the problem.
- Any follow-up letter should clearly outline the problem, what you want done and the history of your complaint. Always keep copies of all your letters.
- Keep a diary of your conversations with the landlord/agent/head tenant — who you spoke to and what they agreed to do.
- If all else fails, complain to the Consumer, Trader and Tenancy Tribunal for an order to resolve the problem.

'Do nots' for tenants include:

- Do not stop paying rent — being 14 days behind in your rent is sufficient grounds for your landlord to give you notice to leave.
- Do not move out without giving the required notice — you may end up losing your bond and/or compensating the landlord.

Activities

Understand

1. Describe the eight steps involved in renting a property.
2. What is a bond?
3. Describe the difference between a *tenant* and a *landlord*.
4. What is a condition report? Why should care be taken when filling this out?
5. Refer to the tenant checklist on page 230.
   (a) State three things you should receive at the start of a tenancy.
   (b) How long is the 'cooling-off period' after signing a lease?
   (c) List three things you need to be able to say 'YES' to before signing a lease.
6. Describe four common problems that tenants face.
7. Despite difficulties that may occur with a landlord, why should you never stop paying rent?
8. What is the last resort for a tenant who is having a problem with a landlord?

Think

9. Read the case study and outline how Karen could have avoided losing her bond.

eBookplus

10. Use the **Department of Fair Trading** weblink in your eBookPLUS to identify the rights of a tenant.

Worksheet 9.1 Research advice for issues or problems experienced by residential tenants.

Glossary

bond money that is lodged with the Rental Bond Board. It is used to cover any damages or cleaning costs if the rented premises are left in an unsatisfactory condition.

condition report details the exact condition of a property when new tenants move in

landlord the person who owns the premises being rented

reservation fee usually one week's rent that will reserve the premises for a person while their application for tenancy is being considered

residential tenancy agreement the standard agreement between tenants and a landlord when a house or flat is being rented

tenant the person who rents a property from a landlord

9.4

Managing finances

Major costs

When moving into a flat or house, there are two types of costs:

- **Establishment costs**. These are one-off costs that are involved in setting up your new place. Typical establishment costs include the rental bond, telephone connection, essential whitegoods such as a refrigerator and washing machine, and furniture.
- **Ongoing costs**. These are costs that are recurring. Typical ongoing costs include rent, electricity, gas, water, telephone, groceries and travel expenses.

Avoiding financial problems

Strategies that can be used to avoid financial problems when living with other people include:

- Each person in the house/flat pays a set amount into a central fund called a kitty. This is then used to pay the bills associated with the whole group; for example, food, rent, gas and electricity.
- The telephone can be a problem. The best solution is to use your own mobile phone.
- A set of rules is drawn up. These would cover things such as a roster for cooking and cleaning. However, it should also cover what happens if the electricity and gas bills are higher than the amount available in the kitty.
- Everyone should have a budget. This includes people sharing a house, someone living alone or a married couple. This will ensure that they are able to meet any expenses as they occur. Each person should also try saving money for a personal goal such as a holiday, a new car, a house or to invest for retirement.

Organising a household budget

A budget is a list of planned income and expenditure for some future period. It helps people to manage their finances successfully. A simple household budget shows the expected income, the main expenses and the remaining funds, if any, that can be saved each month.



Which of these are ongoing costs?

The table opposite is the household budget of Maria Portelini, an accountant who lives alone in a rented unit. She has prepared this using her past experience and adding a little for inflation (an increase in the general level of prices). Some expenses, such as car registration, occur only once a year and some bills arrive each quarter. Others, such as rent and food, occur monthly or weekly.

Maria lists all the expenses and also her expected income. She then totals her expenses and subtracts this from her total income. This gives the amount saved each month. This amount is added to the previous month's savings to give a 'running total' of the amount that Maria can save over the year if she has calculated her expenses realistically. There are some months when Maria anticipates that her spending will exceed her income and she will need to dip into her savings to cover the monthly costs.

Household budget — Maria Portelini

Type of expense	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Rent	$ 1200	$ 1200	$ 1200	$ 1200	$ 1200	$ 1200	$ 1200	$ 1200	$ 1200	$ 1200	$ 1200	$ 1200
Food	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300
Electricity			$ 100			$ 100			$ 160			$ 100
Gas			$ 40			$ 40			$ 60			$ 40
Telephone/mobile			$ 100			$ 100			$ 100			$ 100
Car registration											$ 500	
Car insurance				$ 400								
Hospital/medical						$ 300						$ 300
Newspapers	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50
Car petrol/repairs	$ 250	$ 250	$ 250	$ 250	$ 250	$ 250	$ 250	$ 250	$ 250	$ 250	$ 250	$ 250
Credit cards	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 300
Other expenses	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200
Total expenses	$ 2100	$ 2100	$ 2340	$ 2500	$ 2100	$ 2640	$ 2100	$ 2100	$ 2420	$ 2100	$ 2600	$ 2840
Income												
Salary	$ 2500	$ 2500	$ 2500	$ 2500	$ 2500	$ 2500	$2500	$ 2500	$2500	$ 2500	$ 2500	$ 2500
Saved per month	$ 400	$ 400	$ 160	$ 0	$ 400	$ –140	$ 400	$ 400	$ 80	$ 400	$ –100	$ –340
Total saved	$ 400	$ 800	$ 960	$ 960	$ 1360	$ 1220	$ 1620	$ 2020	$ 2100	$ 2500	$ 2400	$ 2060

Activities

Understand

1 Describe the difference between *establishment costs* and *ongoing costs*.
2 Outline four strategies that can be used to overcome problems when sharing a house or flat.
3 Define the term 'budget'.
4 The following table is incorrect. Copy it and correct the entries so that each cost is in the correct column.

Establishment costs	Ongoing costs
bond	refrigerator
bed	electricity
rent	groceries
telephone bill	television
petrol for car	table

5 Examine the budget of Maria Portelini and answer the following.
(a) Describe how Maria calculates the amount that she has saved each month.
(b) Why do you think she has allowed more for electricity and gas for the third quarter of the year?
(c) Explain why a negative amount is shown in the savings rows for June, November and December. What effect does this have on Maria's total savings?
(d) Maria has forgotten to enter the home contents insurance in the budget which she expects to cost approximately $400 for the year. In which months should she avoid this payment falling, if she has any choice?

6 Complete the annual budget of Sarah Packham using the information below. Use a table similar to that for Maria Portelini. Sarah prepares her annual budget using her past experience and adding a little to account for inflation.

Estimated monthly salary is $4000.

Expenses

Rent: $1600 per month
Water rates: $150 in March, June, September and December
Food: $400 per month
Electricity: $80 March, $100 June, $140 September, $80 December
Gas: $60 March, $80 June, $100 September, $60 December
Telephone: $100 March, $90 June, $90 September, $100 December
Car registration: $500 in November
Health insurance: $600 in June and December
Car — petrol and repairs: $400 per month
Car insurance: $350 in April
Home contents insurance: $400 in June
Credit cards: $150 per month
Newspapers/magazines: $50 per month
Other living expenses: $150 per month

eBookplus **Worksheet 9.2** Interpret and analyse an annual budget of David Martinello.

Glossary

establishment costs one-off costs for setting up a new place to live or a business
ongoing costs those costs that keep on recurring such as rent, mortgage and electricity bills

9.5

Insurance

Insurance is the means by which people gain financial protection against unexpected events. People pay an annual or monthly amount (a **premium**) to an insurance company and the insurance company pays out a sum to cover losses or costs if an unexpected event occurs.

The company that arranges and provides the insurance cover is called the **insurer**. The person or group that pays the premium and is covered by the insurance is the **insured**.

Insurance as a contract

When an individual enters into an insurance contract with an insurance company, the following steps and documents are involved in the application and claims processes.

1. A person seeking insurance obtains *quotes* from a range of insurance companies and compares the features of the cover that each company offers and the premiums charged.
2. The *proposal* is the form you must fill out when you have selected from the quotes and are applying to a company for insurance. Both the insurer and the insured must act in the utmost good faith in disclosing all relevant details about the contract and the person or property being insured. Any errors or false statements could affect the validity of the policy and any future claims.
3. The *policy* is issued by the insurance company when it accepts the proposal. It contains all the information regarding the contract, such as **inclusions** (the items or events covered) and **exclusions** (the items or events not covered).
4. The *renewal notice* is sent to you each year informing you that your insurance policy is about to expire. If you wish to continue to receive cover, you must pay a further premium.
5. A *claim form* must be completed and submitted to the insurance company if the event against which you are insured has occurred and you wish to receive the compensation to which you are entitled.

Types of insurance

Since insurance is a competitive industry, there are often wide variations in cover provided and premiums applied. A wise consumer will shop around when choosing between insurers. Some of the different types of insurance are as follows.

Household insurance

- Home insurance — covers a home against damage and destruction to the building from various causes, such as storms, fire or accidental explosions. It is very important that the inclusions and exclusions are very carefully noted; for example, most policies will not cover flood damage.
- Home contents insurance — provides compensation if your home's contents (such as furniture) are damaged or stolen.

Personal insurance

- Life insurance — the most common form of life insurance is term insurance. This policy covers a person for a set time. If the person dies within this time span, the insurance company will pay a specified amount to the next of kin or other nominated person.
- Sickness and accident insurance — usually taken out by self-employed people who are not covered by workers' compensation and do not receive pay for sick leave. It provides cover if a person cannot work and thus receive their normal income.
- Health insurance — in Australia, everyone is covered for basic medical costs by a government health insurance scheme called Medicare. However, if people wish, they may take out additional private health insurance cover to provide special benefits, such as orthodontic expenses.

Motor vehicle insurance

- Compulsory third party — protects drivers of motor vehicles from the high costs of compensation involved if they kill or injure someone in an accident. This insurance is compulsory and is obtained at the time of registering your vehicle by purchasing a 'green slip' from an insurance company.
- Third party property — a form of motor vehicle insurance that covers the same as compulsory third party, but also any property that is damaged in a motor vehicle accident other than damage to the insured's own vehicle.
- Comprehensive motor vehicle insurance — this type of insurance covers the costs of repairs or sometimes the replacement of your vehicle and any other vehicles involved in an accident.

Other types of insurance

- Workers' compensation — a compulsory form of insurance for all employers to provide money for any employees injured at work.
- Public liability — covers firms for the high costs incurred if they are sued by their employees.
- Marine insurance — this insurance covers boats and ships for accidents or damage.
- Pluvius insurance — provides protection against loss of takings due to rain. Functions such as outdoor sporting events and concerts are usually covered by this type of insurance.

Glossary

exclusions the things that an insurance policy will not specifically cover

inclusions the things that an insurance policy covers

insurance the payment of an amount of money that covers a person or property in the event of loss, damage or accident so that the person does not suffer a severe financial setback

insured the person who is covered by the insurance policy

insurer the company that is providing the insurance

premium the amount of money to be paid to receive insurance cover

Activities

Understand

1 Unscramble the following words and write a sentence that explains their meaning.

(a) usderin
(b) merpumi
(c) ooaprpls
(d) rrnsieu
(e) lmaic romf
(f) somttu dgoo tfhia
(g) iolpyc
(h) eeawlnr eciton
(i) ssnoiulcni
(j) xlceunoiss

2 Explain the difference between *home* and *home contents* insurance.

3 What does term insurance cover?

4 Describe the difference between *compulsory third party*, *third party property* and *comprehensive motor vehicle* insurance.

5 Which insurance is compulsory for all employers?

6 What insurance is obtained when purchasing a green slip?

7 Match up the following insurance types to the appropriate cartoon at right: Pluvius, marine, public liability, term life insurance, home insurance, comprehensive motor vehicle.

Think

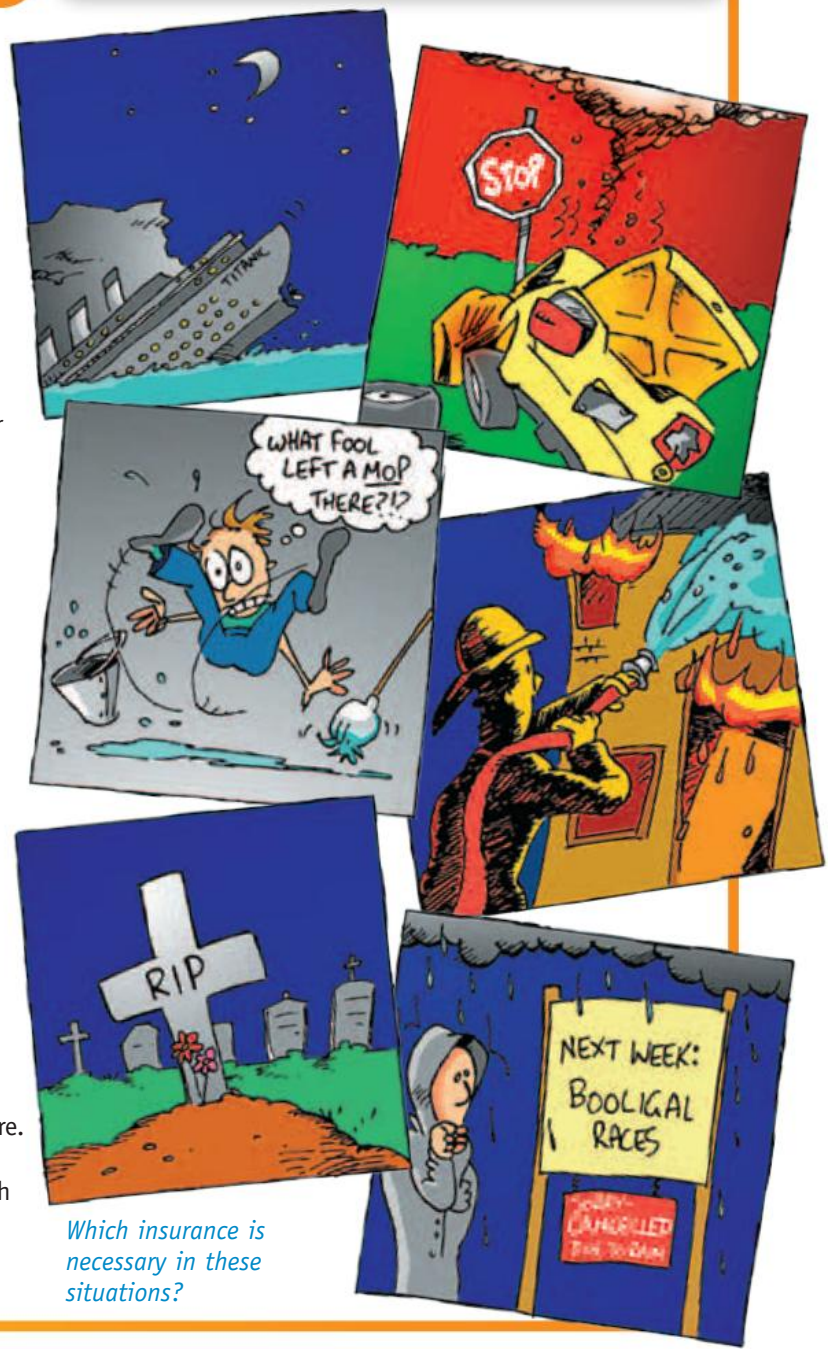
8 Which of the following would have the higher insurance premium?

(a) a smoker or non-smoker
(b) a racing car driver or office worker
(c) a person whose father died of heart attack or a person with both parents living past 80
(d) a Rolls Royce or a Holden Commodore

9 Construct a flowchart that illustrates the process involved in obtaining insurance.

eBookplus

10 Imagine you own a recent model Holden Commodore. Use the **Insurance companies** weblinks in your eBookPLUS to research insurance premiums for both the greenslip and comprehensive insurance for this vehicle, for a driver under 25 years of age living in your area.



Which insurance is necessary in these situations?

9.6

Major purchases

The major purchases that people associate with independent living are a house, car, furniture and electrical items such as a refrigerator, washing machine and television.

Buying a car

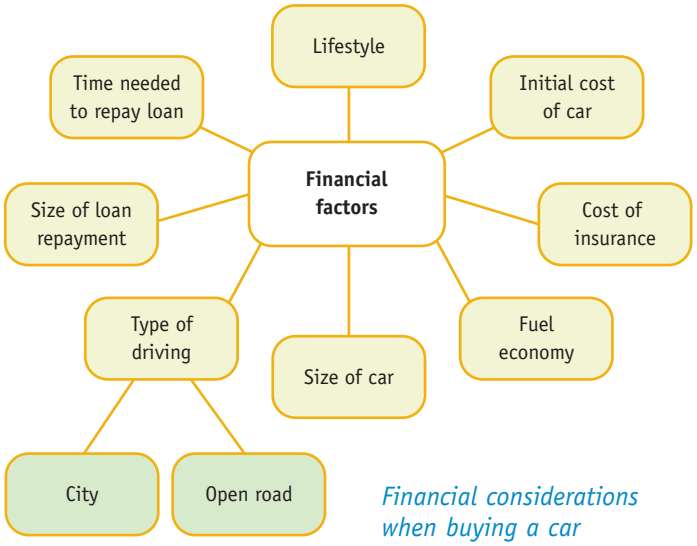
Buying a motor vehicle is usually the second largest purchase a person makes during their life, the largest being the purchase of a home.

The use of a motor vehicle in many parts of Australia is virtually essential, particularly in some country areas and newer suburbs where public transport services are not fully developed.

The ownership of a car involves two types of costs:

- initial costs which include stamp duty and dealer delivery charges
- recurring costs which include insurance, registration, servicing (oil, tune-ups), replacing worn components (tyres, batteries) and fuel.

When buying a car, you should first determine your needs with regard to your finances.



Financial considerations when buying a car

To pay for your new vehicle, you can either use cash or take out a loan. Whichever you decide, you must ensure that you have the finance available prior to starting the purchase process. If you decide to take out a loan, check the interest rates charged by different banks, credit unions, finance companies and other lenders. Most car dealers also offer to arrange finance. As car dealers receive a commission from the finance company on each loan that they arrange, the repayment amount may be higher. It is advisable to shop around and check all the facts for each loan option.



Comfact

In 2011, the highest-selling car models in Australia, in order, were: the Toyota Corolla, Mazda3, Toyota HiLux, Holden Commodore, Holden Cruze, Hyundai i30 and Ford Territory.

In recent years, as fuel costs have risen, there has been a switch from larger vehicles such as the Holden Commodore and the Ford Falcon to smaller, fuel-efficient cars such as the Holden Cruze and the Mazda3.

When buying a vehicle, your options include a new car from a dealer, a used car from a dealer, or a used car from a private seller.

Buying a used car from a licensed car dealer can be more expensive than buying privately, but it offers more protection. Licensed dealers are regulated by the law and must give certain guarantees that do not apply to private sellers. These guarantees include:

- A guarantee of clear title on the vehicle. This means that ownership of the car will be passed on to you in the sale and the car cannot be repossessed because of someone else's debt. An individual can check this information at the national Personal Property Securities Register (www.ppsr.gov.au).
- Under the Motor Dealers Act, dealers must give a **warranty** (this is a promise to repair any defects) on most cars sold. This varies with the age and the condition of the car when sold, but basically:
  - new cars must have any defects fixed that occur in the first 12 months, or the first 20 000 kilometres driven
  - secondhand vehicles that have been driven for less than 160 000 kilometres and are less than ten years old must have defects fixed that occur in the first three months, or 5000 kilometres, whichever comes first.



When making a major purchase such as a car, decide what sort of car you require and your price range before you start to shop around.

Beware of the less reputable car dealers who might try 'every trick in the book' in an effort to make a sale. Some simple rules that all buyers should follow are:

- Set a maximum price and don't go above it.
- Remember to bargain as you could save thousands of dollars.
- Budget for both the initial and recurring costs.
- Obtain an insurance quote and make sure you can afford it as some vehicles incur higher insurance premiums than others, particularly for young drivers.
- Check when the registration runs out.
- Be sure to have a full car inspection carried out by your automobile club, such as the NRMA, before you buy it.
- Check the Register of Encumbered Vehicles (REVS) to ensure that the vehicle is not carrying a debt from a previous owner.
- Do not sign anything unless you are absolutely sure you want to buy the car.
- When picking up a car after paying for it, ensure that it has the same tyres, battery, toolkit and other fittings as when you inspected it. Some dealers have been known to replace new tyres with old ones prior to giving you the car.

Glossary

warranty a promise to repair any defects that are in a product

Activities

Understand

1 Name the two largest purchases that most people make in their lifetime.
2 What is a warranty?
3 List the initial costs incurred when purchasing a motor vehicle.
4 Define the term 'recurring costs'. When operating a motor vehicle, what do they include?
5 Outline the financial factors that should be considered when buying a car.
6 Explain the advantages of buying a used car from a dealer.

Think

7 Four car advertisements are shown below. Which vehicle would suit each of the following?
   - A family of five people wishing to own a medium-sized vehicle
   - A university student
   - A person who wishes to use the vehicle for off-road four-wheel driving
   - A builder



Common advertisements as used by car dealers

9.7

Financing a major purchase

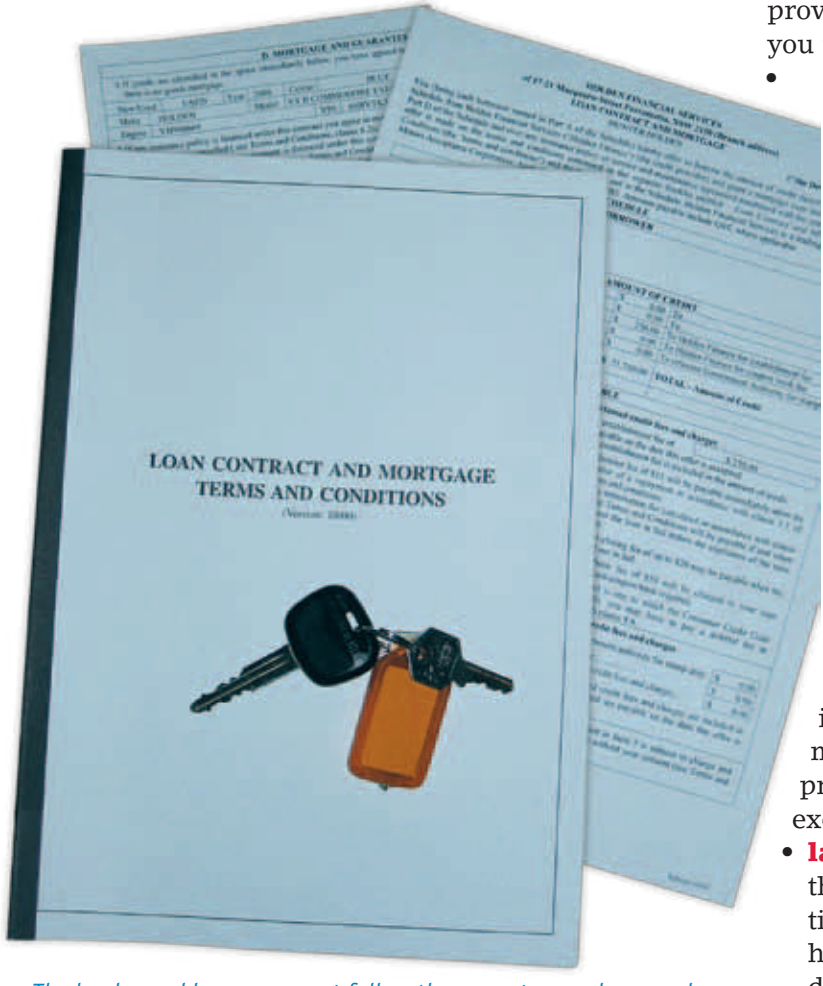
There are two ways of purchasing goods and services: using cash or credit.

Payment by cash

The advantages of using cash are that you instantly receive the good, avoid debt and can possibly negotiate a discount. However, it has disadvantages such as having to wait until you have saved sufficient funds to purchase the good and the inconvenience of carrying large sums of money.

There are three ways of paying with cash:

- using notes and coins
- with a **debit card** such as the Commonwealth Bank Keycard or the Westpac Bank Handycard. These cards allow you to buy goods by electronically transferring the money out of your bank account and into the store's account. This is commonly called EFTPOS (**e**lectronic **f**unds **t**ransfer at **p**oint **o**f **s**ale). Some stores, such as supermarkets or service stations, also allow you to withdraw extra cash from your account at the same time as paying for the goods
- by a cheque — although very few firms will accept a cheque unless some prior arrangement has been made.



The lender and borrower must follow the correct procedures and check all loan contract documents carefully before signing.

Payment by credit

When you buy goods and pay for them later, it is known as credit. There are four methods of buying goods on credit. They are:

- credit sales contract — where the retailer provides you with the credit and the goods and you pay for them at a monthly rate, plus interest
- loan contract — you take out a personal loan from a financial organisation such as a bank or building society and then use these funds to buy the goods. This is the preferred method to make large purchases, such as a car. Sometimes when you take out a loan, you **mortgage** the goods being purchased. This means that if you fail to make all your repayments, the mortgagee will repossess the goods and sell them. The loan may have various features such as fixed or flexible interest rates, a non-repayment term or the facility to make an online application.
- continuing credit contract — using a credit card such as Visa or MasterCard. There are many different types of cards, all with different features. Typical features include a low annual fee, low interest rate, interest-free days, access to automatic teller machines (ATMs) worldwide and a rewards program, such as earning points that can be exchanged for goods or services.
- **lay-by** — you pay a deposit for a good and then make regular repayments for a set time, for example, three months. Lay-by has the benefit of avoiding interest but the disadvantage is that the shop does not give you the good until the final payment is made.

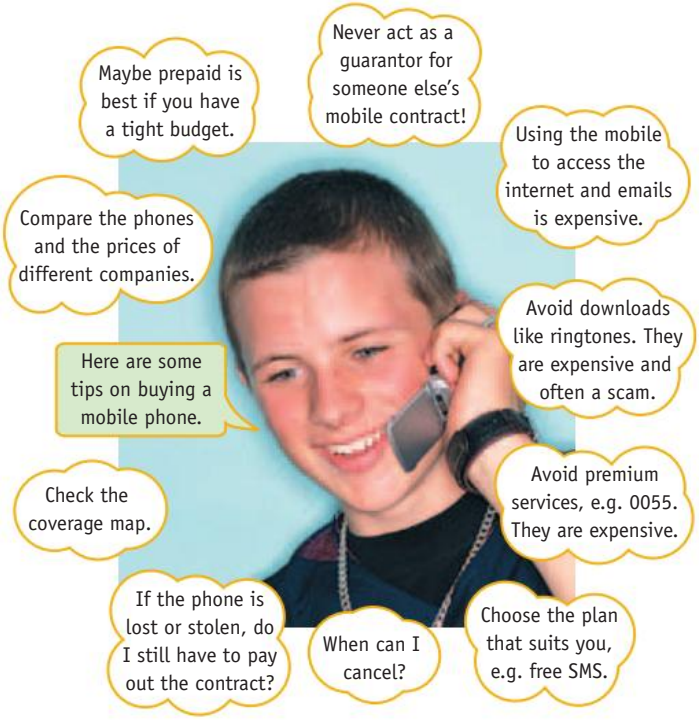
Comfact

Using credit to purchase items can be much more expensive than paying in cash. This is because it can involve interest payments and, most likely, fees. It may lead people into debt for long periods of time.

Mobile phone purchase

One of the first major purchases that a young person will make is to purchase their mobile phone. Basically they have two options:

- Fixed-term contract — this usually requires you to pay a minimum amount each month for between 18 months to 2 years. This 'minimum monthly payment' is the mobile phone service provider's way of getting you to pay for the mobile phone handset. Generally, mobile phones on fixed-term contracts provide slightly lower call costs than pre-paid phones.
- Pre-paid mobile phone account — a pre-paid mobile phone account allows you to pay solely for the calls you make. In other words, there is neither a minimum monthly charge nor any fixed-term contract. You simply pay money to the mobile phone service provider for an allocated phone number, and to have your phone account activated and credited with a prescribed amount of call credits. You then top up your account as you use your phone and run down the call credits. However, you must initially pay for a phone.



Tips for buying a mobile phone

Activities

Understand

1 What are the two main ways of purchasing goods or services?
2 Draw up a table to list the advantages and disadvantages of paying by cash.
3 State the three ways of paying for goods using cash.
4 Explain how a debit card operates.
5 What are the four methods of buying goods or services on credit?
6 Name the two options you have when purchasing a mobile phone.
7 Draw up a table to list the advantages and disadvantages of pre-paid mobile phones over signing a fixed-term contract.
8 Define the term 'mortgage'.
9 Describe how a lay-by operates.

Think

10 Many people returned to using lay-by when the 2008 global financial crisis struck. Why do you think they did so?
11 Why do some young people get into financial difficulties because of their mobile phone usage?

Communicate

12 List three pieces of advice that you would give to someone who is thinking about purchasing a mobile phone.

eBookplus

13 Use the **Go Budgeting** weblink in your eBookPLUS and complete the budget for your allocated scenario.
14 Use the **Major banks** weblinks in your eBookPLUS.
   (a) Construct a table showing the various credit card options available.
   (b) Construct a table showing the various personal loan options available.

Worksheet 9.3 Test your knowledge on the different ways of financing a major purchase.

Glossary

debit card plastic card that allows you to buy goods by electronically transferring money out of your account into the store's account. It can also be used to obtain cash.

lay-by the system that allows a customer to purchase a good by paying a deposit and then making regular repayments for a set time. You obtain the good when the final payment is made.

mortgage a loan for goods or a property. If you fail to make your loan repayments, then the mortgagee will repossess the goods and sell them.

9.8

Community involvement and lifestyle issues

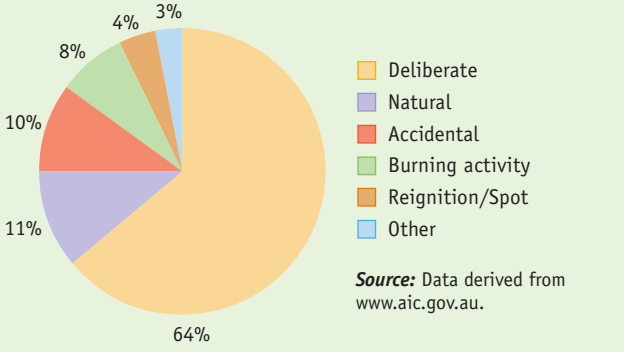
Studies show that people involved in their communities, especially in volunteer work, are happier than those who are not. Apart from the obvious benefit to the community, people who contribute their time or expertise feel a sense of belonging and purpose.

Casestudy

NSW Rural Fire Service

The first bushfire brigade in NSW was formed at Berrigan, in the southern Riverina, over 100 years ago. The aim was for residents to join together to fight bushfires which regularly devastated the area.

The current NSW Rural Fire Service was formed in 1997. The aim was to unite the community effort to fight bushfires. The Service has grown into the world's largest fire service. It comprises over 2100 volunteer rural fire brigades and has a total membership of just over 70 000 volunteers.



Source: Data derived from www.aic.gov.au.

Causes of bushfire as investigated by NSW Rural Fire Service



The NSW Rural Fire Service depends on volunteers for its existence.

There is also a number of paid staff who manage the day-to-day operations of the Service at headquarters, regional offices and district fire control centres.

Each year, the Service attends over 8000 fires, mainly in the summer months. It also provides volunteers to fight fires in other states as needed.

Before you can join a rural fire service brigade, the brigade will vote to decide whether or not to accept you as a member.

Accessing community services

Community services are services that are largely funded from within the community to provide something that is desirable but not profit making.

The easiest way to access community services is to use the telephone directory or the internet. However, it must be remembered that since many of these services receive little or no government funding, places may be limited and cases can be prioritised on a needs basis.

Contributing to the community

Community services cannot function without assistance from the community. There is a need for individuals to put something back into the community. This ensures that highly desirable services, such as volunteer fire brigades and The Smith Family, are fully staffed and funded. Governments are unable and unwilling to fully fund many of these community services. This means that to survive they must not only provide their services but also be fundraisers.

By involving yourself in a community service, you are not only helping others but you can also meet new people, gain worthwhile experience and increase your own wellbeing and self-esteem.

Ways that individuals can contribute to the community include:

- joining a volunteer organisation — this could be anything from the local cricket club to a bushfire brigade
- making donations to community services groups
- donating blood to the Red Cross — this is safe, easy and could save someone's life
- signing up for organ donations
- placing unwanted clothing in recycling bins such as those provided by St Vincent de Paul and Lifeline
- encouraging friends and family to be community minded
- supporting community fundraising efforts, from simple actions such as buying a raffle ticket or some goods from a stall at a fete, to actively selling the raffle tickets and making goods yourself to be sold at the fundraiser
- passing on your expertise and skills free of charge to community groups.

Lifestyle issues

In today's society, there are increasing pressures placed upon people through work, study and family commitments. In order to avoid stress, it is desirable to maintain a balanced lifestyle of work, leisure (including the need for fitness) and sleep.

Young people moving away from home for the first time can sometimes be overwhelmed by all the demands on their time. Planning and prioritising will help turn chaos into order, and place stress under control. One means of ensuring a balanced lifestyle is to use the following guidelines for time management.

Time management: useful guidelines

1. Plan ahead, being accurate about the day-to-day realities of your work and other responsibilities. Allow for interruptions, delays and occasional disasters.
2. Schedule leisure activities into your plan as this will help balance study, work, leisure and sleep.
3. Set deadlines that are easy to meet and then beat them. This creates a positive impression without causing stress.
4. Break big jobs down into smaller jobs, then do them one at a time. For example, organising a school formal appears to be one big job, but is really made up of many small ones.
5. Maintain a record of your achievements and where you are up to. A diary can be very useful.
6. Delegate jobs where possible and accept that the job will not be done in exactly the same way as you would do it.
7. Learn how to say 'no' if too much pressure is being placed on you, for example:
   - That is not my responsibility.
   - I'm sorry, that is not in my job description.
   - I am unable to do that now due to my other priorities.
8. Make a list of your priorities and follow them.
9. Try to do your most difficult jobs at the time of day when your attention and energy levels are highest — usually in the morning.
10. Always be alert for up-to-date technology, as there is usually an easier way to do something.

Glossary

community services services largely funded from within the community to provide something that is desirable but not profit making

Activities

Understand

1 Define the term 'community services'.

2 Refer to the case study on the NSW Rural Fire Service (RFS).
   (a) Where was the first bushfire brigade established?
   (b) When was the NSW RFS formed?
   (c) How many volunteers are in the NSW RFS?
   (d) What do you think the benefits would be of having all members vote before someone can become a member?
   (e) What is the main cause of bushfires in NSW?

3 List three ways that community service organisations try to raise money.

4 List four ways in which you could contribute to the community.

5 Name four strategies that can lead to better time management.

Think

6 Create a plan for the rest of your week. Keep in mind the strategies for time management.

Investigate

7 Using the telephone book and the internet, prepare a directory in Microsoft Excel of the community services available in your area. In your directory, include the name of each organisation, as well as their address, contact details and a brief description of what they do.

Chapter 10

OPTION

Political involvement



Have you ever attended a rally as a member of a pressure group in protest about a social issue? Perhaps you have signed a petition organised by the school's Students Representative Council (SRC) in an effort to change something. If so, you have been involved in politics.

As Australian citizens, we have specific rights and responsibilities. One of the basic rights of living in a democracy is that we can choose the type of government we would like. It is our responsibility, therefore, to understand how we are governed and to become involved in the political process. This means you need to practise your skills in analysing information about particular issues, communicating, and organising effective and lawfully acceptable action. This is what active citizenship is all about.

Focus

On completion of this chapter, you will have developed an understanding of how political processes operate at various levels, and how you can be involved in the process to achieve desired outcomes.

Glossary

absolute majority half the number of formal votes received in an election plus one

action plan the detailed actions to be undertaken in order to achieve an objective

balance of power the power an individual or party has by holding the casting vote

ballot paper a piece of paper on which a voter records her or his vote

Cabinet the group of select government ministers that meets regularly to decide major issues of government

coalition a government that becomes possible because two or more parties agree to work together, and hence gain the majority of the votes

constitution a document which sets out how an organisation or a country will be governed

constitutional monarchy a type of government that is based on a constitution and has a queen or king as its head of state

democracy a system of government where political power lies with the people

Federal Parliament the House of Representatives and the Senate

federation when separate countries or states agree to join together as one

formal vote a vote that has been correctly marked on a ballot paper in accordance with the rules

House of Representatives the lower house of Federal Parliament, sometimes called the people's house

independent a candidate or member of parliament who is not a member of a political party

lobby to attempt to enlist popular and political support for some particular cause

minority government a government without a voting majority, which relies for its survival on the support of other parties or independents

portfolio an area of government responsibility, such as health or defence

preferences order in which voters list candidates at an election, after they have made their first choice

preferential system a counting system that is designed to allow the majority of Australians to have their say in an election by stating the order in which they prefer candidates

proportional representation when each senator must win a set proportion of votes, or quota, to win a Senate seat

quota the number of votes that a Senate candidate must get to win a Senate seat

referendum a vote by electors on a proposed change to the Australian Constitution

Senate the upper house of the Federal Parliament, sometimes called the State's House

triple bottom line the economic, social and environmental performance of a business

10.1

Structure of government (1)

Federal, state and local

On 1 January 1901, the Commonwealth of Australia was formed. Before this, Australia consisted of six colonies, under the control of the British monarch. Each had its own form of government and set of laws. The colonies — now called states — agreed to join together to become one nation in a process called **federation**. The British monarch (queen or king) was still the head of state, but Australia became an independent country governed by a **constitutional monarchy** with three levels of government — federal (or central), state and local.

Australia's three levels of government each:

- have their own power to make decisions
- have their own separate responsibilities
- are elected by the people.

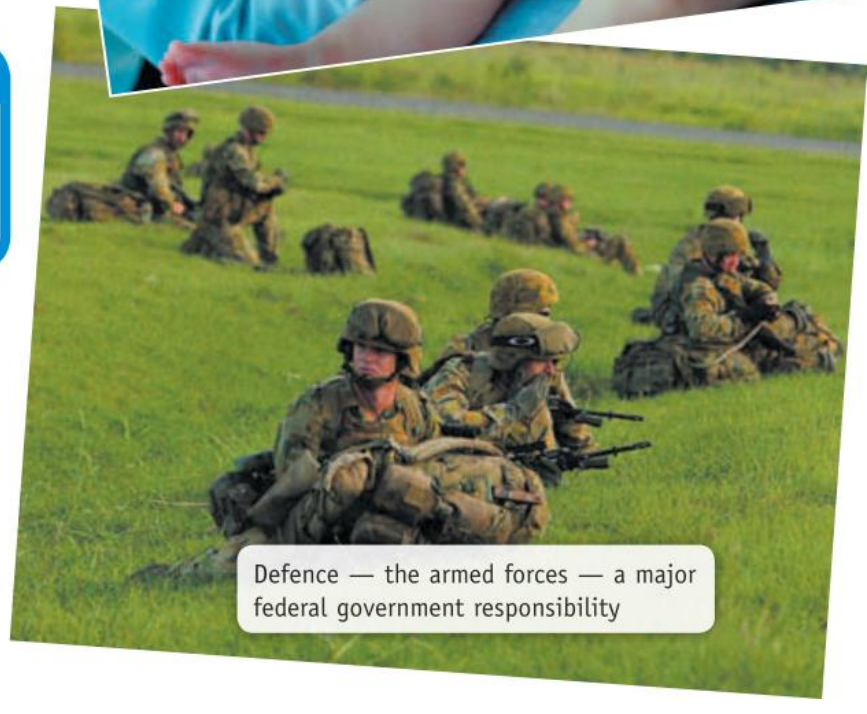
Australia's **constitution**, which took effect upon Federation, sets out the rules and principles for governing Australia. It outlines the powers of the **Federal Parliament**, and some powers of state parliaments. (States also have their own constitutions.) In 1919, the New South Wales government passed the *Local Government Act*. This contains all the rules that local governments must follow.



Parks and sports ovals — a major local government responsibility



Health — a major state government responsibility



Defence — the armed forces — a major federal government responsibility

Comfact

To change the Constitution, a **referendum** must be held. Proposed changes are accepted only if supported by a majority of voters in a majority of states (that is, at least four states).

Levels of government responsibility

Governments make important decisions such as which groups in society will receive money or other types of support. They also provide for our collective wants. While each level of government specialises in its area of control, there is some degree of overlap. This is necessary to meet the needs of all Australian citizens.



The three levels of government in Australia

Federal government

- There are two houses of Federal Parliament — an upper house (the **Senate**) and a lower house (the **House of Representatives**).
- The Prime Minister is the head of government.
- Ministers are appointed to look after particular government **portfolios**.
- The **Cabinet**, which includes the Prime Minister and senior ministers, makes the key government decisions.
- The Governor-General represents the British monarch as head of state.
- Controls those things which affect us all.
- Obtains most of its income from taxation.

Responsibilities include:
• Taxation • Education • Foreign Affairs • Defence • Health • Social Security • Trade • Immigration • Aboriginal welfare

Local government

- There are about 900 government bodies in Australia (usually called councils).
- The head of the council is called a mayor.
- Operates under state government legislation.
- Makes rules, called by-laws, on local issues.
- Is responsible for the needs of the citizens in a city or town.
- Obtains most of its income from land rates.

Responsibilities include:
• Town planning • Rubbish collection • Swimming pools • Parks • Sewerage • Streets and bridges • Libraries

State government



- NSW has its own parliament consisting of two houses — an upper house (the Legislative Council) and a lower house (the Legislative Assembly).
- Controls those things which affect citizens within their individual state.
- The process of government is similar to that of the federal government.
- The head of the government is the Premier.
- The head of state is the Governor.
- Obtains most of its income from federal government grants, and property and payroll taxes.

Responsibilities include:
• Health • Education • Law and order • Roads and railways • Housing • Environment protection • Aboriginal welfare

Glossary

Cabinet the group of select government ministers that meets regularly to decide major issues of government

constitution a document which sets out how an organisation or a country will be governed

constitutional monarchy a type of government that is based on a constitution and has a queen or king as its head of state

Federal Parliament the House of Representatives and the Senate

federation when separate countries or states agree to join together as one

House of Representatives the lower house of Federal Parliament, sometimes called the people's house

portfolio an area of government responsibility, such as health or defence

referendum a vote by electors on a proposed change to the Australian Constitution

Senate the upper house of the Federal Parliament, sometimes called the State's House

Activities

Understand

1 What happened in Australia at Federation?
2 Name the three levels of government in Australia.
3 What is the purpose of a referendum? Under what conditions will a referendum be accepted?
4 Explain why Australia is a constitutional monarchy.

Think

5 Which level of government is involved in the following situations?
   (a) You travel to school by rail.
   (b) Your car is stolen so you use your mobile to phone the police.
   (c) You write a letter thanking the staff for repairing the swings in the park.
   (d) You email your income tax return to your accountant.
   (e) You need a passport to travel overseas.
6 Explain why we have three levels of government.
7 Why do you think the federal government is responsible for defence and immigration?

Communicate

8 Look at the areas of responsibility of each level of government shown above.
   Decide one thing you would like your political representatives (at each of the three levels) to do to improve the way Australia is governed. Compose three emails, one to each representative, setting out your request and explaining why you think it is important.

eBookplus **Worksheet 10.1** Create a mini-booklet for primary schoolchildren about the Senate and the House of Representatives.

10.2

Structure of government (2)

Democracy at work

Imagine a group of eleven friends where four members want to see a movie, two prefer to go ice-skating and five want to go to a restaurant. To solve this dilemma, the group will probably discuss the benefits of the three activities in an attempt to influence each other's decision. At the conclusion of the discussion, a vote will be taken and whatever activity the majority vote for will be the one the group agrees to. This group has undertaken a process called *democratic decision-making*, which is similar to how the Australian system of government operates.



A majority vote will determine what activity the group undertakes.

The origins of democracy

The main feature of a **democracy** is that all people have equal rights and privileges. It also means that, in the end, power rests with the people. If people do not like what the government of the day is doing, they can vote to remove it.

The democratic system of government originated in ancient Greece during the fifth century BC. It is based on the two Greek words *demos*, meaning people, and *kratia*, meaning power or rule. Democracy in ancient Greece was called direct democracy because citizens would hold public mass meetings to discuss issues that affected them all. The citizens (adult males born in Athens to free parents) then voted and the idea that gained the majority of votes would win.

Australia's representative democracy

Representative democracy was designed to give all citizens a say in the decisions that would affect the majority of people. Therefore, when Australians talk about their democratic rights they mean that citizens are given power to decide who will represent their views through electing members of parliament. In a representative democracy the citizens have the ultimate power because they elect representatives to act on their behalf.

Australia's political system

Our political system is based on the Westminster system used in Britain. The basic principles of our political system are that:

- the head of state and the head of the government must be two different people (for example, the Queen and the Prime Minister)
- there are two houses of parliament (bicameral) — a lower house and an upper house
- there are three different sections of government — the parliament (legislature) to make the laws, the executive to administer the laws and carry out the business of government, and the judiciary (courts) to enforce the law
- these three sections of government must be kept separate (a principle called the 'separation of powers').



Everyone must vote in state and federal elections, including these lifesavers from Bondi Surf Club.

Different types of government

A democracy is only one type of government. Others include:

1. *Communism*. This system of government is based on the theories of Karl Marx and Friedrich Engels. In this system there is no private ownership. Everything, apart from some personal items, is owned by the government (state) which supplies all the needs and wants of the citizens. Since the early 1990s, former communist countries in the USSR and eastern Europe have dramatically changed. China is also transforming its communist system of government.



Karl Marx (1818–1883). His thoughts have shaped the governments of many countries.

2. *Monarchy*. A true monarchy is a system of government where the monarch (such as a king or queen) has total supreme power, such as in Oman and Kuwait. A constitutional monarchy occurs where the powers of the monarch have been limited by a series of laws. A republic is a democratic form of government that has a president.
3. *Autocracy*. Autocracy is opposite in meaning to democracy and occurs when one person or group, often an authoritarian military dictatorship, holds all the power. These are oppressive and secretive regimes, such as in Burma (formerly Myanmar) for many years.



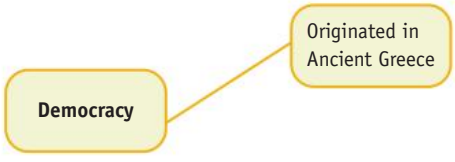
In 1990, the Burmese military regime overturned an election result that saw about 80 per cent of votes go to the opposition party led by the charismatic Aung San Suu Kyi. She was held under house arrest for 15 years until mid-2012 when some democratic reforms were introduced.

4. *Anarchy*. Anarchy occurs when the system of government has broken down and there are no laws or the laws are no longer being enforced. During a civil war a state of anarchy usually exists, such as recently in Syria.
5. *Socialism*. In this system of government the ownership of all the main economic resources are in the hands of the community. Socialist governments have a high priority for social welfare, and equality of income and wealth.
6. *Fascism*. Adolf Hitler adopted this approach. Fascism is based on strong centralised power permitting no opposition or criticism. The political party in power controls all the affairs of the nation and emphasises aggressive nationalism and anticommunist ideas.

Activities

Understand

1 Add extra elements to the mind map started below to summarise the main features of a democracy.



2 Explain the difference between the parliament, the executive and the judiciary. Suggest why it might be important in a democracy to keep these functions separate.

3 What is the difference between 'democracy' and 'autocracy'?

4 The following jumbled words are four different types of government. Unscramble each and then write a sentence that explains the main characteristics of this form of government.

(a) MSSAIOLCI (b) MOUMNIMSC
(c) HCMRONAY (d) AACYRNH

Think

5 Explain the meaning of the following statements:

(a) 'Democracy operates best when the people have the ultimate power'
(b) 'Power without control is the enemy of freedom'.

Communicate

6 In small groups, discuss what you think are the most important features of Australia's political system. Present your group's ideas to the class.

Investigate

7 In pairs, research a country that is presently attempting to introduce a more democratic process of government.

(a) What difficulties are being experienced in attempting to introduce the democratic process?
(b) Outline any forms of assistance being given by other democratic countries or the United Nations.

Glossary

democracy a system of government where political power lies with the people

10.3

Political action

Issues that concern the community

Being a politically active citizen means being informed about social, political and economic issues and being actively involved in the political process. A politically active citizen will be aware of what is happening on the wider stage as well as in the local community.

There is a wide range of issues that concern people. For example, you might want stricter laws dealing with environmental protection. Other people may want more money to be spent on schools or the local library, while others are concerned about human rights issues in Australia and overseas. Everyone has their own interests and causes which they regard as important.

How to take action on political issues — active citizenship

'It's no use complaining. No-one ever listens.' 'What's the use of writing? Politicians never answer letters.' 'Voting is a waste of time. No matter who you vote for, a politician always gets elected.' 'Signing a petition is futile. It will not make any difference.' Have you ever heard these comments? Unfortunately, many people are apathetic and use these excuses for not becoming involved in political issues. However, the actions of individuals can make a difference.

In a democratic country like Australia, everyone has the right to influence government decisions. Even though you cannot vote until you are 18, there are other ways of being politically active.

Comfact

Which is more powerful, drops of water or a piece of granite? Ultimately, the water droplets are because they will wear away the granite. This analogy can be applied to political actions. A single letter or email to a politician may not make any difference. However, lots of letters or emails will eventually have an impact.



Some major issues that concern community members

Keeping informed

One of the best things you can do as an active citizen is to make sure you are aware of what is going on. This means reading newspapers, watching and listening to the news and current affairs programs on television and radio, reading politically related blogs and taking an interest in your community.

If you are unhappy with something, you can make your concerns known. You can write letters or emails to newspapers or to politicians or make submissions to government bodies. You might choose to **lobby** particular politicians; that is, meet with them and try to influence them. You can organise or become involved in public protest meetings or demonstrations. You can also add your name and address to a petition indicating support (or otherwise) for some government action. You can use the media, especially talkback radio, letters to the editor, blogs and social media as a way of publicising a cause. You might even decide to join a political party and try to get your ideas accepted as party policy.



Lobby groups often hold rallies to publicise their causes.

Cyber activism

Politically active citizens and advocacy group have begun using social media such as Facebook, Twitter and YouTube to reach, organise and mobilise their supporters to influence government decisions. For example GetUp!, an independent, grass-roots community advocacy organisation which gives everyday Australians opportunities to get involved in social and political issues, has approximately 590 000 online members. GetUp! uses social media to organise members, publicise its campaigns and lobby politicians.

GetUp! Action for Australia

GetUp! is an independent movement to build a progressive Australia and bring participation back into our democracy.

Youth advisory councils

One way of becoming an active citizen at the grassroots level is to join your local youth advisory council (YAC). Set up by local councils, YACs consist of student representatives, aged between 12 and 17, from secondary schools in the local council areas. The main function of YACs is to provide a special forum where young people can discuss a wide variety of views and ideas concerning local youth issues and projects. They offer advice and information to their local council in order to help the community and council understand and support the needs of young people.

YAC: an outstanding example of how young people can demonstrate citizenship at work.



Activities

Understand

1 What is a politically active citizen?
2 Explain why Youth Advisory Councils are such a good example of politically active citizenship.

Think

3 Imagine that you are a member of the youth advisory council in your local area. With two or three others, decide what you could do with $20 000 in a way that would best help young people. Decide how much you will spend on each activity and what your priorities are. You may wish to prepare this as a PowerPoint presentation.
4 What arguments would you use to convince someone who is apathetic about becoming an active citizen?
5 (a) How is a school's Student Representative Council an example of a lobby group?
(b) Write down three things you could do to be a more 'active citizen' within your school community. Explain why these would help your school to be a better place.

Communicate

6 In small groups, use the following headings to briefly outline the methods of political action that can be taken to achieve a desired outcome.
- Individual action
- Political parties
- Lobby groups
- Media
- Social media

Which method do you think is the most effective? Why?
7 Write and perform a radio advertisement, aimed at high school students, which explains why it is important to be an active citizen.

Investigate

8 In small groups, select a current issue that concerns the community. Research and report on the methods of political action taken by individuals and/or groups involved with the issue.

eBookplus **Worksheet 10.2** Investigate the use of sweatshops in the textile industry and the approach by lobby group FairWear.

Glossary

lobby to attempt to enlist popular and political support for some particular cause

10.4

Decision making (1)

Organisations which make decisions that affect the community

Decisions made by government departments/ organisations, businesses, welfare organisations and the media can have positive or negative consequences for members of the community. For example, imagine if your local council decided to change the zoning regulations to allow an office block to be built on what was once a park. This decision would have an impact on many people.

Government decisions

Governments at all levels are required to make numerous decisions, all of which have some effect on the community. For example, consider the impact if:

- Sydney Water introduced water restrictions
- the state government closed a school
- the Reserve Bank of Australia decreased interest rates to control unemployment
- a local council opened a childcare centre.

Governments sometimes make decisions that will be welcomed by some people and disliked by others. For example, the state government may decide, in an attempt to reduce the number of road accidents, to lower the maximum legal blood alcohol concentration for most drivers from .05 to .02. Such a proposal will have its supporters and its opponents. To allow all interested parties an opportunity to express their opinion, the government will consult widely. Eventually, the government has to weigh up all the arguments for and against before making the final decision.

Comfact

It is very difficult for a government to please all the people, all the time. Consequently, before a government decides on a course of action, it can:

- establish a committee to investigate all the options and make recommendations
- conduct parliamentary enquiries to examine a range of choices
- organise public meetings to give community members the opportunity to express their opinions.



The decision to introduce roadside breath testing was taken after much community consultation.

Casestudy

Headspace gets government funding

The federal government recently announced an extra $197 million for 30 new *headspace* centres to operate across Australia. *Headspace* centres offer free or low-cost health advice, support and information for young people aged 12 to 25. At the centres, a young person can receive help with mental health, physical health, education, work and drug and alcohol concerns.

Minister for Mental Health and Ageing Mark Butler said these new centres will give an additional 20 000 young Australians each year the opportunity to get the help they need to lead healthy and successful lives.



New government-funded headspace *centres will help improve the lives of young people.*

Business decisions

The interests of society rely heavily on the many decisions taken by businesses. Decisions concerning production methods, workplace practices and employment programs all have an impact on both present and future generations.

Businesses have a social responsibility to the local community to be good corporate citizens. Society expects businesses to give back to the community something of what they take out in generating profits.

Therefore, socially responsible businesses will participate in a range of community projects and activities. For example, Wesfarmers Limited provides financial support to the Royal Flying Doctor Service.

Many businesses are now starting to refer to the **triple bottom line** — economic, social and environmental impacts — when analysing the effects of their decisions.



Examples of business decisions

Glossary

triple bottom line the economic, social and environmental performance of a business

Activities

Understand

1 Why are local government decisions often more noticeable?
2 What three steps can a government take before it decides on a course of action?
3 Read the case study on page 250.
   (a) Which level of government was involved in the decision to create the new *headspace* centres?
   (b) Identify which groups in the community will be affected by this decision.
4 What does the 'triple bottom line' measure?

Think

5 Why do you think it is difficult for a government to please all of the people all of the time?
6 Determine the possible triple bottom line impact of a change in zoning regulations to allow a shopping complex to be built on what was once a nature reserve. Share your answer with the rest of the class.

Communicate

7 In small groups, determine the possible impact on the community of the following situations. A business decides to:
   (a) use an environmentally friendly power source
   (b) relocate production to another country (offshore)
   (c) implement safer workplace practices.
   Select a spokesperson to present your group's ideas to the rest of the class.
8 Set up a class debate to consider the following topic:

   'Forget the triple bottom line. A business's one and only responsibility is to survive by making a legal profit'.

   Share roles so that those not debating are involved either in assisting with research, or in running the debate and keeping notes on the arguments on both sides.

eBookplus **Worksheet 10.3** Follow through, step-by-step, the process of how new laws are made or old laws changed.

10.5

Decision making (2)

Welfare organisation decisions

Throughout Australia there is a large number of welfare organisations that represent the interests of certain groups. The two most common types of welfare organisations are:

1. *Community service clubs.* Non-profit clubs play an important role in the community by providing hobby and recreational activities; for example, Scouts, Guides, Rotary, Apex and local swimming and athletics clubs. There are also registered clubs, such as the Returned and Services League (RSL), sports and workers clubs, which have expanded to become large organisations generating millions of dollars in revenue, mainly from poker machines. These also provide some welfare services, such as subsidised transport, team sponsorship and counselling for members and their local community.
2. *Charities.* You are probably aware of the Salvation Army, The Smith Family and St Vincent De Paul Society. Charities such as these are formed to help people who are experiencing difficulty with life — sickness, disability, poverty or unemployment. Charitable organisations are often associated with churches, hospitals and other institutions whose aim is to help people.

Many welfare organisations operate on voluntary labour. People donate their time and energy to help other people within the community. For example, Meals on Wheels, which provides meals to housebound individuals, can function only because of the efforts of volunteers. Consequently, an individual's decision to become involved in a community welfare organisation will ultimately have a much wider impact on the lives of many people.

Welfare organisations play a crucial role in our community and their actions and decisions affect the lives of many people.

Media decisions

The media include newspapers, television, radio and the internet. These organisations have an enormous responsibility to keep the public informed. Not only should the information they provide be accurate, but it should not be biased, particularly towards any political party.



Salvo workers offering support

In practice, this rarely happens, especially at election time, with some parties receiving much more favourable coverage than others. This limits society's knowledge.

The media can become part of the political process rather than just an intermediary reporting the facts. They can influence public discussion and opinion by promoting certain issues while discouraging others by ignoring them. Some critics of the Australian media go even further and accuse media owners, such as Rupert Murdoch, of using their power to influence political decisions.



News Limited, which is partly owned by Rupert Murdoch, controls 70 per cent of Australia's newspapers.

Occasionally, the media — for example, some tabloid newspapers and talkback radio — can present false or misleading images of certain issues or groups. The decisions made by the network directors and producers will have an effect on all those who read or listen to the material.

Case*study*

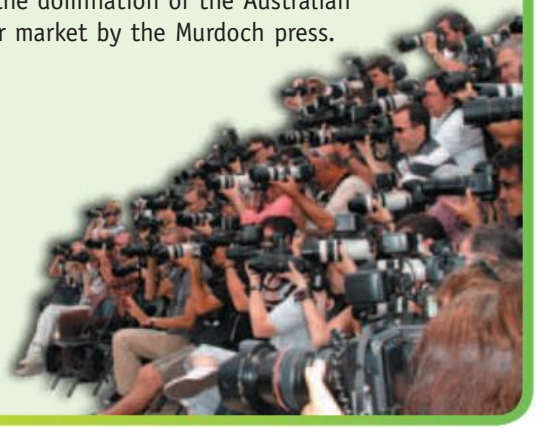
Media inquiry — right to privacy

In 2011, accusations were made of widespread illegal phone hacking and invasion of privacy by journalists and editors at Rupert Murdoch's News Group newspapers. Consequently, the British government set up an inquiry to examine the practices and ethics of the British press. The initial stages of the inquiry found journalists had:

- hacked the mobile phone voicemails of politicians, celebrities and even crime victims
- allegedly bribed public officials in their search for scoops.

Senior journalists and editors were subsequently arrested and exposed News Corporation to tens of millions of dollars in fines.

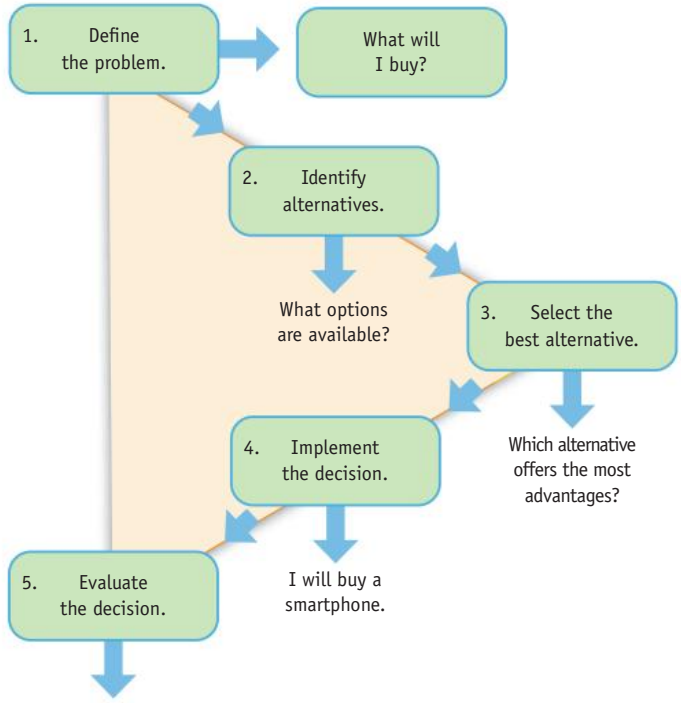
In Australia an enquiry was held to examine media bias and the domination of the Australian newspaper market by the Murdoch press.



Do they always act in 'the public interest'?

Processes involved in decision making

Regardless of whether you are a consumer deciding which mobile phone to buy or the Prime Minister deciding which policy to fund, there are a number of key steps involved in making effective decisions.



The steps involved in the decision-making process

Activities

Understand

1 What is the main role of (a) non-profit and registered clubs and (b) charities?

2 Copy the passage below and fill in the missing words using the information in the 'Media' section.
The media include _____, _____, _____ stations and the _____. Not only should the _____ they provide be _____, but it should not be _____, particularly towards any _____ party. However, this has rarely been the case, as is evident at _____ time when some _____ receive much more favourable coverage than others.

3 How do the media influence public opinion?

Think

4 Read the case study above and answer these questions.
(a) How much does personal privacy matter to you?
(b) Where do you think the line should be drawn on press coverage of (i) people suffering personal tragedy and (ii) celebrities?

5 Why would it be difficult to be an effective citizen without the mass media?

6 Apart from the internet, most Australian media are considered to be conservative. If this is true, do you think that it is a good or a bad thing?

7 As a class, explain how the following situation might be resolved using the five-step decision-making process.
A small group of students would like school to commence at 7.30 am. While there are advantages for some students, others will find it difficult.

Investigate

8 Provide three examples from your local community of the important role played by welfare organisations.

eBookplus

9 Use **The Salvation Army** weblink in your eBookPLUS and list ten services The Salvation Army provides.

Worksheet 10.4 Discover the people and services behind the NSW Parliament and the Australian local government.

10.6

Participation in the democratic process

The right to vote

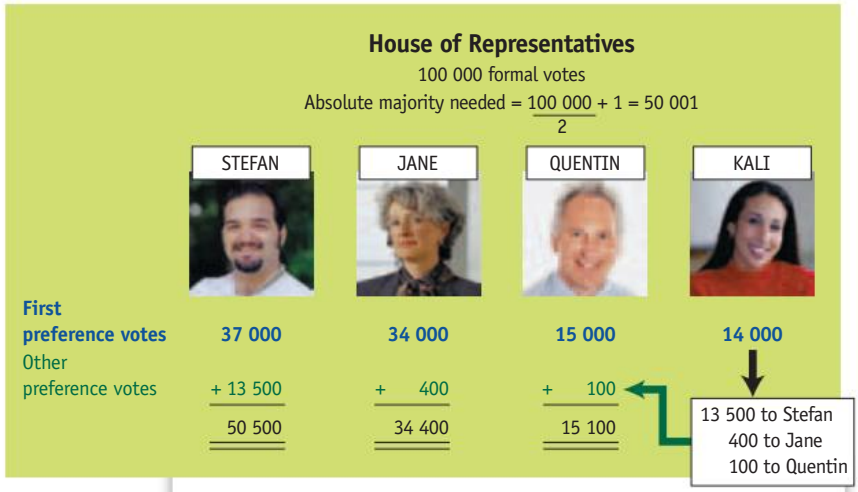
You must enrol to vote if:

- you are 18 years of age or older
- you are an Australian citizen
- you have lived at your present address for at least the last month.

Methods of voting

First past the post

This is the simplest form of voting. People vote for the person they wish to elect by placing the number 1 next to that person's name on their **ballot paper**. The person with the most votes wins. It is a very simple system of voting. However, it can result in a winner who is supported by a minority of the population.

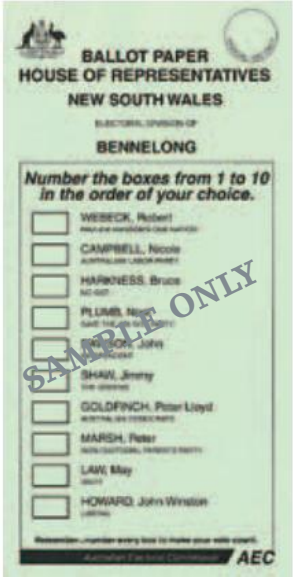


Preferential voting system for the House of Representatives

Note that no candidate has an absolute majority.

Kali has the fewest first-preference votes. Her votes are given to other candidates in the order in which voters stated their second preferences. Stefan benefits most. This gives him an absolute majority.

If there was no clear winner after Kali's votes were distributed, Quentin's votes would be distributed in the same way — and so on until there was a winner.



Ballot paper for a House of Representatives seat

Preferential

In Australia, we have a **preferential system** of voting. This means that voters decide not only the candidate they want the most, but also the order in which they prefer the other candidates (in case their favourite does not win).

House of Representatives

When you vote in a House of Representatives election, you are given a green ballot paper. You must place a number in the box beside each candidate's name. Write the number 1 beside the candidate you most prefer. (This is your first-preference vote.) Write the number 9 (if there are nine candidates) beside the candidate you least prefer. For your vote to be formal, you must place a number, in your preference order, in every box.

To win, a candidate must get an **absolute majority** — half the number of **formal votes**, plus one. Some candidates are lucky; they get this with first-preference votes. When no candidate has an absolute majority of first-preference votes, voter **preferences** are counted.

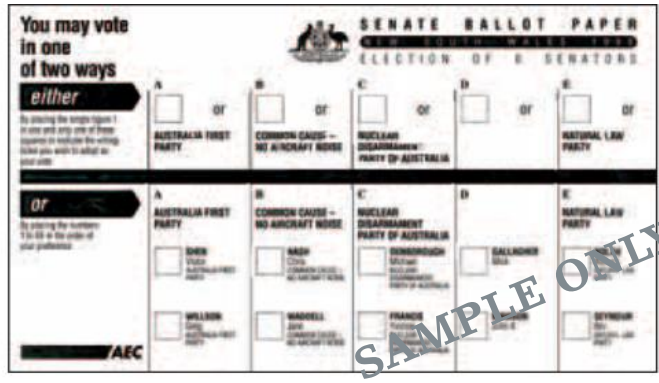
Proportional representation/ optional preferential

When you vote for a senator, you will be given a white ballot paper. You can vote in two ways:

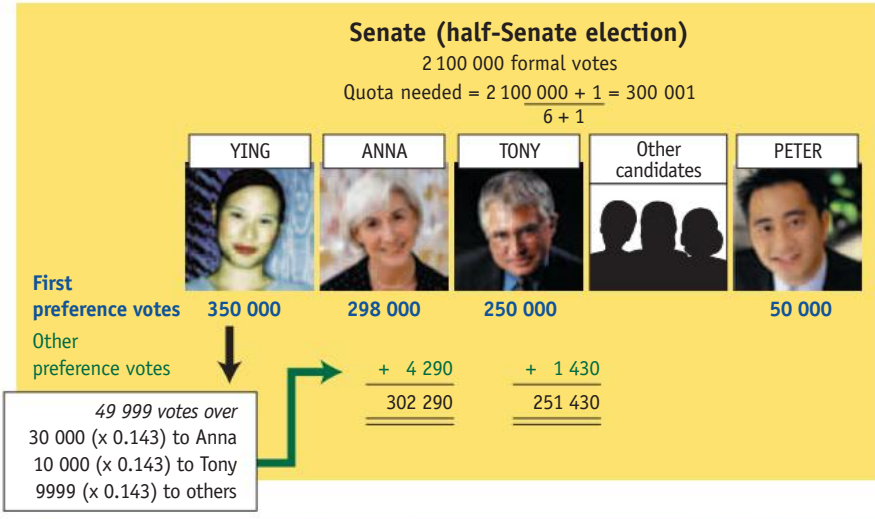
- In the top part of the paper, place the number 1 in the box beside the party of your choice. This means any distribution of preferences will follow that party's instructions.
- Or, in the bottom section of the paper, place a number beside *every* name on the form, with the number 1 being your first preference, 2 being your second preference, and so on.

To win a seat, senators have to win a set proportion, or **quota**, of the votes. This is why the Senate voting system is called optional preferential proportional representation, often referred to as simply **proportional representation**.

This is how the quota is worked out for a Senate election. Suppose there are 12 candidates from which six are to be elected, and there will be 700 000 votes cast. First, the total number of votes (700 000) is divided by one more than the number of candidates to be elected. So we divide 700 000 by 7, getting 100 000. Second, add one to the answer: the quota is 100 001.



Part of a Senate ballot paper for NSW



Proportional voting system for the Senate

Ying gets a quota on first-preference votes. She gives any extra votes she gets to other candidates in the order in which voters stated their second preferences. But, these votes are given at less than their full value. This proportional value is worked out by multiplying them by a decimal called a transfer value. The transfer value for Ying is the number of her surplus votes (49 999) divided by the number of her first preference votes (350 000) — that is, it is 0.143.

Anna now has a quota and 2289 surplus votes. These are passed on in a similar way to Ying's votes, but at a transfer value of 0.008 (2289 divided by 298 000).

If six senators do not achieve a quota by passing surplus votes on, the candidate with the fewest first preference votes — Peter — is eliminated. His votes are given to those candidates who remain on the basis of preferences. His votes are given at their full value. This process may then be repeated with the next lowest candidate.

Activities

Understand

Conduct a class vote on what could best be done to improve your school. Use the counting method for deciding seats in the House of Representatives. Count the votes, including preferences, to decide who wins. Share responsibilities for this activity among the class. Here's what to do.

(a) First select five people to present their policy. All should be quite different viewpoints. Make the presentations interesting and persuasive.

(b) Prepare enough ballot papers for the whole class, making them like the sample shown for the House of Representatives. Include the names of all speakers. Decide the order of names on the ballot paper by putting speakers' names on pieces of paper, and drawing them, in turn, out of a container.

(c) Listen as a class to each presentation. Decide how you will vote, ensuring your vote is formal. Make sure you vote in secret. Place ballot papers in a collection box.

(d) Nominate class members to conduct the counting and be scrutineers. Decide, first, what is the absolute majority a candidate must achieve. Place papers in piles according to first-preference votes; that is, candidates marked with number 1.

(e) Did anyone get an absolute majority? If not, start distributing preferences. Use the information in this spread to help you to do this.

Glossary

absolute majority half the number of formal votes received in an election plus one

ballot paper a piece of paper on which a voter records her or his vote

formal vote a vote that has been correctly marked on a ballot paper in accordance with the rules

preferences order in which voters list candidates at an election, after they have made their first choice

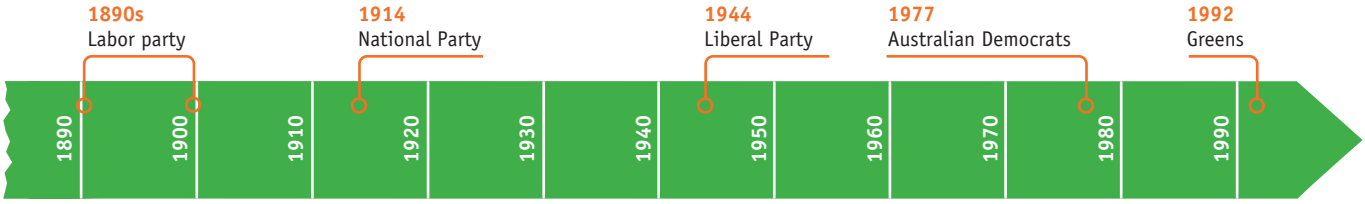
preferential system a counting system that is designed to allow the majority of Australians to have their say in an election by stating the order in which they prefer candidates

proportional representation when each senator must win a set proportion of votes, or quota, to win a Senate seat

quota the number of votes that a Senate candidate must get to win a Senate seat

10.7

Role and function of political parties



Timeline showing formation of Australian political parties

Political parties are groups of people who band together because they share the same views about issues they think are important. Their main aim is to get candidates elected to Parliament so as to influence the decisions of government.

All political parties must be registered with the Australian Electoral Commission. There are two requirements for this registration. First, the aims of the party must be submitted. Second, the party must have at least 500 eligible voters, unless the party already has a member in parliament.

Not all candidates belong to a political party. Some may be independents.

Australian Labor Party

The Australian Labor Party (ALP), the oldest political party in Australia, was formed in the 1890s. Unemployment was then high and living conditions were harsh, so workers banded together. They wanted to try to change things by having a say in government. This background has meant that trade unions have always had strong links with the Labor Party.

Political parties in Australia range from traditional organisations to special interest groups.



The ALP's policies promote social justice, compassion and a fair go for all. Its main aims are to:

- ensure wealth and power are more evenly and fairly shared in society
- provide jobs for everyone who wants to work
- abolish poverty and improve the living standards of all Australians
- ensure that all Australians can obtain the education, housing and community services they need.

In the 2010 election, Labor was able to form only a **minority government** with the support of the Greens and some of the independents. This was the closest election in Australia's post-war history.

The Liberal Party of Australia

The Liberal Party of Australia was founded by Robert Menzies in 1944. In **coalition** with the National Party of Australia, the Liberal Party has governed Australia for 46 of the last 65 years.

Liberal policies are based on the absolute rights and freedom of all people. The party believes in incentive, individual freedom and free enterprise. Its main aims are to:

- a lean government that minimises interference in daily life and minimises taxes
- a government that encourages private businesses and does not compete with them
- a just and humane society in which the family and the role of law and justice are maintained.

National Party of Australia

The National Party was founded in 1914, originally as the Country Party. It mainly represents people living in rural and regional Australia. The Nationals fight for an equality of services, lifestyle and opportunity between the cities and the regions. Its main aims are to:

- provide strong local community representation
- ensure decent health, safety, social and economic welfare
- promote individual achievement, free choice, a fair go and reward for private enterprise.

Australian Greens

Formed in 1992, the Australian Greens (The Greens) is a progressive, national party founded on four main principles: ecological sustainability, social and economic justice, peace and nonviolence, and grassroots democracy. The Greens presently hold the **balance of power** in the Senate. Its main aims are to:

- protect and preserve the environment
- ensure that everyone in our society is treated fairly and with respect
- create a safe, harmonious world in which force is not used to solve differences
- ensure that society is governed by the people, and not run by the wealthy and powerful.

The independents

Members of parliament who do not belong to a political party are called **independents**. Their position can be very powerful if the government does not have a majority in parliament. It relies on these independents to support the Bills going through the parliament. The government often has to make compromises and deals with these independents to guarantee that government legislation passes.

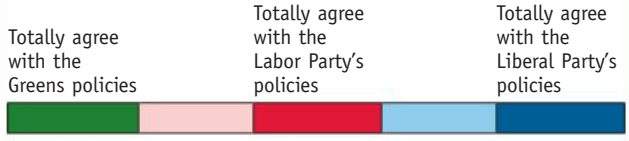
Activities

Understand

1 What is a political party?
2 What is required for a party to be registered with the Australian Electoral Commission?
3 What does 'forming a coalition' mean? Give an example.

Think

4 Why do you think the Liberal Party forms a coalition with the Nationals and not, say, the Labor Party?
5 Why is it unlikely that the Greens will ever win enough seats to form government?
6 Explain why a party or an individual who holds the balance of power is so powerful.
7 Copy the following scale into your notebook. Place a cross where you feel your political beliefs lie with regard to the three main political parties. Write a paragraph outlining your reasons for the location of the cross on the scale.



8 The following table sets out the number of House of Representatives seats that might be won at three elections in the future. Assume the Liberal–National coalition is disbanded in 2022. Assume also that none of the other parties formed coalitions.

Year	Liberal Party	Labor Party	National Party	Other parties
2018	48	66	23	13
2021	32	69	29	20
2024	39	77	20	14

(a) Why did the Labor Party, which won the most seats, not win the 2018 election?
(b) How many seats did the Liberal–National coalition lose in the 2021 election?
(c) Who won the 2024 election? Why?

Communicate

9 In small groups, discuss what your group's aims would be for Australia if you were a political party. Decide why these are important. Think of a name for your party and a logo.

Glossary

balance of power the power an individual or party has by holding the casting vote

coalition a government that becomes possible because two or more parties agree to work together and hence gain the majority of votes

independent a candidate or member of parliament who is not a member of a political party

minority government a government without a voting majority which relies for its survival on the support of other parties or independents

10.8

Pressure groups and individuals

Role and strategies of pressure groups

A pressure group is formed when people join together over concern for a common issue in an attempt to influence government decisions. The pressure applied to politicians and other decision makers comes from the group's members, as well as from any publicity generated.

There are many types of pressure groups. Some key ones are the Australian Council of Trade Unions (ACTU), Australian Industry Group (AIG), Australian Council of Social Services (ACOSS) and Australian Conservation Foundation (ACF). Their ability to influence government decision making depends on the size of their membership and the strategies they adopt.

Com*fact*

The Country Women's Association of Australia (CWAA) is the nation's largest women's pressure group. It aims to improve the conditions for families, especially those living in rural and remote Australia.

Pressure groups may use a number of strategies (tactics) to publicise their cause and influence government decisions. These include:

- protest marches, demonstrations and rallies
- letter and email-writing campaigns and petitions
- staged media events and publicity campaigns
- meetings with politicians (lobbying)
- making recommendations to the government
- using social media to establish online communities
- standing for election to parliament.

Rights and responsibilities of individuals and groups in the democratic process

A citizen is someone who lives as part of a community. As Australian citizens, we have numerous specific rights and responsibilities. Some rights we tend to take for granted, such as the freedom to choose the type of government we would like. Some responsibilities, like voting, may be seen as 'just things you have to do'. An active citizen not only knows his or her rights and responsibilities — and how important they are — but also looks for opportunities to be involved.

As Australian citizens, we have the right to expect our government to protect us and to help improve the quality of our lives. In a democracy, we also have the right to a number of personal freedoms. As active citizens, we have an obligation to contribute to the community by taking part in the political and legal processes in this country. Active citizens play a vital role in improving the way we are governed.

Your rights

As an Australian citizen, you enjoy a number of basic rights, such as freedom of speech and freedom of religion. You can leave the country whenever you wish (provided you have a passport) and can apply when you are older to work in the armed services, the police force or the public service. You also have the right to trial by jury and to be protected from discrimination.



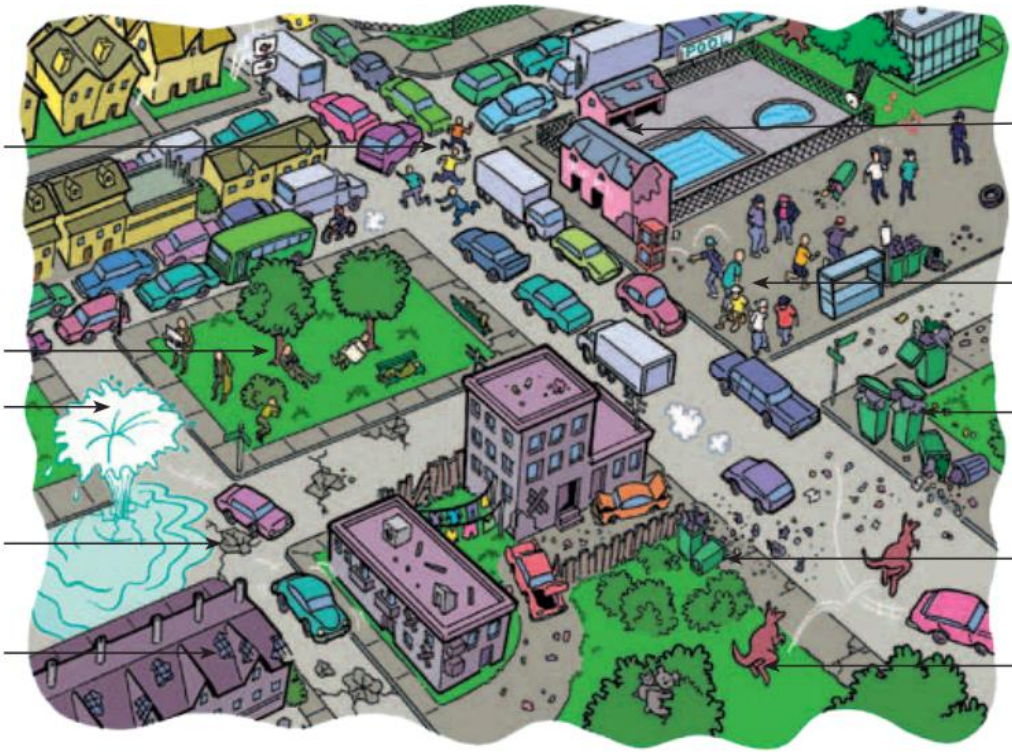
Your rights to decide how you will be governed

Another very important right you possess is the right to decide how you want to be governed. Some of the ways this right is exercised are shown in the diagram on page 258.

Your responsibilities

Two of your responsibilities as an Australian citizen over the age of 18 are to register yourself on the electoral roll, and to vote in federal, state and local elections. An active citizen will always ensure that his or her vote counts — that it is a formal vote, and carefully considered.

You are also obliged to pay your taxes, obey the laws of the land and serve as part of a jury if asked. In times of war, you may be asked to defend your country.



Activities

Understand

1 What is the main purpose of pressure groups?
2 List some of the pressure groups with which you are familiar.
3 List three rights and three responsibilities you have as a citizen.

Think

4 Which strategy used by pressure groups do you think is the most effective? Why?
5 Explain the difference between a *right* and a *responsibility*.
6 Which (i) right and (ii) responsibility do you consider to be the most important? Give reasons for your answers.
7 List the responsibilities you have as a member of your class.

Create

8 Make a collage that illustrates the rights and responsibilities of individuals in the democratic process.
9 Write a story of what it would be like to live in a country where your rights are denied. You may wish to present the story with text and graphics.

Communicate

10 As a class, discuss the topic: 'Young people have too many rights and forget their responsibilities'.
11 In small groups, discuss what you think would happen to a democracy like Australia if its people did not meet their obligations as citizens. Select a spokesperson to present your group's ideas to the rest of the class.
12 Study the illustration above, taking note of the labels. Work in small groups to devise an **action plan** about how best you could show your citizenship in helping to improve the situation. Think about what you can do personally or as a member of a pressure group. Draw up your plan of action, which lists, in detail, the steps your group proposes to take.

Glossary

action plan the detailed actions to be undertaken in order to achieve an objective

Chapter 11

OPTION



Travel

There is a big world out there and many young Australians set off each year to backpack their way around the globe. Whether travel is on a shoestring or five-star budget, there is no substitute for planning your trip and making sure you have all the necessary documentation. Time spent gathering information and resources before you set off will help you deal with any problems that seeing new places and doing new things might bring.

Focus

On completion of this chapter, you will have learned how to plan for travel and how to solve problems that are often encountered when travelling.



Glossary

agent a person or organisation that conducts business on behalf of another

budget a list of income and likely expenditures

code of ethics a set of values and principles

departure tax a tax that must be paid when leaving a country

foreign exchange rate the ratio of one currency to another; it tells how much a unit of one currency is worth in terms of another

itinerary a travel plan

passport an official document granting permission to travel between countries

Vienna Convention international convention that sets standards for people who have been arrested outside their own country

visa a stamp placed in your passport for the country you will be visiting, stating the length of time you are allowed to visit the country

11.1

Travel destinations

Choosing a travel destination

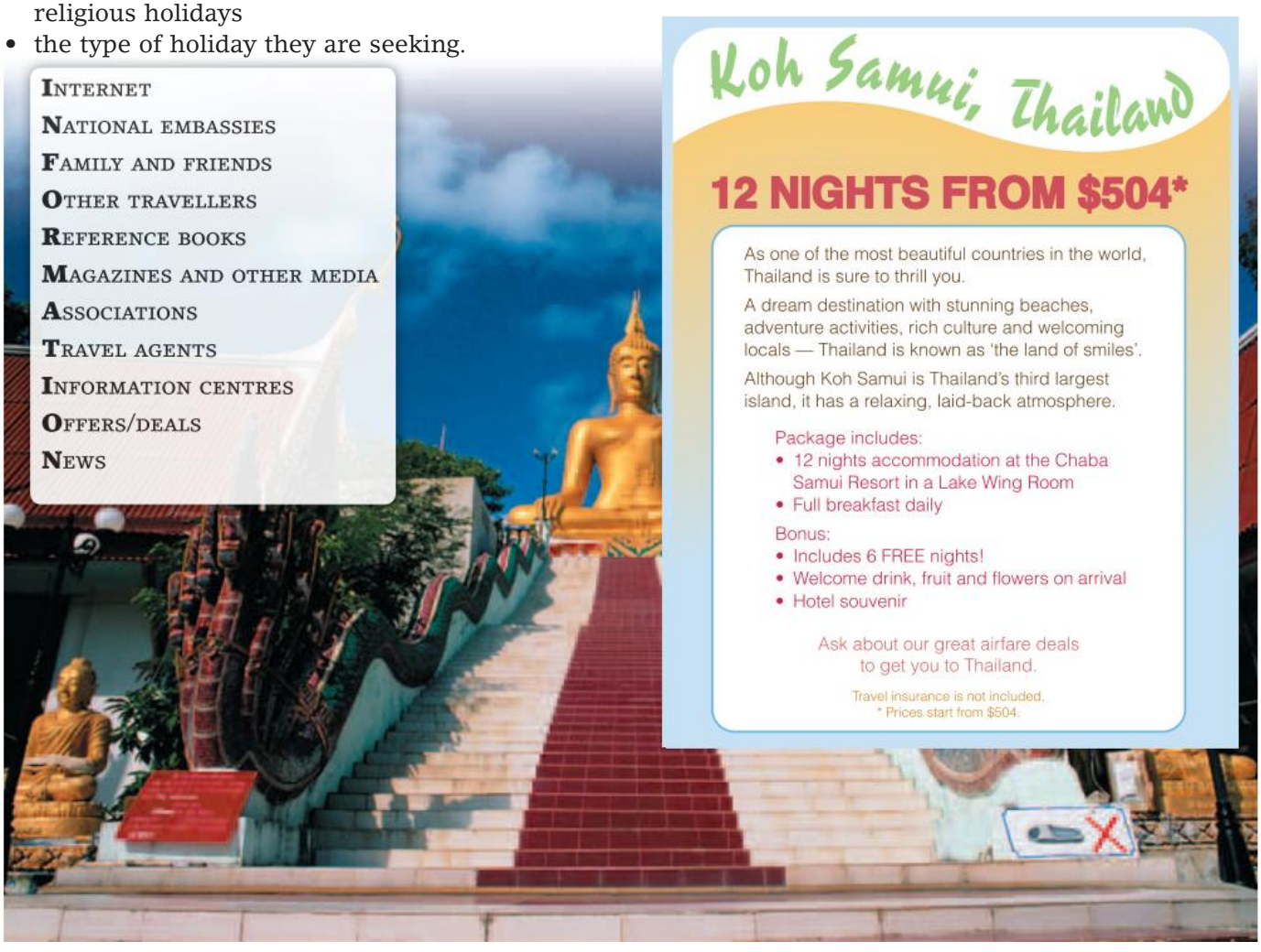
There are many different information sources available to assist travellers in selecting travel destinations. These include pamphlets, brochures, travel guide books (such as the Lonely Planet and Frommer's titles), travel agents, fellow tourists (this is a particularly important resource for backpackers), travel programs on TV and internet sites.

When identifying an appropriate travel destination, people need to take into account factors such as:

- the weather
- their finances
- government travel advice
- special events such as sporting fixtures or religious holidays
- the type of holiday they are seeking.

Comfact

- Travel is a major component of the tourism industry. The World Tourism Organization defines tourism as 'the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes'.
- Tourism in Australia employs more than 536 000 people.
- In Queensland, tourism is the largest employer.
- Tourism is worth approximately $74 billion to the Australian economy.
- International visitors to Australia spend over $22.4 billion.



Sources of travel information

Activities

Understand

1 List three sources of information that are available to assist travellers in selecting their destinations.

2 Name three things travellers need to take into account when identifying appropriate travel destinations.

3 Kim wishes to take a two-week holiday in sunny northern Queensland to escape the rain in her home town. She carefully studies the rainfall data for Cairns, as shown in the table below.

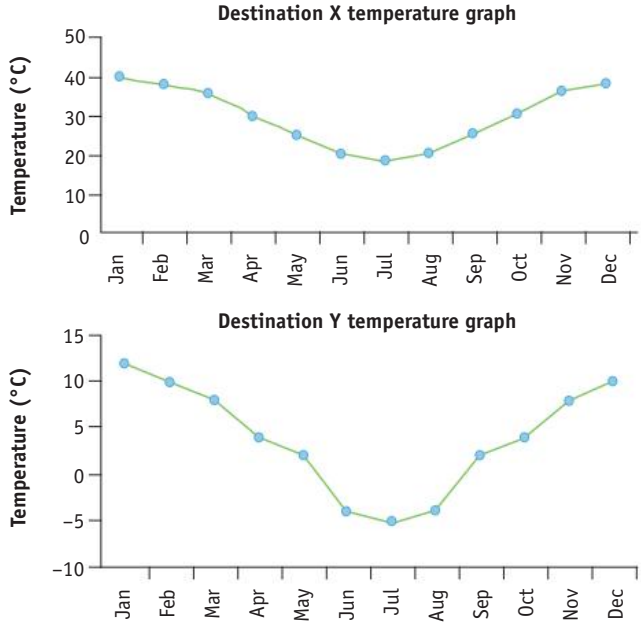
(a) Name the three months in which Kim definitely should not travel.

(b) Which three months would best suit her needs?

Cairns rainfall data (mm)

J	F	M	A	M	J	J	A	S	O	N	D
419	422	460	264	111	73	39	42	44	50	98	203

4 Maria wishes to go on a skiing holiday. She carefully studies the following temperature graphs. Should she select destination X or Y for her holiday? Why?



Average yearly temperatures for destinations X and Y

5 Study the holiday advertisement for Koh Samui opposite.

(a) How much is this holiday? What does this include?

(b) Name two things that are not specifically included in the price.

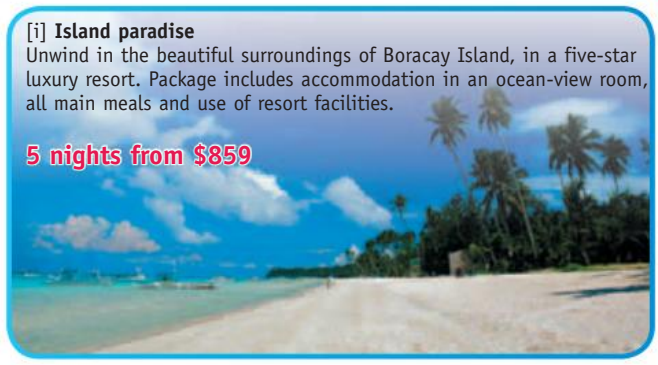
Think

6 The following advertisements show three types of holiday location. Match up each of the following people with their most suitable holiday as shown in the advertisements:

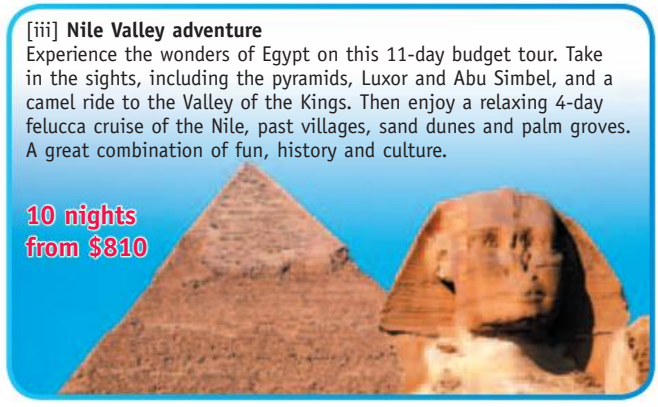
(a) a couple on a honeymoon

(b) a middle-aged couple who wish to experience Asian culture

(c) a 20-year-old university History student who is very physically active.







Communicate

7 Visit a travel agency and collect some brochures. Divide a piece of paper into quarters and, using the travel brochures, create a collage so that each quarter illustrates one of the following types of holidays: adventure, beach, family and touring.

eBookplus

8 Using the **Harvey World Travel** or **Flight Centre** weblinks in your eBookPLUS, find the most suitable holiday for the following:

(a) a family of two adults and two children with a budget of $5000

(b) a wealthy, retired couple with an unlimited budget

(c) a backpacking university student with a limited budget.

Worksheet 11.1 Plan an overseas holiday within a budget.

11.2

Factors influencing the choice of travel destinations

The main factors that affect the choice of tourist destinations are:

- personal preference
- the political situation in the countries that will be visited
- a person's financial circumstances.

Personal preference

Factors such as finances, age, gender, religion, culture and location of family and friends can influence an individual's choice of travel destination. Special events such as sporting competitions or concerts can also be a factor.

Political situation

If travelling overseas, it is a good idea to seek advice from the Department of Foreign Affairs and Trade (DFAT), either by phone or by accessing the website www.smartraveller.gov.au. This organisation issues travel advice on various risks to travellers, including political instability or terrorism threats, in a particular country. The advice is generally based on up-to-date official information from defence organisations such as ASIO (Australian Security Intelligence Organisation) and is much more reliable than any other source that is available to the general public.

Financial factors

An individual's financial situation will affect their choice of travel destination, accommodation standard and the activities in which they participate when on holiday. Many people take out a loan so that they can have an enjoyable holiday and then spend several years repaying that loan. Others simply save for their holiday and thus avoid having to pay large amounts of interest. The downside is that they must wait until they have saved enough money before booking the holiday.

Before beginning your trip, it is an extremely good idea to prepare a **budget**. This budget should show the amounts allowed for accommodation, travel, food and sightseeing. For people travelling overseas, it should also include an amount for safety in case of unforeseen circumstances, such as an airline strike or a fall in the value of the Australian dollar. The table below shows a typical travel budget.

A typical travel budget

Item	Amount
Amount saved for holiday	**$5500**
Accommodation	$1000
Airfares	$2000
Car hire	$400
Food and entertainment	$1000
Spending money	$500
In case of emergency	$500
Travel insurance	$100
Total expenses	**$5500**

Travel advice for Afghanistan

- We strongly advise you not to travel to Afghanistan because of the extremely dangerous security situation and the very high threat of terrorist attack.
- If you are in Afghanistan, you should consider leaving. Australians who decide to remain in Afghanistan should ensure that they have personal security measures in place.

Source: Extract from travel advice found at http://www.smartraveller.gov.au/zw-cgi/view/Advice/Afghanistan

Volunteering meets tourism

'Voluntourism' is a growing area of the international tourist market among 19 to 30 year olds. A voluntourist spends part or all of their time overseas doing community or environmental work. Working as a volunteer can mean spending time in unusual locations such as Ghana, Ethiopia, Brazil and Sri Lanka. In South Australia at Echidna Care Inc., volunteer tourists help with research and management of the reserve.



Comfact

France is the single most popular destination for tourists. It attracts over 81.9 million people each year. This represents nearly 10 per cent of all international tourists. Its own population is just over 64 million people.

Glossary

budget a list of income and likely expenditures

Activities

Understand

1 Complete the following sentences using the words in the list below.

interest	Department	financial
unforeseen	budget	

(a) The factors affecting the choice of tourist destinations are personal preference, the political situation in the country to be visited and the individual's _____ circumstances.
(b) The advantage of saving for a holiday in advance is that you do not have to pay large amounts of _____.
(c) The _____ of Foreign Affairs and Trade issues travel advice to people visiting overseas nations.
(d) It is a good idea to prepare a _____ that shows the amounts allowed for accommodation, travel, food and sightseeing.
(e) People travelling overseas should include an amount in case of _____ circumstances such as an airline strike.

2 Read the travel advice warning opposite.
(a) Which country does the warning refer to?
(b) Why is travel to Afghanistan not advisable?
(c) Why would governments publish this type of information?

3 Lee wishes to go on an overseas holiday costing $7000 at the end of the year. She prepares the budget below to help her save for the trip.
(a) Copy out the table and calculate the answers for the cells where there is a question mark.
(b) In which month did Lee save the least amount of money? Why was this?
(c) Would Lee be able to save enough for her holiday or would she need to take out a loan?
(d) What was the highest monthly amount that Lee managed to save?
(e) Copy this table into a spreadsheet program, such as Microsoft Excel. Insert equations as appropriate and determine the effect if Lee was given a pay rise so that she now earned $2500 per month.

eBookplus

4 Use the **Go Budgeting** weblink in your eBookPLUS and complete the budget for your allocated scenario. Using your scenario, how long would it take to save for a $20 000 world trip?

Worksheet 11.2 Discover what it means to be a smart traveller by interpreting the latest travel advice.

Lee's budget

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Expenses												
Rent	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500
Food	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200
Telephone			$100			$100			$100			$100
Electricity			$150			$150			$150			$150
Car — petrol	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200
Entertainment	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200
Car registration						$400						
Other	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200
Total expenses	$1300	$1300	$1550	?	?	?	?	?	?	?	?	?
Total income	$2000	$2000	$2000	$2000	$2000	$2000	$2000	$2000	$2000	$2000	$2000	$2000
Amount saved	$700	$700	$450	?	?	?	?	?	?	?	?	?
Amount saved at end of month	$700	$1400	$1850	?	?	?	?	?	?	?	?	?

11.3

Planning a trip

Types of travel

The four transport options available for travellers are road, rail, air and sea. The table at right summarises the advantages and disadvantages of each of these types of transport.

Type of transport	Advantages	Disadvantages
Road	• Flexible — you can go when you want to • Relatively inexpensive • Most places are accessible by road	• Difficult to take a car outside Australia • Road accidents are a problem • Increasing traffic congestion • Contributes to air pollution • Stressful driving in strange cities with different road rules • Costs — petrol, insurance, repairs, registration — are all increasing
Rail	• Relatively inexpensive • Much safer than road transport • Less polluting than road • Less stressful than road • Main stations are usually located in the centre of a city	• Takes longer than air transport • Subject to industrial disputes • Level of service may be low • Many smaller places do not have rail stations
Air	• It is very fast • Level of service is high • Fares have been greatly lowered in the last 20 years • Only real option for international travel out of Australia for people with a time constraint • Pollution and noise levels of latest aircraft are much lower than older aircraft	• Problems of terrorism • Frequent delays due to anti-terrorist security • Some airlines have gone bankrupt, stranding passengers (e.g. Air Australia) • Airports are frequently well away from the city centre • Much more expensive than road or rail • Subject to industrial disputes
Sea	• Very relaxed means of travel • Usually the cost includes food and entertainment • A safe means of travel	• Access limited to places with a port • Very slow when compared to air travel • Usually a floating resort rather than a means of transport

Comfact

- The world's busiest international airport is Heathrow in London. It handles over 67 million passengers each year. Of these, 56 million are international travellers.
- The world's busiest train station, in terms of daily passenger throughput, is Shinjuku Station in Tokyo, Japan. On average, it is used by more than 3.5 million people each day.
- The world's largest airliner is the Airbus A380, which can carry up to 853 passengers and has a top speed of 945 km/hr.

Sydney to Canberra

NSW GOVERNMENT | Transport CountryLink

	Monday to Friday	Saturday and Sunday	Daily
	Canberra XPLORER	Canberra XPLORER	Canberra XPLORER
Central (Sydney)	06:58	06:58	12:05
Strathfield	u 07:10	u 07:10	u 12:16
Campbelltown	u 07:52	u 07:45	u 12:53
Mittagong	a 08:46	a 08:40	a 13:48
Bowral	a 08:52	a 08:46	a 13:54
Moss Vale	08:58	08:52	14:00
Bundanoon	a 09:11	a 09:05	a 14:13
Goulburn	09:48	09:42	14:50
Tarago	10:15	10:09	15:17
Bungendore	10:42	10:36	15:44
Queanbeyan	11:12	11:06	16:14
Canberra	11:23	11:17	16:25

Symbols

a Stops to pick up and set down passengers only when required
u Stops to pick up only

Activities

Understand

1 Study the table of transport types opposite and answer the following questions.
- (a) Which means of transport is the only real option for people wishing to visit Australia but with only one week in which to do it?
- (b) List the costs involved in owning a car.
- (c) What is the fastest means of transport?
- (d) On which means of transport does the fare include the entertainment and all meals?
- (e) Why does air travel incur frequent delays?
- (f) List the main disadvantages of rail transport.
- (g) If you were travelling between Adelaide and Alice Springs, which means of transport would you choose? Give reasons for your answer.
- (h) Assume you are travelling from Sydney to Los Angeles. Which means of transport would you select? Why?

2 Refer to the CountryLink timetable opposite.
- (a) You live near Strathfield and wish to travel to Canberra for a business meeting at midday on Thursday. What time must you catch the train from Strathfield station?
- (b) You slept in and missed the train from the previous question. What time does the next train going to Canberra depart from Strathfield?
- (c) Under what circumstances do the trains stop at Bundanoon?

3 Refer to the diagram of the San Francisco rapid train network at right. On this system you can change trains only at designated transfer stations.
- (a) You arrive at San Francisco International Airport and intend to catch the train to your hotel near Fremont. At which stations would you need to change trains?
- (b) Can you catch the train from your Fremont Hotel to the basketball match at the Coliseum?
- (c) You go from your Fremont Hotel to Berkeley University, near Downtown Berkeley, to hear a lecture. Did you need to change trains?
- (d) After the lecture you decide to go to a football game that is being played near Balboa Park. Which line should you use so that you do not need to change trains?

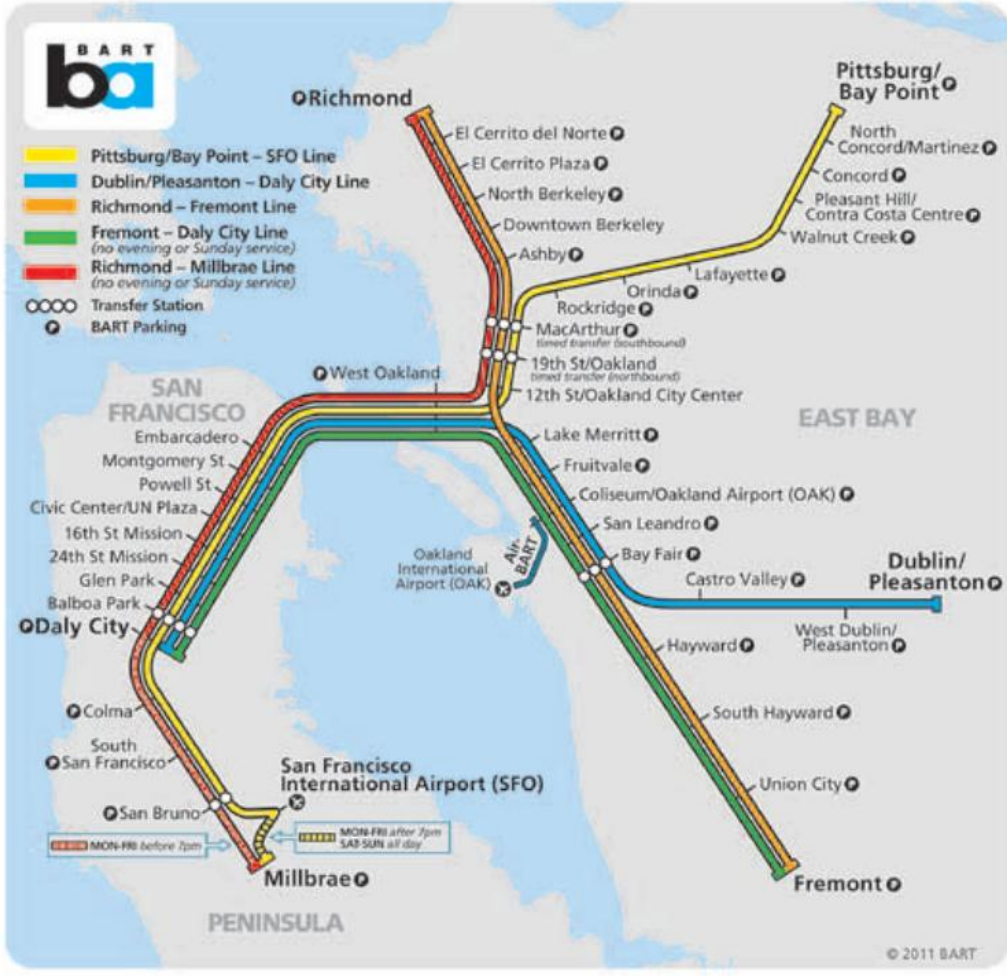
Think

4 Imagine that you are the State Minister for Transport and are responsible for the entire state's rail, bus and ferry services. Prepare a speech where you point out the benefits of public transport and urge people to use it instead of their own motor vehicles.

eBookplus

5 Use the **Countrylink** weblink in your eBookPLUS to answer the following:
- (a) How many trains depart Central Station Sydney next Saturday for Grafton? What time do they depart Central and what time do they arrive in Grafton?
- (b) What time does the train depart Armidale next Monday? When does it arrive at Hornsby?
- (c) When do the trains from Melbourne arrive at Albury?

Worksheet 11.3 Plan a two-week holiday to New Zealand.



11.4

Options for organising travel

Organising your travel arrangements

There are two main options available for an individual when organising a trip. People may choose to:

- do all the organisation themselves
- use an **agent**.

An agent is a person or organisation that conducts business, such as arranging travel plans, on behalf of another. (Other types of agent include real estate agents and stock and station agents.)

Using a travel agent has advantages, such as:

- dealing with qualified staff who are experts in their field and will consequently be aware of problem areas (this could include **visa** or immunisation requirements)
- gaining access to cheaper holiday packages than those available to the general public
- organising travel insurance at a reduced premium.

The main disadvantage of dealing with travel agents instead of organising your own holiday is that sometimes their costs are higher, as they take a commission on the fees charged. In the past, some agents have also gone into liquidation and this has left tourists stranded in all parts of the world.

An advantage of making your own travel arrangements is that you are not tied to particular airlines or hotel chains. However, its disadvantages are that it is time-consuming, you may not be aware of all the legal documentation the trip requires (such as visas) and you may be unable to take advantage of special industry deals.



OPTION 2: Agent

OPTION 1: Self

memo

- collect pamphlets
- research destination online
- phone for quotes
- make reservations
- draw up draft itinerary
- coordinate times, places
- book accommodation, travel
- organise visa, passport
- insurance
- check luggage entitlements
- confirm reservations
- calculate costs (exchange rates)
- organise foreign currency
- pay deposit
- pay balance
- collect tickets

The options available for organising travel

If you decide to deal with a travel agent, you should first check that they are a member of the Australian Federation of Travel Agents (AFTA). This is the representative body for Australia's travel agents and was founded in 1957. AFTA's aim has been to encourage and promote travel, and to uphold the interests of travel agents. All members of AFTA have to follow the organisation's **code of ethics**, a set of values and principles that is summarised below.

Summary of the Code of Ethics of the Australian Federation of Travel Agents (AFTA)

ACCURACY — AFTA members will be factual and accurate when providing information in any form about their services.

COMPLIANCE — AFTA members will abide by all federal, state and local laws and regulations.

CONFLICT OF INTEREST — AFTA members will not allow any preferred relationship with a supplier to interfere with the interests of their clients.

REFUNDS — AFTA members will remit any undisputed funds under their control within the specified time limit. Reasons for delay in providing funds will be given to the claimant promptly.

RESPONSIVENESS — AFTA members will promptly respond to their client's complaints.

EXPLOITATION OF CHILDREN — AFTA members will not provide or assist in the provision of any travel service which, to their knowledge, is to be used for a purpose involving the exploitation of children.

Casestudy

Kim's holiday

To celebrate finishing Year 12, Kim and her two friends booked a 7-day holiday in Hawaii. They had seen a website offering cheap Hawaiian holidays and felt it was too good an opportunity to miss.

When the tickets arrived (only one day prior to departure), they were shocked to see that of the seven days, two would be spent on the aeroplane, and that nearly another two days would be spent waiting at a Fiji airport as they had to change planes to take advantage of the cheaper fares. The final straw was that the promised beachfront hotel had mysteriously changed into a hotel located several kilometres from the beach.

The girls were upset and vowed to do plenty of research in the future before booking a holiday.

Activities

Understand

1 Describe the two options available for organising travel.
2 What is an agent? Give three examples of different types of agent.
3 Draw up a table similar to the one below showing the advantages and disadvantages of using a travel agent or organising your own travel.

	Organise own travel	Use a travel agent
Advantages		
Disadvantages		

4 Define the term 'code of ethics'.
5 Identify whether the following statements about the AFTA code of ethics are *True* or *False*.
   (a) AFTA members must provide accurate information to customers.
   (b) AFTA members do not have to provide any refunds.
   (c) AFTA cannot ignore a customer's complaint.
   (d) AFTA members must use preferred suppliers.
   (e) AFTA members must not comply with rules and regulations of the federal, state and local governments.
6 Refer to the case study on Kim's holiday.
   (a) For how many days was it advertised that the customer would be in Hawaii?
   (b) How many days would Kim and her friends actually have been able to spend in Hawaii?
   (c) Apart from the short time spent at the holiday destination, what other problem did Kim have with her booking?
   (d) How could Kim have avoided the problems?
7 Using the library, internet and telephone directory, create a database that lists all the organisations which can assist with organising travel in your area. Include the organisations' address, phone number and website details. Decide which organisation offers the best service.

eBookplus

8 Use the **Flight Centre** weblink in your eBookPLUS. State the current specials for holidays and their price.

Glossary

agent a person or organisation that conducts business on behalf of another

code of ethics a set of values and principles

visa a stamp placed in your passport for the country you will be visiting, stating the length of time you are allowed to visit the country

11.5

Considerations when planning a trip

When travelling overseas, people must pay very careful attention to the entry requirements and laws of the countries they are visiting. Frequently, these laws are quite different to those you have experienced at home. For example, in Singapore you may be fined if you drop litter or if you fail to flush a public toilet after use.

Often, the language spoken in the countries you are visiting will be different from your own. Prior to leaving Australia, it is a good idea to learn some simple phrases in the language of the places you will visit. A bilingual dictionary is also a wise purchase.

Travelling overseas requires a good deal of preparation to ensure your trip is safe and free of trouble. Your first step should be to ensure that your **passport** is in order. A passport is an official document granting permission to travel between countries. You must have a valid passport before leaving Australia, and it must be current for at least six months.

You should also make certain that you have obtained any required visas. A visa is a stamp that is placed in your passport by a representative of the country you will be visiting. It usually states the length of time that you will be allowed to stay in the country.

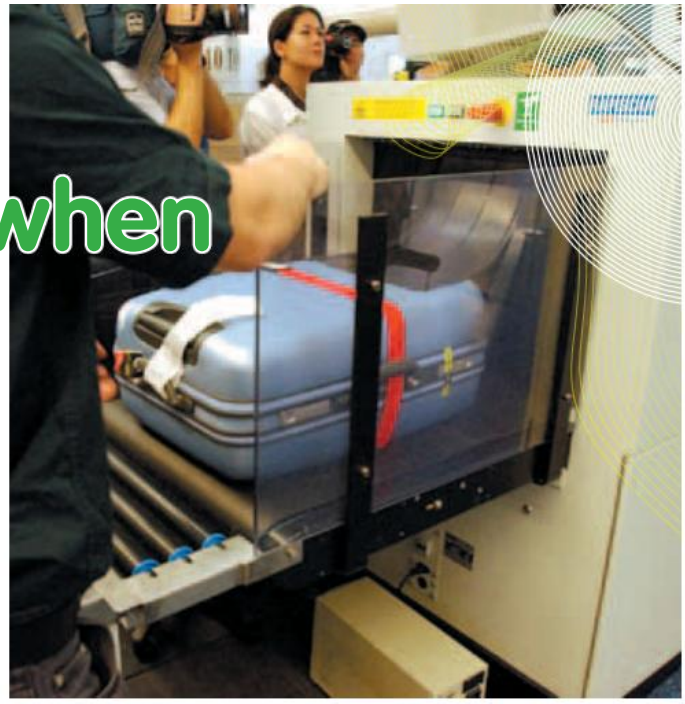
You must also pay a **departure tax** when leaving a country. In Australia, this is usually included in the cost of your airfare. In other countries, you may have to pay this at the airport before departing.

Depending on what parts of the world you will be visiting, there could also be some preventive health measures that you would be wise to take. This would cover diseases such as cholera, typhoid, malaria, tetanus and hepatitis B.

On arriving back in Australia, a traveller must have the following documents:

- a completed incoming passenger card — the aim of this document is to keep a record of people entering the country, to monitor for any illegal immigrants and to keep out undesirables such as criminals
- a valid passport.

The airline or shipping company will provide you with an immigration card and the customs statement.



Tough screening rules are enforced at airports to ensure passenger safety.

The Australian Customs and Quarantine Service has the responsibility of preventing prohibited imports and exports from entering and leaving Australia. Since Australia is an island, many of our customs regulations are designed to keep out or avoid the spread of exotic diseases and pests. This includes foot-and-mouth disease and swinefever.

There are many goods that you are not allowed to import or can bring into the country only under strict guidelines. These include drugs, firearms, live animals, animal products, plants, plant products and various protected wildlife and their products. For example, ivory is an illegal import.

Comfact

In recent years, a number of Australians have been executed for drug trafficking in Malaysia and Singapore. There are also several Australians currently imprisoned or on death row in Indonesia.

When deciding on international holiday destinations, people need to take into account the political stability of the destination. The best way to do this is to visit the website provided by the Department of Foreign Affairs and Trade at www.smartraveller.gov.au.

Travel insurance is available to cover the overseas traveller for certain circumstances, such as loss or theft of money or property, or changes to travel plans that are outside the traveller's control. This is discussed on page 277.

Activities

Understand

1 Copy the following sentences into your notebook and complete them using the words in the list below.

visa	criminals	three
malaria	incoming passenger	customs
passport	animals	smartraveller
diseases	departure	

(a) A _____ is an official document granting permission to travel between countries.
(b) A _____ is a stamp that is placed in your passport.
(c) Travellers should take protection against diseases such as typhoid, cholera, tetanus and _____ when travelling overseas.
(d) You often have to pay _____ tax when leaving a country.
(e) On arriving back in Australia, a traveller should have _____ documents, including a completed _____ card, a valid passport and a completed _____ quarantine and wildlife statement.
(f) There are many goods that cannot be brought into Australia including drugs, firearms and live _____.
(g) The Australian Customs and Quarantine Service tries to stop exotic _____ from entering the country.
(h) The best way to find out about the political stability of your destination is to visit the _____ website.
(i) The aim of the incoming passenger card is to prevent undesirables such as _____ from entering the country.

2 Why would we try to prevent diseases such as foot and mouth disease from entering the country?

3 Refer to the incoming passenger document below.
(a) How much duty free allowance do you have?
(b) List five prohibited or restricted goods.
(c) If a 21-year-old brought $1000 worth of jewellery into Australia, would they have to pay duty on it?
(d) What is the purpose of question 10 on the form?
(e) Use the following details to complete a copy of the form.

Today you arrive in Sydney from Indonesia on flight QF17. Your passport number is 78946236100012. You will live at your address for longer than the next 12 months. You are an Australian citizen. Answer 'No' to every question except those relating to the wood carvings and box of coffee which you bought on your holiday. You also visited a rice farm in Indonesia.

Sign and date the form and paste it into your notebook. Below this write a paragraph describing the purpose of this document.

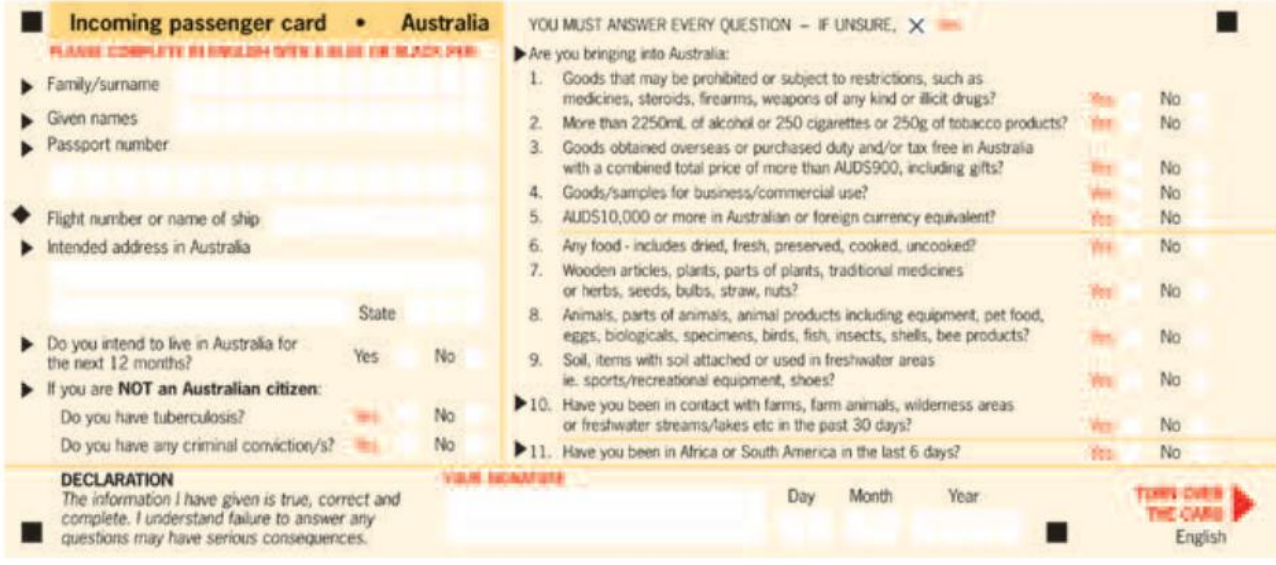
Communicate

4 Create a poster that could be put on display at an overseas airport, warning people that the penalty for drug trafficking is death in that nation.

eBookplus

5 Use the **Smartraveller** weblink in your eBookPLUS and state the top ten travelling tips that are provided.

Worksheet 11.4 Create a document with advice for first-time overseas travellers.



Incoming passenger card • Australia

PLEASE COMPLETE IN ENGLISH WITH A BLUE OR BLACK PEN

▶ Family/surname
▶ Given names
▶ Passport number
◆ Flight number or name of ship
▶ Intended address in Australia
State
▶ Do you intend to live in Australia for the next 12 months? Yes No
▶ If you are **NOT an Australian citizen**:
Do you have tuberculosis? Yes No
Do you have any criminal conviction/s? Yes No

DECLARATION
The information I have given is true, correct and complete. I understand failure to answer any questions may have serious consequences.
YOUR SIGNATURE Day Month Year

YOU MUST ANSWER EVERY QUESTION – IF UNSURE, ✕ Yes

▶ Are you bringing into Australia:

1. Goods that may be prohibited or subject to restrictions, such as medicines, steroids, firearms, weapons of any kind or illicit drugs? Yes No
2. More than 2250mL of alcohol or 250 cigarettes or 250g of tobacco products? Yes No
3. Goods obtained overseas or purchased duty and/or tax free in Australia with a combined total price of more than AUD$900, including gifts? Yes No
4. Goods/samples for business/commercial use? Yes No
5. AUD$10,000 or more in Australian or foreign currency equivalent? Yes No
6. Any food - includes dried, fresh, preserved, cooked, uncooked? Yes No
7. Wooden articles, plants, parts of plants, traditional medicines or herbs, seeds, bulbs, straw, nuts? Yes No
8. Animals, parts of animals, animal products including equipment, pet food, eggs, biologicals, specimens, birds, fish, insects, shells, bee products? Yes No
9. Soil, items with soil attached or used in freshwater areas ie. sports/recreational equipment, shoes? Yes No
10. Have you been in contact with farms, farm animals, wilderness areas or freshwater streams/lakes etc in the past 30 days? Yes No
11. Have you been in Africa or South America in the last 6 days? Yes No

TURN OVER THE CARD
English

Glossary

departure tax a tax that must be paid when leaving a country

passport an official document granting permission to travel between countries

11.6

Organising an itinerary

An **itinerary** is a travel plan. It needs to contain information such as where you intend to stay, your transport details, how long you are staying, what you plan on seeing and other things you would like to do. This information is strongly influenced by the following factors: location, price, security, availability, reliability, comfort, services and features.

Comfact

The most expensive holiday you can go on is a journey into space with the Russian space agency — for US$20 million. American Denis Tito was the first to take this trip and several others, including South African millionaire Mark Shuttleworth, have followed.

Organising an itinerary: decisions! decisions!

Factors influencing travel decisions

- location
- time
- price
- availability
- reliability
- security
- comfort
- interests

Where to stay

- tent
- caravan
- hostel
- bed and breakfast
- hotel
- motel
- guest house
- resort

What to see and do

- cultural events
- sporting events
- architecture
- gardens
- markets
- theatre
- exhibitions
- fashions
- nightclubs
- ceremonies
- monuments
- galleries
- eat
- shop
- ecotourism
- recreational activity
- explore
- workshops
- attend lectures, tours
- art and crafts
- music and dance
- meet the people
- sightseeing
- rest and relaxation

Getting around

- walk
- cycle
- taxi
- hire car
- bus
- train
- monorail
- tram
- ferry

Decisions involved in organising an itinerary

Great cities of Europe

Experience the wonders of Europe on this 8-day package tour, taking in London, Paris, Rome, Venice and Vienna. Highlights include visits to the Colosseum, the Trevi Fountain and the Eiffel Tower as well as countless other beautiful historical and cultural sites.

Quality hotels
All accommodation is in twin bedrooms with private facilities.
London: Hotel Tara **Paris:** Saint Lazare
Vienna: The Mercure **Venice:** Hotel Margherita
Rome: The Embassy Hotel
All hotel service charges, and tips, baggage handling fees and local taxes included.
Early Payment Discount — save $50 per person

Tour itinerary

Key: **(BB)** Buffet breakfast; **(D)** Three-course dinner

Day 1: Arrive London. On arrival, you will be transferred to your hotel to join your Tour Director for a welcome drink in the hotel bar.



Day 2: Sightseeing tour. Includes views of Big Ben and the Houses of Parliament and visits to Westminster Abbey and the Tower of London. Afternoon — at leisure. Suggested destinations include the London Eye for a bird's eye view of the city, Knightsbridge for a spot of shopping at Harrods or a relaxing stroll through Hyde Park. **(BB)**



Day 3: London — Paris by Eurostar. On arriving we will visit the Arc de Triomphe and the Champs Elysées. In the evening, why not enjoy a cruise on the Seine or a cabaret show? **(BB)**

Day 4: Paris. Sightseeing tour includes the Eiffel Tower, Notre Dame cathedral and the Louvre. **(BB, D)**

Day 5: Flight to Vienna. Our sightseeing tour takes in the magnificence of Schönbrunn Palace and St Stephen's Cathedral. Afternoon at your leisure, before meeting up for dinner at one of the city's finest restaurants. **(BB, D)**



Day 6: Vienna — Venice. Enjoy the spectacular scenery of the Austrian Alps on our coach journey to Italy's canal city. Today we take a private cruise on the Giudecca Canal, taking in the Bridge of Sighs, the church of Santa Maria della Salute and the Doge's Palace. In the afternoon, explore St Mark's Square with its stunning cathedral. **(BB)**

Day 7: Venice — Rome. On arriving in the Eternal City, we will take in the Colosseum and the Roman Forum, followed by a visit to the famous Trevi Fountain — be sure to have some coins handy! **(BB, D)**

Day 8: This morning, we visit St Peter's Basilica and the Vatican, including the breathtaking Sistine Chapel. Afternoon at leisure. Transfer to Rome Airport in the evening for return flight to Australia.

Airport transfers — Hotel transfers from London Heathrow will operate at 9.30 am, 12.30 pm and 3.30 pm. Passengers arriving later should make their own way to the hotel.

Activities

Understand

1 What is the purpose of an itinerary?
2 Using the information in the diagram on travel decisions opposite, list five accommodation alternatives you could choose when organising an itinerary. Which would you select? Why?
3 Name eight options that tourists have when deciding what to do and see.
4 What information does an itinerary contain?
5 Refer to the itinerary above.
   (a) How many days does this tour last?
   (b) In which cities does the tour start and finish?
   (c) When in Rome, at which hotel will you be staying?
   (d) On which day is Notre Dame cathedral visited?
   (e) In which city would you see the Trevi Fountain?
   (f) On which days is dinner provided?
   (g) At what time does the last transfer from the airport to the hotel operate? What should late arrivals do?
   (h) How much is the discount for making an early payment?

Think

6 In small groups, prepare an itinerary for an overseas holiday. You cannot exceed your budget of $15 000. Refer to travel brochures and the internet for details. Share your itinerary with the class as a PowerPoint presentation justifying your choices.

Glossary

itinerary a travel plan

11.7

Solving travel problems: passports

Documentation

Australian passports replaced British passports for Australian citizens in 1949. On average, one Australian passport is issued every 27.5 seconds. They are issued only to Australian citizens. An adult's passport is valid for ten years and a child's is valid for five years. Both parents must sign a child's passport application. Passport application forms are available from Australia Post offices.

It generally takes ten working days for a passport to be approved. However, at busy times, such as Christmas, it may take longer. People must also allow time for postage.

A visa is a stamp in a passport that provides permission to enter a particular country. It does not guarantee entry though. Visas can be applied for at a nation's embassy or consular office and, for many countries, should be obtained prior to leaving Australia.

There are many different types of visa available, but generally they stipulate that a person may stay in the country for a set period of time; for example, 14 days. Failure to depart the country by the due date may result in a fine and deportation.

Some countries ask visitors to present return tickets and evidence of sufficient money to cover their intended stay. Other countries have compulsory currency exchange regulations on entry and some refuse entry to visitors who do not comply with requirements regarding general appearance and clothing.

Lost or stolen passports

Australian passports are a prime target for theft. They can be sold for a considerable sum of money or used for other illegal purposes. At all times, you must ensure the security of your passport. It is a good idea to use the hotel safe deposit boxes for valuables such as passports and return air tickets. If your passport is lost or stolen, it can cause a great deal of inconvenience.



A valid passport is necessary to travel between countries.

If you are in Australia, you must report the loss with the Department of Foreign Affairs and Trade as soon as possible either by phone or online.

When applying for a replacement passport, you will need to:

- complete a new passport application form
- provide details of the lost/stolen passport
- attend an interview
- pay the current application fee
- pay the appropriate lost/stolen passport fee.

If you are outside Australia and your passport is lost or stolen, you must immediately report the loss online or to the nearest Australian diplomatic or consular mission. In certain circumstances, such as short-term travel overseas, you may be issued with a limited validity passport if you are unable to meet all the requirements for a fully valid passport.

Comfact

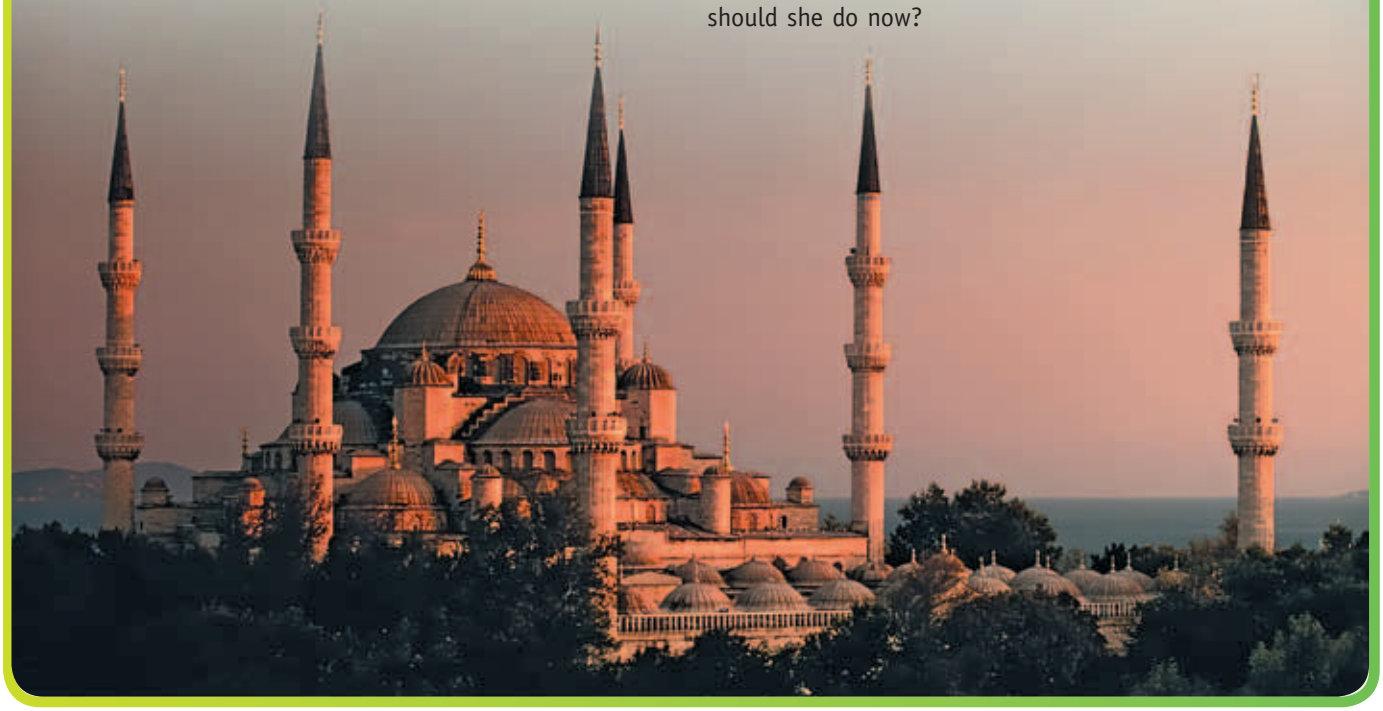
In 1950, 30 000 Australian passports were issued to travellers. By 2000, this number had risen to nearly 1 450 000. Passport production accounted for 37 tonnes of paper, 95 500 metres of thread, 69 000 metres of gold foil and 1100 litres of glue. From 2005, a new Australian ePassport was introduced. It uses sophisticated digital technology, including photographs of travellers' faces stored on microchips.

Case*study*

A cautionary travel tale

Marlee had finally arrived in Turkey. She was exhausted after her 20-hour flight from Sydney, but she figured a shower and a change of clothes at the backpacker hostel would soon refresh her. The next day she would leave to meet up with her friends at Gallipoli to commemorate Anzac Day. It was something she had always wanted to do after her grandmother had told her about her great-great grandfather who had been one of the original Anzacs. But, first, she wanted to explore Istanbul while there was still daylight.

Unsure of the local customs, she didn't want to be out after dark by herself. After checking in and freshening up, she tucked her backpack under her bunk and closed the door. There was no-one else sharing the room, it seemed, so she hoped for a good night's sleep. After three hours marvelling at the architecture of Istanbul, especially the Blue Mosque, she returned to her hostel and her room. Retrieving her backpack from under the bunk, she searched the inside zipper compartment for her travel documents to check her arrangements for the next day. To her horror, all her documents, including her passport, were missing. She sat on the bunk in a cold sweat. What should she do now?



Activities

Understand

1 Complete the following sentences using the words from the list below.

Department	adult's	1949
deposit	Post	tickets
visa	inconvenience	consular

(a) Australian passports have been in use since _____.

(b) An _____ passport is valid for ten years and a child's is valid for five years.

(c) Passport application forms are available from Australia _____ offices.

(d) A _____ is generally a stamp in a passport that provides permission to enter a particular country.

(e) Some countries ask visitors to present return _____ and evidence of sufficient money to cover their intended stay.

(f) Hotel safe _____ boxes should be used for valuables such as passports and return air tickets.

(g) If you have lost your passport and you are in Australia, you should contact the _____ of Foreign Affairs and Trade.

(h) If you have lost your passport and you are outside Australia, you must report it online or to the nearest diplomatic or _____ mission.

(i) If your passport is lost or stolen, it will cause a great deal of _____.

Think

2 Read the case study above and, in small groups, discuss what Marlee should do next. What steps should she have taken to avoid this happening?

11.8

More travel problems

Financial issues

A major issue for travellers is that most nations have their own currency. If a country did not trade and people did not travel to other areas of the world, then this would cause very few problems.

However, since trade and tourism are very important to our society, some way is needed to compare the currencies of different countries. The method that is used is known as a **foreign exchange rate**. These exchange rates, which vary nearly every day, are set by the foreign exchange market.

Value of Australian dollar on a set day

Country	Currency	Rate
United States of America	Dollar	US $1.02
United Kingdom	Pound	£0.66
Canada	Dollar	Can $1.04
Europe	Euro	0.79 euro
Thailand	Baht	32.29 baht
Indonesia	Rupiah	9261.83 rupiah
Japan	Yen	¥78.54
Malaysia	Ringgit	3.23 ringgit
New Zealand	Dollar	NZ $1.31
Singapore	Dollar	S $1.32

Country Currency Rate

Source: Based on data from http://www.forexrate.com.au, January 2012

Most people travelling overseas can use their credit cards. Purchases made on these while overseas are converted back into Australian dollars at the current exchange rate. In many countries, these cards can also be used to access automatic teller machines. Some banks' debit cards may also be used to access ATMs.

Travellers cheques may also be used, but their importance is declining due to the more convenient Cash Passport Cards, credit and debit cards.

Legal and cultural issues

The culture, and hence the laws, in a foreign country can be quite different from those in Australia. For example, when visiting a temple or mosque in some countries, women must cover their heads with a scarf, and also must wear long skirts and long-sleeved shirts. In Japan, for instance, it is impolite to blow your nose in public. It is best to research the nations you are visiting and refrain from behaviour that would offend the local people.

Punishments for crime can also be very different. The most obvious example is the crime of drug trafficking, for which capital punishment applies in many of our neighbouring countries. In Malaysia and Singapore, crimes such as spray-painting graffiti are viewed very seriously. People convicted of this can expect to receive several strokes of a two-metre long bamboo cane.



Certain actions acceptable in Australia may cause offence in some cultures.

Casestudy

Punishment abroad

In 2011, a 14-year-old boy from New South Wales was arrested in Bali while trying to purchase 3.6 grams of cannabis. After numerous court appearances and two months in detention, he was deported to Australia.

The boy was very fortunate as Indonesia has a maximum penalty for drug possession of 12 years in jail, while drug smugglers may face the death penalty.

He received a reduced sentence as his lawyer was able to prove to the court that he was a drug addict.

If you do get into difficulties while overseas, you should contact the nearest Australian embassy or consulate. They can provide some assistance for such emergencies as lost travel documents, illness and financial difficulties. The **Vienna Convention** sets standards for people who have been arrested outside their own country. Under this, you must be given access to a consular representative.

Strategies to resolve travel problems

One of the best ways to minimise travel problems is to take out travel insurance. It can provide compensation for lost luggage and also pay bills for delays due to strikes, hijackings and so on. However, its most important function is to ensure that you can afford adequate hospital and medical care. In countries such as the USA, even a short stay in hospital can leave you and your family in financial trouble.

Casestudy

Travel insurance tales

1. A young man worked in a US ski resort for four months, then took time off to travel around the US. He permitted his 12-month travel insurance policy to expire just a few days before his departure for home. He was hit by a car while crossing a road and suffered serious head injuries. He was admitted unconscious to intensive care and required highly intensive sophisticated care until he was able to be flown back to Australia. He was still unconscious and returned on a stretcher. The cost to the family for the medical evacuation alone was $80 000. They have taken out a second mortgage on their house to raise the funds.
2. A young Australian surfer went to the US for a surfing competition. Although an experienced surfer, he unfortunately chose the wrong wave during a practice session. He was dumped on a reef and sustained serious injuries. He was flown to a local hospital and immediately underwent two major operations. The hospital bill was A$290 000. Fortunately, the young man's parents had insisted he take out travel insurance. The insurance company covered the bill, and the young man and his family were able to focus on his recovery.

Source: www.smartraveller.gov.au.

Glossary

foreign exchange rate the ratio of one currency to another; it tells how much a unit of one currency is worth in terms of another

Vienna Convention international convention that sets standards for people who have been arrested outside their own country

Activities

Understand

1 Define the term 'exchange rates'. Why are they needed?

2 Are the following statements *True* or *False*?
- (a) In Malaysia and Singapore, drug traffickers can expect to be imprisoned.
- (b) Australian embassy staff can help people with problems such as lost passports.
- (c) The Vienna Convention sets the standards for persons who have been arrested outside their own country.

3 Refer to the table of exchange rates and answer the following:
- (a) State the currency used in the following places: Malaysia, New Zealand, Indonesia, Japan and Singapore.
- (b) If a person had A$20.00, how much of the currency from the following countries could they purchase: Canada, USA, Indonesia, Malaysia and Japan?
- (c) If a Japanese tourist purchased a watch in Australia for $10, how many Yen would they have spent?
- (d) The entry fee into Disneyland in Los Angeles is A$80. How much would have to be handed over in US currency to gain access to this fun park?

4 List those things for which travel insurance can provide compensation.

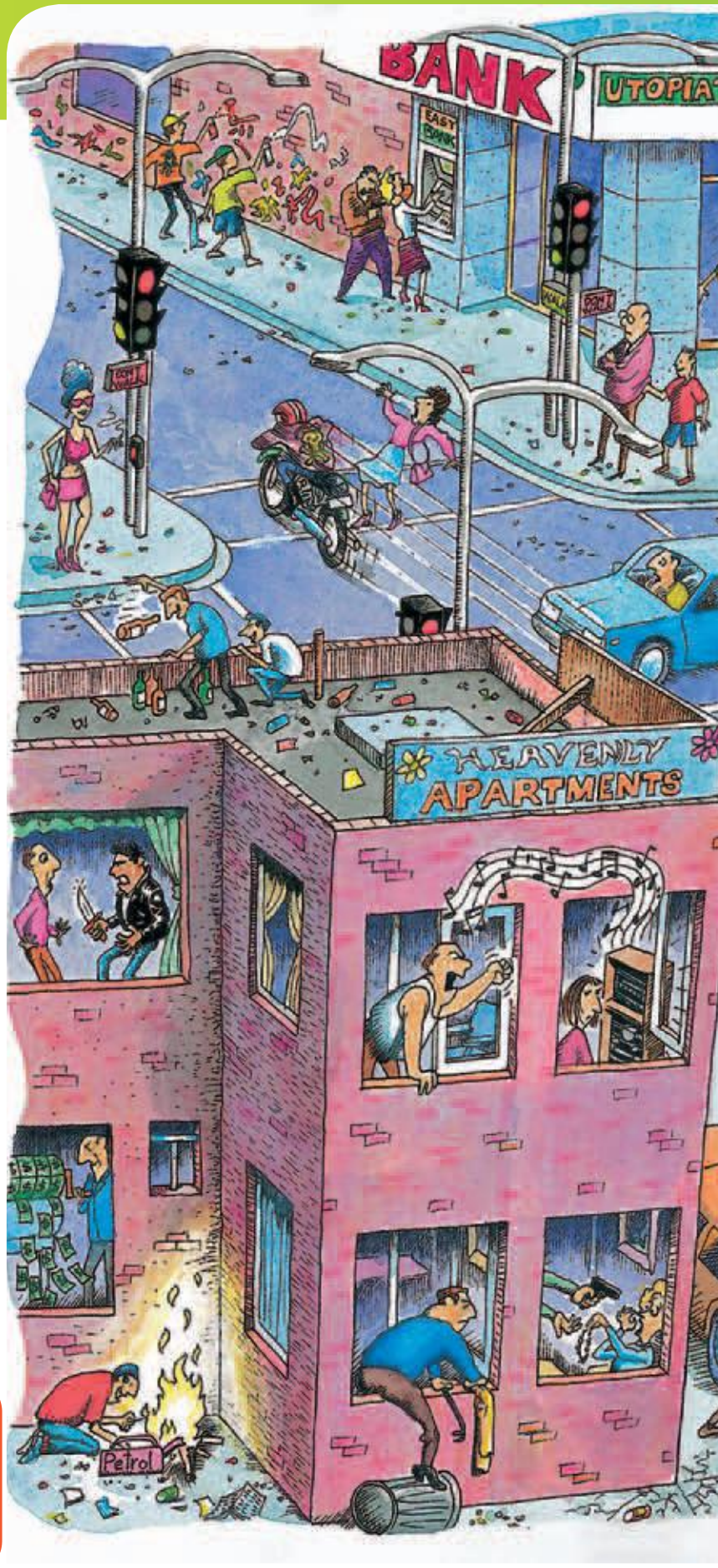
Think

5 Why do travellers need to be sensitive about their dress and behaviour in another country or culture? Can you think of a situation in Australia where Australians might find the actions or dress of an overseas tourist offensive?

Chapter 12

OPTION

The law in action

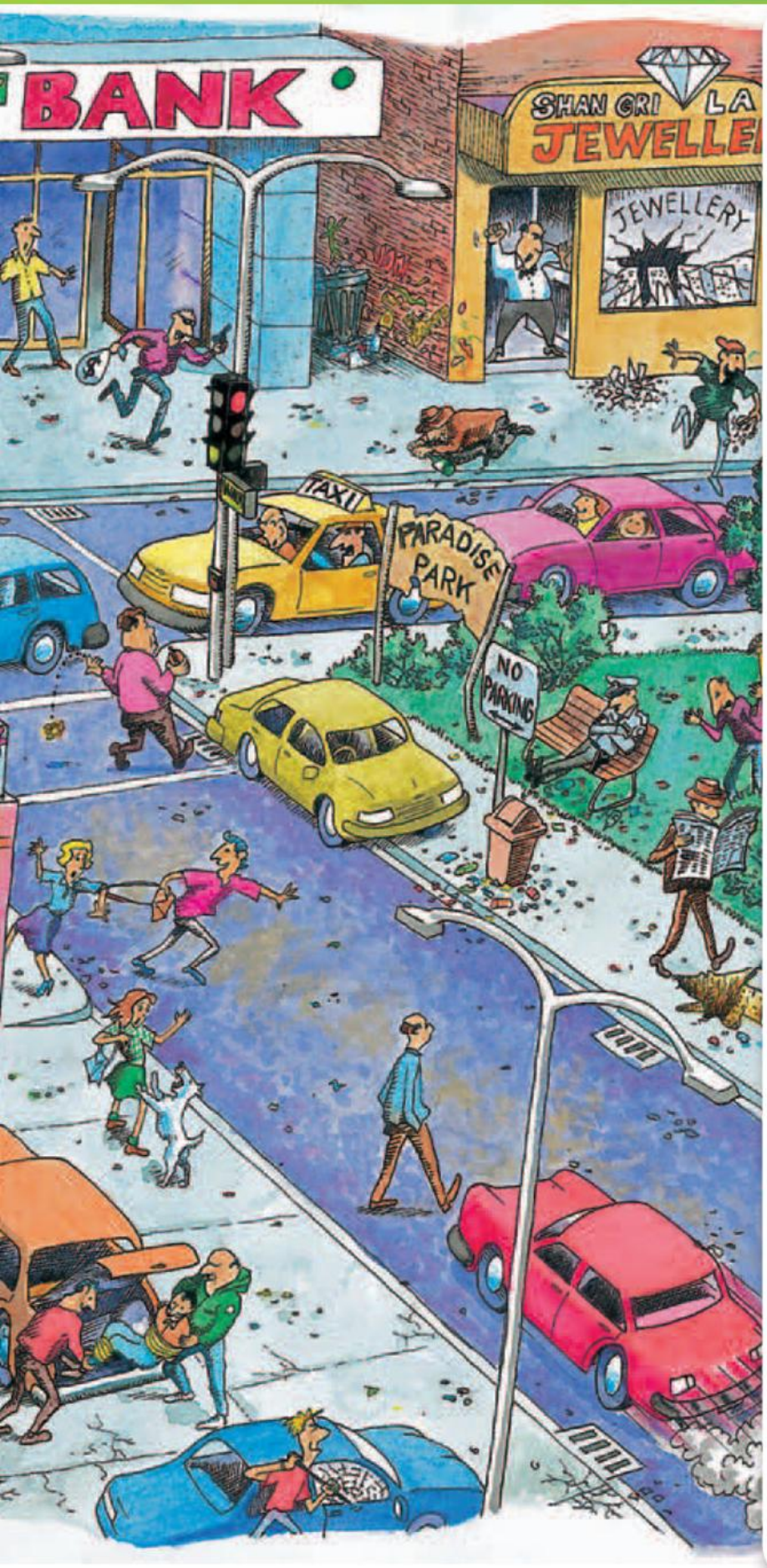


Crossing the street, attending school, owning a mobile phone, driving a car or riding a pushbike are all activities which involve the law. Every day you come into contact with the law, whether you realise it or not.

Most people know something about the law. We learn about it because we, as individuals, are part of a society that has rules and regulations. The laws of our community are, therefore, part of our everyday lives. The law is there to protect your rights and to outline your responsibilities.

Focus

On completion of this chapter, you will have examined the rights and responsibilities of individuals in a range of situations in which they may come in contact with the law.



Glossary

accused to be charged with an alleged criminal offence

adult a person 18 years or over

arbitration a method of resolving disputes whereby a judge in a court gives a decision

arrest to detain someone suspected of having committed a crime

capacity the ability of a person to do something

capital punishment when an offender is put to death

charge a formal allegation that a person has committed an offence

civil law deals with non-criminal matters involving disputes between individuals and organisations

conciliation a method of settling a dispute where a third party acts as an interventionist mediator

contract a legally binding agreement

criminal law law involving cases where the government has declared some action to be illegal

evidence information presented that helps a court reach a decision in a case

good behaviour bond a type of punishment whereby the offender agrees to display good behaviour for a set time or they will forfeit a sum of money and be tried for the original offence as well as any new offences

guarantor a person who agrees to pay another person's debts if they are unable or unwilling to pay themselves

legal aid free legal advice or representation

mediation when a third party helps those involved in a dispute to reach a solution acceptable to both sides

minor a person under 18 years of age

negligence the failure to exercise proper care, which could result in another person being injured or suffering a risk

oath a promise to tell the truth or that something is true

victim a person who is injured or killed by another

warrant an order from a judge authorising police to do something such as arrest someone or search property

witness a person who gives evidence in court

12.1

Contact with the law

Legal capacity

'Sorry, but you can't come in unless you have some identification that shows you are 18 or over', said the attendant at the door of the club.

What the attendant is referring to is a person's legal **capacity** — the ability of a person to do something. A person's age (and mental status) can affect her or his capacity. For example, the law treats a person under 18 years of age — a **minor** — differently from an **adult**, a person 18 years or over. However, there are some rights you may gain before you turn 18. The table below indicates how old you must be to carry out certain activities.

Minimum age requirements

Activity	Minimum age	Comment
Leave home	16	Provided you have a safe place to live and you can financially provide for yourself
Rent a flat	No law	If you are refused a flat due to being under 18, it is age discrimination.
Leave school	17	Unless you have a full-time job, attend TAFE or are being home schooled
Get a full-time job	15	To work full time before you are 15 you need permission from the Minister for Education.
Drink alcohol	18	If you are on licensed premises
Purchase cigarettes	18	It is a criminal offence to purchase cigarettes if you are under 18.



People must be 15 years old before they can be employed.

Casestudy

Bicycles and the law

A bicycle is defined as a vehicle with one or more wheels that is built to be propelled by human power through a belt, chain or gears. In Australia, a bicycle is considered a vehicle, therefore cyclists are required to obey road rules, including stopping at red lights or stop signs, giving way as indicated by signage and giving hand signals when changing direction.

To be a legal road vehicle *during the day*, a bicycle must have:

- at least one working brake
- a working bell or horn fitted to it.

To be a legal road vehicle *at night*, a bicycle must also have:

- lights fitted and in use when riding at night
- a red rear reflector that is clearly visible for 50 metres.

It is compulsory to wear an approved helmet correctly when riding a bike. This applies to all cyclists, regardless of age, and includes any child being carried as a passenger. Failing to obey road or bicycle rules may result in a fine.



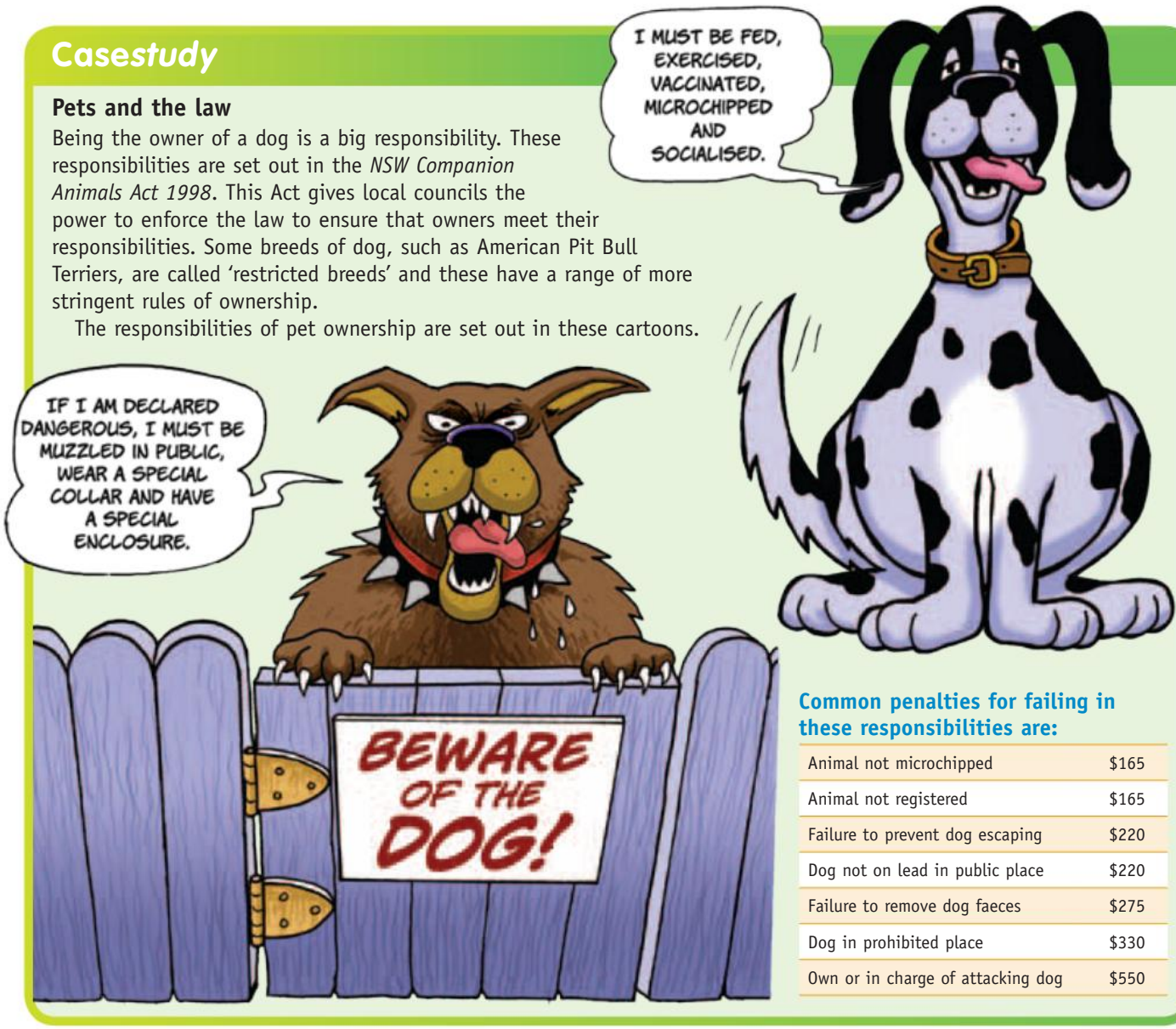
List the laws broken by this person.

Casestudy

Pets and the law

Being the owner of a dog is a big responsibility. These responsibilities are set out in the *NSW Companion Animals Act 1998*. This Act gives local councils the power to enforce the law to ensure that owners meet their responsibilities. Some breeds of dog, such as American Pit Bull Terriers, are called 'restricted breeds' and these have a range of more stringent rules of ownership.

The responsibilities of pet ownership are set out in these cartoons.



Common penalties for failing in these responsibilities are:

Animal not microchipped	$165
Animal not registered	$165
Failure to prevent dog escaping	$220
Dog not on lead in public place	$220
Failure to remove dog faeces	$275
Dog in prohibited place	$330
Own or in charge of attacking dog	$550

Activities

Understand

1 What is meant by the term 'capacity'?
2 At what age does a minor become an adult?
3 At what age may you legally:
  (a) leave school
  (b) get a full-time job?
4 List the legal requirements for a bicycle:
  (a) at night
  (b) in the daytime.
5 Study the cyclist illustration on page 280 and list all the laws that are being broken.
6 Which level of government is responsible for enforcing the law relating to dog ownership?
7 Study the diagrams showing responsibilities of pet owners and the table of penalties for failing to meet them. State the consequences for failing to meet three of the responsibilities of owning a dog.
8 State the name of one restricted dog breed. Why do you think some breeds have more stringent rules of ownership?

eBookplus

9 Use the **Law Stuff** weblink in your eBookPLUS and discover the situation regarding:
  (a) young people getting a tattoo
  (b) when you can apply for a passport
  (c) when you can be charged with a criminal offence.

Worksheet 12.1 Learn legal terms by finding the words in this puzzle.

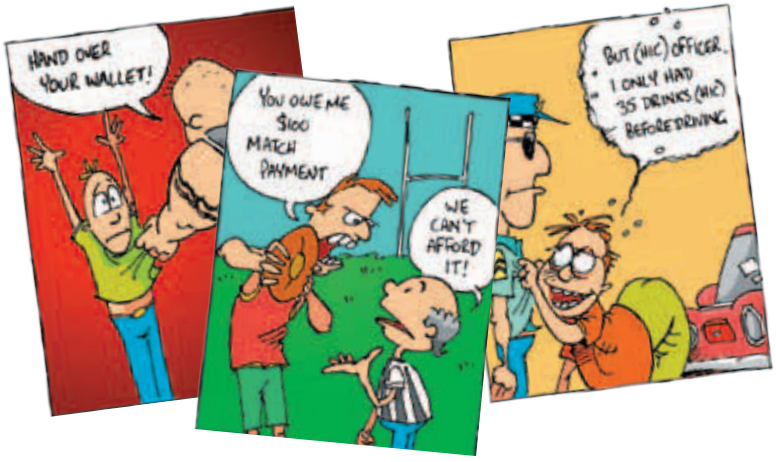
Glossary

adult a person 18 years or over
capacity the ability of a person to do something
minor a person under 18 years of age

12.2

Contact with the criminal law and elements of a crime

Criminal law deals with how people should behave — what they can and cannot do. Criminal law deals with offences such as armed robbery, murder, drink driving, fraud, rape, shoplifting and failing to pay train fares.



Which of these offences involve criminal law?

Young people and criminal offences

Accused

Once a person is ten years old they can be **accused**; that is, **charged** with an alleged criminal offence. Children under ten are not seen as mature enough to commit criminal offences.

Children aged between ten and 14 years have a limited responsibility for offences they commit. If they are charged with a crime, it must be proven in court that they knew what they did was 'seriously wrong'. A commonly used defence for people in this age group is that they did not fully understand the consequences of their actions.

People who are under 16 and are found guilty of an offence will have no conviction (a finding of guilty) recorded against them unless it was a serious offence. If a conviction is recorded against them in the Children's Court, they can have that conviction wiped from their record after three years if they have not been in any more trouble.

Witness

A **witness** is a person who gives **evidence** in court. Witnesses must swear an **oath**: a promise to tell the truth or that something is true. The oath is usually sworn while holding a religious text such as the Bible or Koran or by making an affirmation if the person has no religious beliefs. Generally, children can be called as witnesses only when it can be shown that they understand the 'oath'. An example of an oath is shown below.

> I SWEAR BY ALMIGHTY GOD THAT THE EVIDENCE I SHALL GIVE TO THE COURT IN THIS CASE WILL BE THE TRUTH, THE WHOLE TRUTH AND NOTHING BUT THE TRUTH.

Victim

A **victim** is a person who is injured or killed by another person in an act of violence. A young person can be a victim of a criminal offence at any age. Indeed, there have been instances where a victim was yet to be born, such as in the case of an illegal abortion.

Elements that need to be proven to convict someone of a crime

To find the accused guilty of a crime, the prosecution must prove that the accused not only *committed* the act, but also had the *intention to commit* a wrongful act. Criminal liability depends on the presence of two elements:

1. Guilty act (or, from Latin, *actus reus*). This means that the accused actually committed the offence and did not just think about doing it.

   The main features of *actus reus* are:
   - the act, or omission, actually occurred
   - it was done by the accused
   - it was voluntary; not committed under force.

2. Guilty mind (or, from Latin, *mens rea*). This means that a person must have intended to commit the crime. It can take several forms including intending to commit a crime (such as robbing a bank), being reckless (such as driving after drinking alcohol), and being negligent (such as failing to give someone first aid).



Casestudy

McConnell versus R 1977 NSWLR 714

Three men named McConnell, McFarland and Holland had kicked, beaten and stabbed a man named Bergmann. They thought they had killed him so they threw his body into a river.

Bergmann was not dead when he was thrown into the river; however, he died from drowning.

The counsel for the defence claimed that McConnell, McFarland and Holland did not have the intention of killing Bergmann when they threw him into the river (*mens rea*) and therefore they could not be convicted of murder.

Glossary

accused to be charged with an alleged criminal offence

charge a formal allegation that a person has committed an offence

criminal law law involving cases where the government has declared some action to be illegal

evidence information presented that helps a court reach a decision in a case

oath a promise to tell the truth or that something is true

victim a person who is injured or killed by another

witness a person who gives evidence in court

Activities

Understand

1 The illustrations on page 282 show several different cases. Which ones would involve criminal law?

2 Copy the sentences below into your notebook and fill in the blank spaces with a word from the list.

witnesses	oath	criminal
ten	children's	charged
victim	public	*mens rea*
murder		

(a) _____ law deals with how people should behave.

(b) Criminal law deals with offences such as armed robbery, _____, drink driving and fraud.

(c) Children under the age of _____ are not considered mature enough to be charged with a criminal offence.

(d) Once a person is 10 years old, they may be accused or _____ with a criminal offence.

(e) People under the age of 18 will appear in a _____ court.

(f) People who give evidence in a court are known as _____.

(g) The children's court is closed to the _____.

(h) A promise to tell the truth in a court is known as an _____.

(i) A _____ is a person injured or killed by someone in an act of violence.

(j) The two elements of a crime are *actus reus* and _____ _____.

Think

3 Refer to the case study on *McConnell versus R* above. Do you believe that McConnell, McFarland and Holland intended to commit murder at any stage? Why?

4 Has a crime been committed in the following cases? You must justify your answer by referring to the elements of a crime.

(a) Jillian and Andrew, aged 18 and 19, snatched an elderly lady's purse as she came out of a supermarket. The victim returned to the shop for help, became distressed and died from a heart attack.

(b) Victor Natui owned two Rottweilers. An elderly man, Tom, kept a vegetable patch on the block next door. One day when Tom came to check the vegetables, the neighbour's dogs had escaped. They attacked Tom and mauled him to death.

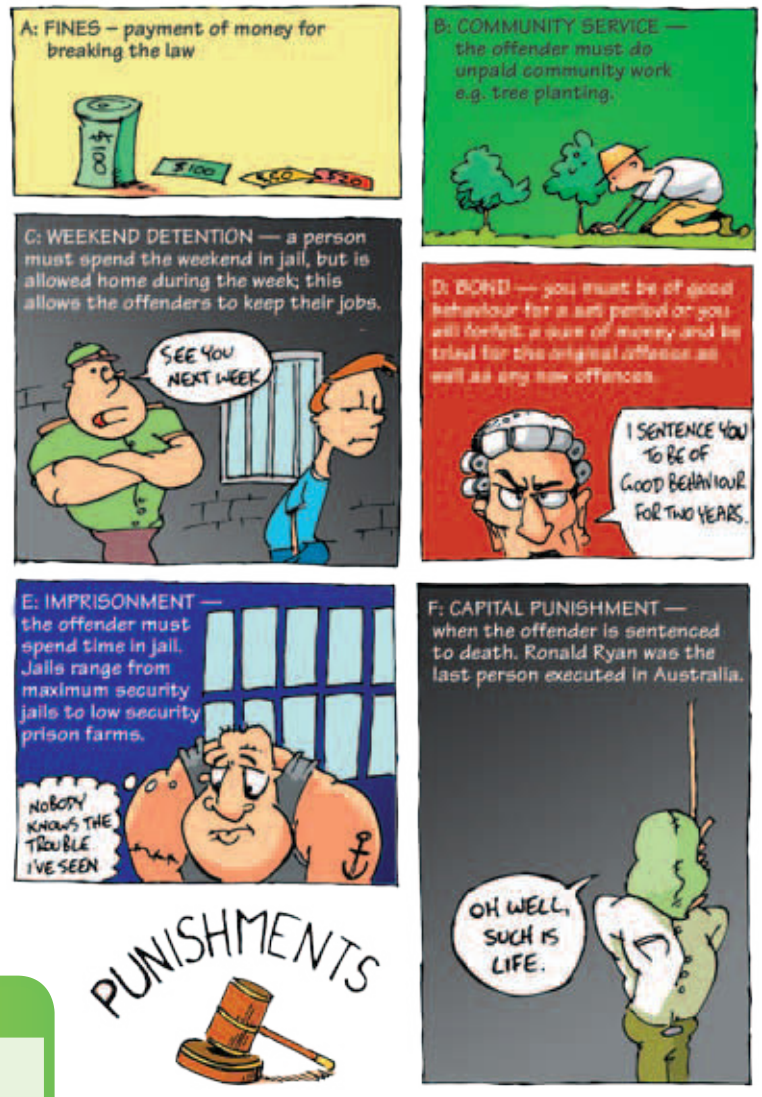
eBookplus **Worksheet 12.2** Discover the terminology used in investigating crime through word play.

12.3

Punishment for a crime

Until changes were introduced towards the end of the nineteenth century, many different punishments were used against people who broke the law. Punishments included whipping, exile, deportation, torture (using devices such as the rack or thumbscrews) and **capital punishment**, where an offender is put to death. Some methods by which capital punishment has been carried out include hanging, electrocution, gas chamber, guillotine, shooting and lethal injection. No-one has been executed in Australia since Ronald Ryan was hanged in 1967.

In Australia today, when a person has been found guilty, the magistrate or judge imposes an appropriate punishment. They have a large number of options to choose from, including fines, community service, weekend detention, home detention, **good behaviour bonds** and imprisonment.



Forms of punishment

Casestudy

The Ronald Ryan case

Ronald Ryan and Peter Walker escaped from Pentridge Jail (Melbourne) in December 1965. During the escape, a prison officer named George Hodson was shot and killed.

Ryan and Walker were recaptured in Sydney after a nationwide manhunt. They had been free for 19 days. While at large, they held up a branch of the ANZ Bank, and Walker shot dead a man who had recognised him.

Ryan was charged with the murder of Prison Officer Hodson. His trial before Judge Starke began on 15 March 1966. Ryan claimed that he did not fire any shots and that a bullet fired from one of the guards may have killed Hodson. However, the jury found him guilty and Judge Starke imposed the death penalty.

Despite a nationwide protest, Ryan was executed at Pentridge Prison on 3 February 1967. There is still controversy as to whether Ryan fired the fatal shot. Over the next 20 years, all states in Australia abolished capital punishment.

Comfact

The last flogging of a prisoner in Australia occurred in Victoria in 1959.

Common penalties for crimes

When sentencing a person, a magistrate/judge takes into account factors such as a guilty plea, circumstances of the crime (for example, the degree of violence), prior convictions and the level of hardship that the sentence may cause (for example, a person who is convicted of drink-driving needing a driver's licence for their work).

The table at right shows common penalties for drink driving. Many fines are now expressed in terms of penalty units. This makes it easier to increase the fines so as to keep them in line with inflation. Currently a penalty unit is $110.

Penalties for drink driving

Crime	First offence	Second or subsequent offences
Driving with a low-range prescribed concentration of alcohol (breathalyser reading of .05 to .08)	10 penalty points and licence disqualification of 3 to 6 months	20 penalty points and licence disqualification of 6 to 12 months
Driving with a mid-range prescribed concentration of alcohol (breathalyser reading of .08 to .15)	20 penalty points and/or 9 months jail. Licence disqualification of 6 to 12 months.	30 penalty points and/or 12 months jail. Licence disqualification of 1 to 3 years.
Driving with a high-range prescribed concentration of alcohol (breathalyser reading over .15)	30 penalty points and/or 18 months jail. Licence disqualification of 1 to 3 years.	50 penalty points and/or 2 years jail. Licence disqualification of 2 to 5 years.

Casestudy

Terry's poor decision

Terry was 19. He had a very bad driving record. His offences included speeding, driving without a licence and a mid-range drink driving conviction.

On the night of his brother's 21st birthday he went to a big party. He drank a great deal and felt that life could not get any better. Unfortunately, at the end of the party he refused to take a taxi with the others but instead got behind the wheel of his old Commodore and headed for home.

He was picked up at a roadside random breath test and recorded a blood alcohol reading of 0.23.

When he went to court, the magistrate said, 'I hope you have your toothbrush with you! I am sentencing you to nine months imprisonment, with six months non parole. I do this to teach you a lesson before you kill someone'.

Glossary

capital punishment when an offender is put to death

good behaviour bond a type of punishment whereby the offender agrees to display good behaviour for a set time or they will forfeit a sum of money and be tried for the original offence as well as any new offences

Activities

Understand

1 Complete the following sentences using the words in the word list.

capital	detention	convictions
fine	bond	community
hanging	maximum	

(a) A _____ is the payment of money for breaking the law.
(b) _____ service is where an offender must do unpaid work such as tree planting.
(c) When a person spends their weekend in jail, it is known as weekend _____.
(d) When a person is sentenced to death, it is known as _____ punishment.
(e) There are different types of jails including _____ security and low security prison farms.
(f) A _____ is when you agree to be of good behaviour for a period of time or you will forfeit a sum of money.
(g) When determining a person's sentence, a magistrate will take into account factors such as any prior _____.
(h) The only means by which capital punishment was carried out in Australia was _____.

2 Refer to the case study of Ronald Ryan. Copy the table below in your notebook and match the name to the description.

Name	Description
Ronald Ryan	Murdered prison officer
Peter Walker	Last person to be executed in Australia
George Hodson	Ordered the execution by hanging of Ronald Ryan
Judge Starke	Ronald Ryan's accomplice

3 Refer to the case study above and also the table showing penalties for drink driving.
(a) State three offences for which Terry had been convicted.
(b) Would Terry have been charged with a low-, mid- or high-range drink driving offence?
(c) What is the maximum jail sentence that Terry could have received for his latest offence?
(d) How long could Terry have been sentenced to jail for his first mid-range drink driving charge?
(e) Why do you think the magistrate resorted to a jail sentence for Terry's latest offence?

Communicate

4 Conduct a class debate on: 'Capital punishment should be reintroduced for offences such as murder, child molestation and terrorism.'

12.4

You're under arrest

Police do not make the laws; they only enforce them. They try to maintain law and order by preventing unlawful acts occurring, and are involved in investigating crimes and arresting offenders. They have rules that they must obey when they are performing their duties, especially when **arresting** someone.

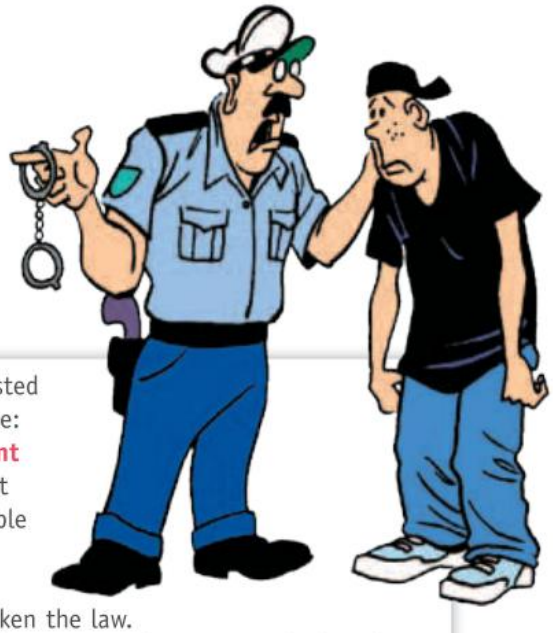


Under Australian law, you have to go to the police station only if you have been arrested.

What if you were arrested?

If a police officer says, 'I would like you to come down to the police station to answer a few questions', do you have to go with the officer? You have to go only if you have been arrested.

The following series of cartoons shows the sequence of events, and what may happen to someone who is arrested. They also broadly outline people's rights and obligations in relation to police investigations.



1. ARRESTED

1. You can be arrested only if the police:
   - have a **warrant** for your arrest
   - have reasonable cause to suspect you of having broken the law.
2. You must be told you are under arrest and what the charge is.
3. You must be told that you do not have to say anything and that anything you say may be given in evidence.
4. You may be handcuffed.
5. Capsicum spray may be used to subdue you if you violently resist arrest.
6. At the police station you are required to give your personal details for police records.

2. PERSONAL SEARCH

1. You do not have to submit to a search unless the police have a search warrant. Then they can search you or your premises at any time.
2. If police suspect the presence of drugs, a concealed weapon or hidden evidence, a 'pat down' search can be conducted.
3. A search must be conducted by a police officer of the same sex as the person being searched.



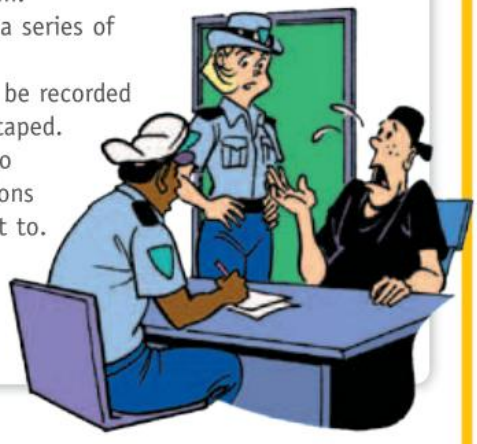
3. PHONE CALL



1. At the station the police should allow you to make a telephone call to a friend or legal representative.
2. If you cannot afford a legal representative (solicitor), you may be entitled to **legal aid**. If this is the case, a legal aid representative will be appointed. There are a number of solicitors who provide this service.

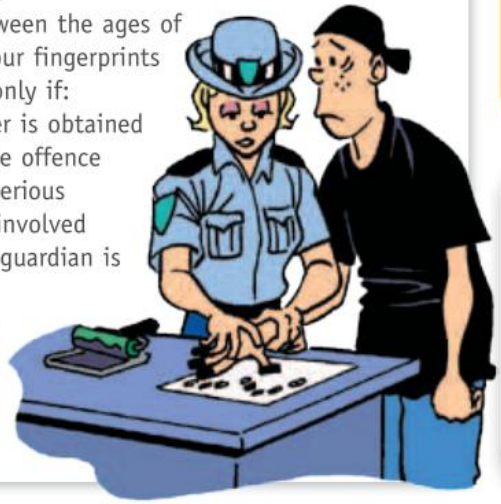
4. THE FORMAL INTERVIEW

1. If you are under 18 years of age, an adult (parent, guardian or social worker) must be present before the interview can begin.
2. You will be asked a series of questions.
3. The interview will be recorded and may be videotaped.
4. You do not have to answer any questions if you do not want to.
5. You will be given a copy of the taped interview.



5. FINGERPRINTED

1. Police cannot fingerprint you if you are a child under the age of ten.
2. If you are between the ages of ten and 17, your fingerprints can be taken only if:
   - a court order is obtained
   - an indictable offence (that is, a serious offence) is involved
   - a parent or guardian is present.
3. Police can use reasonable force to take the fingerprints.



6. CHARGED



1. You may be officially charged with the offence.
2. If charged, you will either be released on bail or held in prison on remand before being brought before a court.

Activities

Understand

1 What is the role of police in our society?
2 Under what circumstances could you be arrested? What must you be told?
3 Describe situations when the police can search you.
4 If you cannot afford a solicitor, to what help may you be entitled?
5 Outline the requirements at a formal interview for someone aged under 17.
6 Describe the situation with regard to fingerprints for people aged ten to 17 years.
7 Explain the difference between *remand* and *bail*.

Think

8 Create a series of cartoons that illustrate the steps involved for someone who has been arrested and then charged for shoplifting.

eBookplus

9 Use the **Law Stuff** weblink in your eBookPLUS to answer the following:
   (a) Under what circumstances must you provide the police with your name?
   (b) Describe how you can complain about police mistreatment.

Glossary

arrest to detain someone suspected of having committed a crime

legal aid free legal advice or representation

warrant an order from a judge authorising police to do something such as arrest someone or search property

12.5

Contact with the civil law

Civil law deals with non-criminal matters involving disputes between individuals and organisations. In contrast, criminal law involves doing something that is considered to be an offence. Where a civil wrong is successfully proven in court, the wronged party will seek damages — money — as compensation.

Sometimes, the same incident may involve both criminal law and civil action. For example, Lee snatches Fiona's bag and, in doing so, breaks her arm, making it impossible for her to work and also causing considerable pain and suffering. The police catch Lee and charge him with assault and robbery. He is eventually given a large fine and a suspended jail sentence. Fiona can now take out a civil case against Lee seeking a large sum of money as compensation for her lost wages, as well as for her pain and suffering.

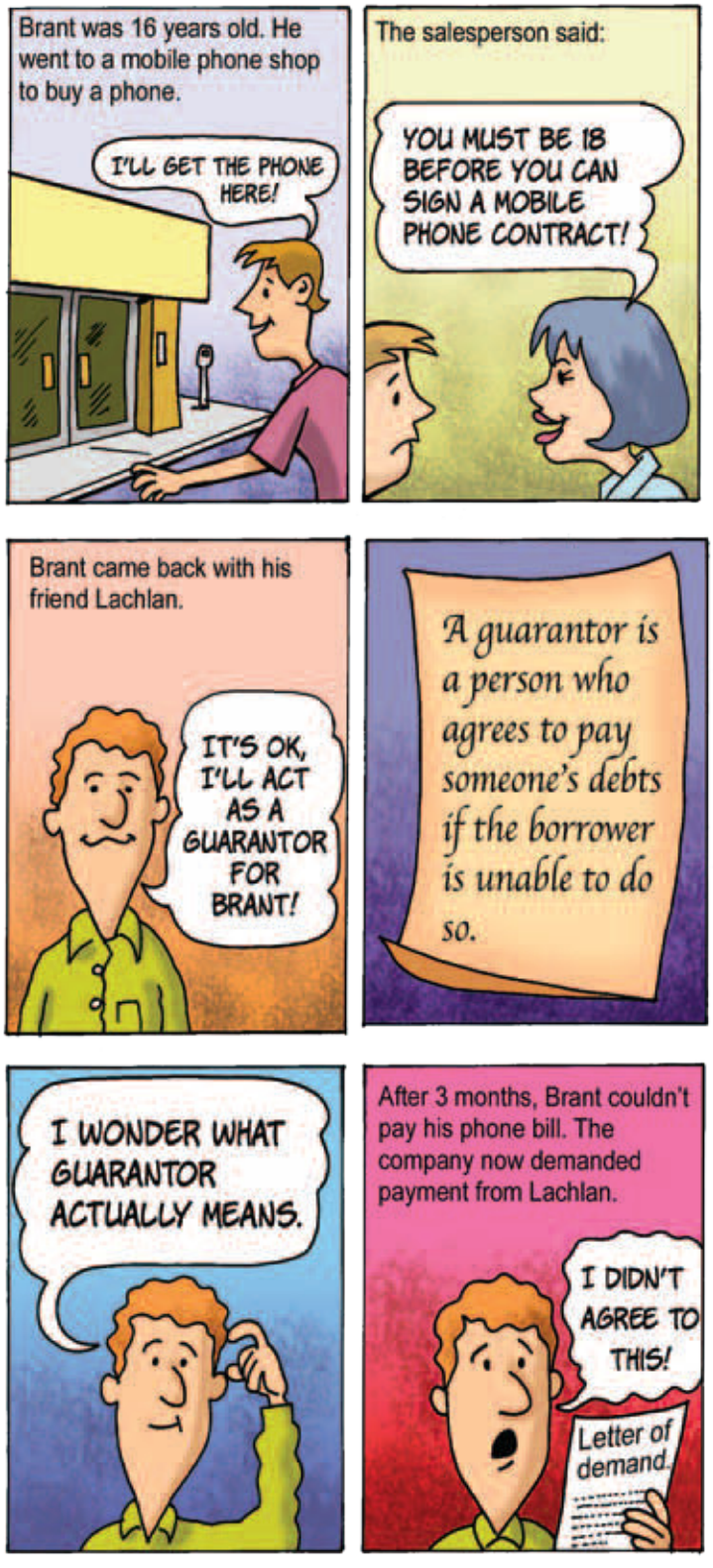
Contracts

A **contract** is a legally binding agreement. A person under 18 can legally enter into a contract to purchase essential goods and services that are necessary to support him or her. Such goods and services may include food, housing, medical and dental services and education. A contract for these types of goods and services can be enforced through the courts. Therefore, people under 18 can rent a flat or house and sign a lease. However, if rent is not paid or damage is caused to the premises, the landlord can sue the young person.

If a person under the age of 18 buys luxury goods such as jewellery or stereo equipment, the contract will not be legally binding and the seller will not be able to enforce it. Also, if a person under 18 has entered into a loan agreement or obtained credit, these contracts cannot be enforced.

Mobile phone contracts

Recently, many young people have begun signing mobile phone contracts. As with all contracts, it is important to read and understand the 'fine print'. Failure to do so may result in financial hardship, especially as mobile phones have become the main cause of problem debts among young people. Also, think carefully before agreeing to act as a **guarantor** for a friend's mobile phone contract.



Negligence

Negligence occurs when a person or an organisation fails to exercise reasonable care and causes damage to another person. For example, an employer has a duty of care to provide a safe workplace. Employees who are injured at work are entitled to workers' compensation. However, if they were injured due to the employer's negligence, the injured worker can sue their employer, as outlined in this illustration.



An example of negligence

Businesses also have a duty of care to their customers and may be found negligent if the goods and services they provide cause harm. For example, restaurants and cafés have a duty of care to ensure the food they provide is safe to eat. The principle of duty of care is based on what we would expect a reasonable person to do or not do.

Comfact

The modern law of negligence was developed as a result of a decision of the House of Lords (England) in the case of *Donoghue v. Stevenson* (1932). Read more about this case on page 97.

Activities

Understand

1 Explain how civil law differs from criminal law.
2 Describe the type of punishment that tends to be given in civil cases.
3 What is a contract? Outline the circumstances under which people aged under 18 may enter into a contract.
4 Name the major cause of debt among young people.
5 Refer to the cartoon about Lachlan's mobile mistake.
   (a) Explain why Brant could not enter into a mobile phone agreement.
   (b) Define the term 'guarantor'.
   (c) How could Lachlan have avoided the problem with the phone company?
6 Refer to the cartoon on negligence at left.
   (a) Who is the employer?
   (b) Name the employee.
   (c) Explain why the employer was negligent.

Think

7 Discuss whether negligence has occurred in the following situations.
   (a) On a busy, hot summer day, a lifeguard leaves the beach for five minutes to get a drink. In the meantime, a swimmer is calling out for help. The swimmer drowns and his parents decide to sue.
   (b) After a party, Imogen accepts a lift from Patrick despite being aware he had been drinking for several hours. Patrick subsequently crashes the car. Imogen is hurt and decides to sue.

Communicate

8 Conduct a mock trial on: 'The wolf from the three little pigs story has been charged with destruction of property, vandalism and attempted murder'.

Glossary

civil law deals with non-criminal matters involving disputes between individuals and organisations

contract a legally binding agreement

guarantor a person who agrees to pay another person's debts if they are unable or unwilling to pay themselves

negligence the failure to exercise proper care, which could result in another person being injured or suffering a risk

12.6

Rights, responsibilities and protection under the law

Rights and responsibilities

Some nations, such as the USA and New Zealand, include in their constitution a Bill or Charter of Rights. This virtually guarantees that their citizens cannot lose any of their rights unless there is a vote to change the constitution.

In Australia, the only rights that are guaranteed by the constitution are the rights to:

- vote
- freedom of religion
- freedom of movement
- own property
- trial by jury
- a fair trial.

Protection provided by the law

The law protects individuals in a variety of situations. These include family, commercial (such as shopping and other consumer issues) and work situations.

Convention on the Rights of the Child

As part of our contribution to the global community, Australia is a party to many treaties and conventions. One of these is the United Nations Convention on the Rights of the Child (CROC). This was written in 1989 and ratified (signed) by Australia in 1990. There are 40 articles altogether; some are summarised below.

- Children should be protected from discrimination on the basis of their family background.
- The interests of the child must be considered by the courts and welfare agencies.
- Children have the right to express their opinion freely in all matters affecting them and to have that opinion taken into account in any matter affecting them.
- Children have the right to express their views, obtain information and give others information and tell of their ideas.
- The government must respect a child's right to freedom of thought, morals/conscience and religion.

Comfact

In Australia, we rely on specific statutes and also the common law to guarantee our rights.

Casestudy

Lyn and Chris

Lyn and Chris were both turning 14 on the same day. Their parents thought it would be a great idea to cut down costs and hold the one party at a nearby youth centre. However, when they tried to organise it, the council advised them that they had banned parties at the youth centre due to complaints from nearby residents.

Lyn, Chris and their parents were furious, as nobody had been consulted. They contacted several councillors, the mayor and the local newspaper.

Eventually, a meeting was held involving the council, Lyn, Chris (and their parents) and several nearby residents. At this meeting, a set of rules was drawn up that everyone agreed to, for the use of the youth centre for young people's parties.

Lyn and Chris's party went ahead and everyone had a great time.



Which articles of the Convention on the Rights of the Child did the council violate?

Casestudy

Workplace violence and harassment

Violence and harassment are not acceptable in the workplace. Violence includes things such as:

- verbal abuse
- threats of physical abuse
- deliberately being placed in danger
- assaults such as harming you physically or simply making physical contact
- sexual assault
- initiation ceremonies which cause physical harm.

Harassment is less aggressive behaviour than violence, but is still illegal in the workplace.

It includes things such as:

- demeaning comments or put downs
- ridiculing you or making fun of you
- spreading rumours
- stealing or hiding your tools or equipment
- damaging any of your personal property
- sexual harassment.



Which cartoon is harassment and which is violence?

Activities

Understand

1 Copy the following passages and fill in the missing words from the list below.

New Zealand	common	Rights
statutes	Child	1989
40	United States	United
Convention	1990	constitutions

Nations such as the _____ and _____ have a Bill of _____ included in their _____. Australians rely on specific _____ and also the _____ law to guarantee their rights.

Australia is a party to the _____ Nations _____ on the Rights of the _____. It was written in _____ and ratified by Australia in _____. Altogether, it contains _____ articles.

2 List four things that are classed as harassment in the workplace.

3 List four things that are declared as violence in the workplace.

4 Study the two cartoons at left. Which one describes a situation of violence and which describes a situation of harassment?

5 Read the case study about Lyn and Chris and list any articles from the Convention on the Rights of the Child that were broken by the council.

Think

6 'Australia should have a Bill of Rights to ensure every citizen's rights are guaranteed.' Discuss.

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7 Use the **Law Stuff** weblink in your eBookPLUS to describe how the law tries to protect people injured in a car accident.

8 Use the **Young Workers** weblink in your eBookPLUS and play the game 'Hazard a guess'.

12.7

Methods of resolving disputes

Over the past 20 years, alternative methods have been set up to resolve disputes including mediation, conciliation and arbitration. When dealing with young people, police may use warnings, formal cautions, community conferencing, circle sentencing or the courts.

There are numerous advantages and disadvantages in resolving disputes without proceeding to the court system. The advantages include:

- the system is cheaper and quicker than going to court
- it may create goodwill between the parties
- it is more flexible, thus meeting the parties' individual needs.

The disadvantages include:

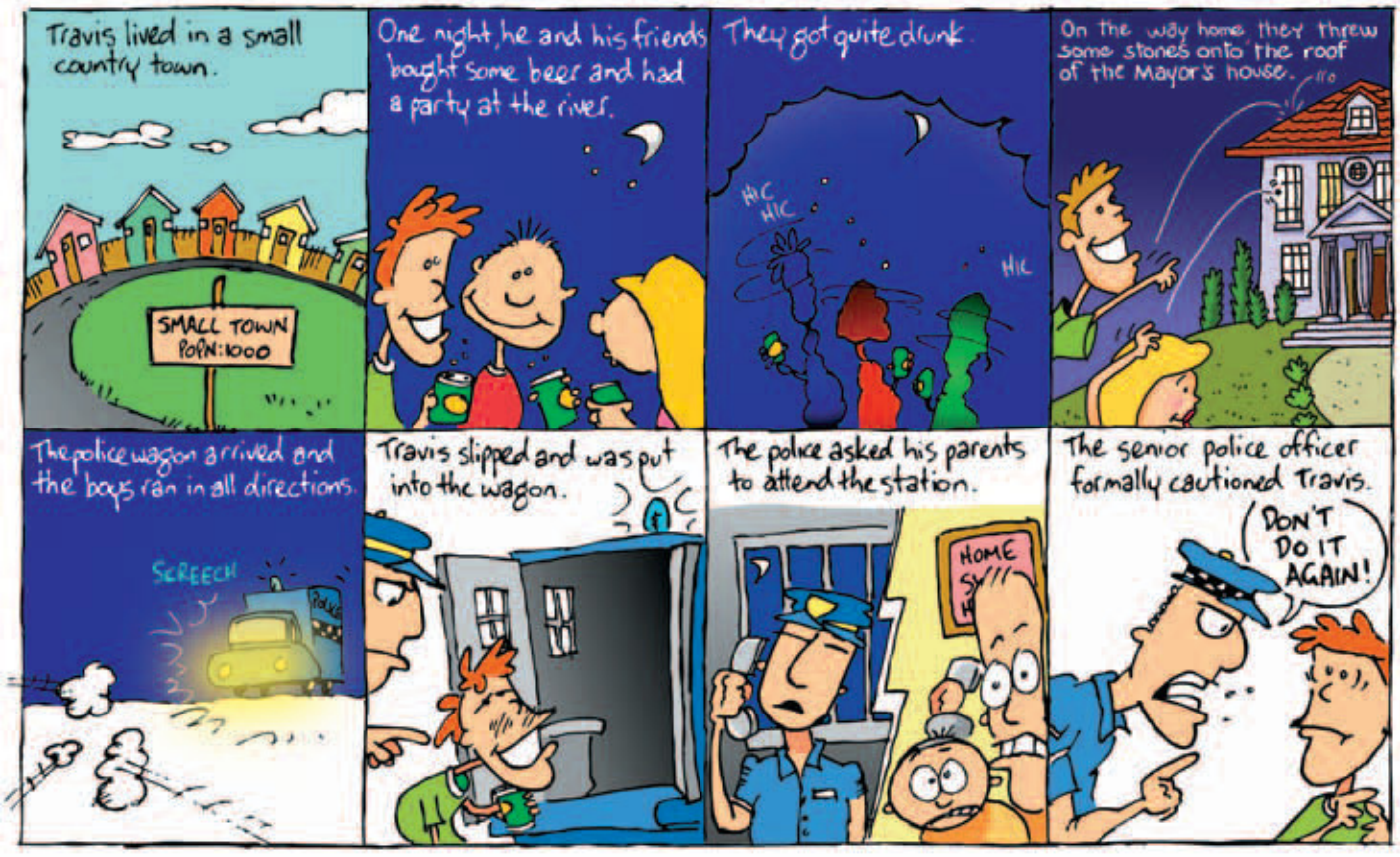
- people may opt for mediation because they cannot afford to go to court
- it may lead to people surrendering their legal rights.

Warnings

If a person under the age of 18 commits an offence, such as offensive conduct or carrying an offensive implement, they may be dealt with by a police officer issuing a warning. The child's name will be taken but the incident will not become part of the child's criminal history.

Formal cautions

A child may be given a formal caution by a senior police officer or a respected member of the community such as an Aboriginal elder. Issues taken into account when deciding whether to give a caution include the seriousness of the offence, if violence was involved, the harm caused to the victim, the nature of prior offences and the number of previous offences.



Example of an incident that may lead to a caution

Community conferencing

Community conferencing is viewed as being more severe than a caution, but not as severe as a court appearance. A child must first admit to an offence before being eligible for conferencing or a caution. People who may attend the conference include the child, the victim, people responsible for the child, investigative officials, a support person for the victim, and a specialist youth officer. The aim of the conference is to draw up a plan that is agreed to by all the participants. This includes the victim.

A benefit of conferencing is that the child does not end up with a criminal record.

Mediation and conciliation

Mediation is where the people involved in a dispute meet with a neutral third party — a mediator — who helps them to negotiate an agreement. This is normally some form of compromise. Mediators do not act for any of the parties, nor do they advise or decide who is right or wrong. Their main role is to encourage all the parties to examine all the issues. The main advantage of mediation is that both parties feel that they have achieved something for themselves.

Conciliation is very similar to mediation except that the conciliator is usually much more interventionist; that is, they will offer their opinions and views. Conciliation is quite common in industrial disputes.

Tribunals and arbitration

A tribunal is a government body with powers to settle disputes. Most tribunals use mediation to settle a dispute. However, if this is not successful, arbitration is used. **Arbitration** is similar to mediation in that a third person assists the parties to reach their own solution. However, if the parties cannot reach an agreement, the arbitrator decides for them. The arbitrator's decision is binding, which means that both parties must accept the decision.

Tribunals hear disputes on a wide range of issues, including matters of credit, domestic building work and tenancies.

Circle sentencing

Circle sentencing involves a sentencing court going to the local indigenous community. The magistrate and the community sit in a circle, discuss the matter and arrive at an appropriate sentence.

Community members include the magistrate, offender, victim and their families as well as respected members of the local indigenous community.

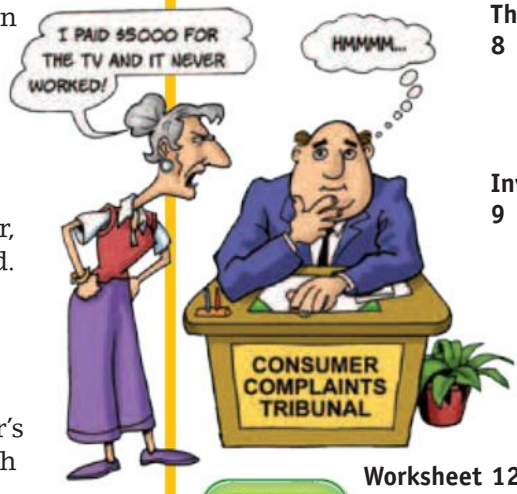
Courts

Often, the parties in a dispute will settle the issues themselves without going to court. However, many disputes eventually require the legal system to help resolve the issues. This is the role of the court system. The courts deal with the majority of adult criminal matters and the most serious children's offences.

Activities

Understand

1 Name the five options that police have when dealing with young people.
2 Identify the advantages and disadvantages of resolving disputes without going to court.
3 Outline the difference between a *warning* and a *formal caution*.
4 Refer to the cartoon on page 292.
   (a) Who issued the caution?
   (b) Would Travis have a criminal record after the caution?
   (c) If Travis did not admit to the offence, could he have been cautioned?
5 Describe how community conferencing operates.
6 Explain the difference between *arbitration*, *conciliation* and *mediation*.
7 Describe how circle sentencing operates.



Think

8 Which methods of resolving a dispute are the most effective in a school setting? Why?

Investigate

9 Research newspapers and obtain an article that relates to a crime by a young offender. State the source and the date the article was written, and then write a summary of the information in the article.

eBook plus **Worksheet 12.3** Examine the different approaches to settling disputes by filling in the missing words.

Glossary

arbitration a method of resolving disputes whereby a judge in a court gives a decision

conciliation a method of settling a dispute where a third party acts as an interventionist mediator

mediation when a third party helps those involved in a dispute to reach a solution acceptable to both sides

Chapter 13

OPTION



Our economy

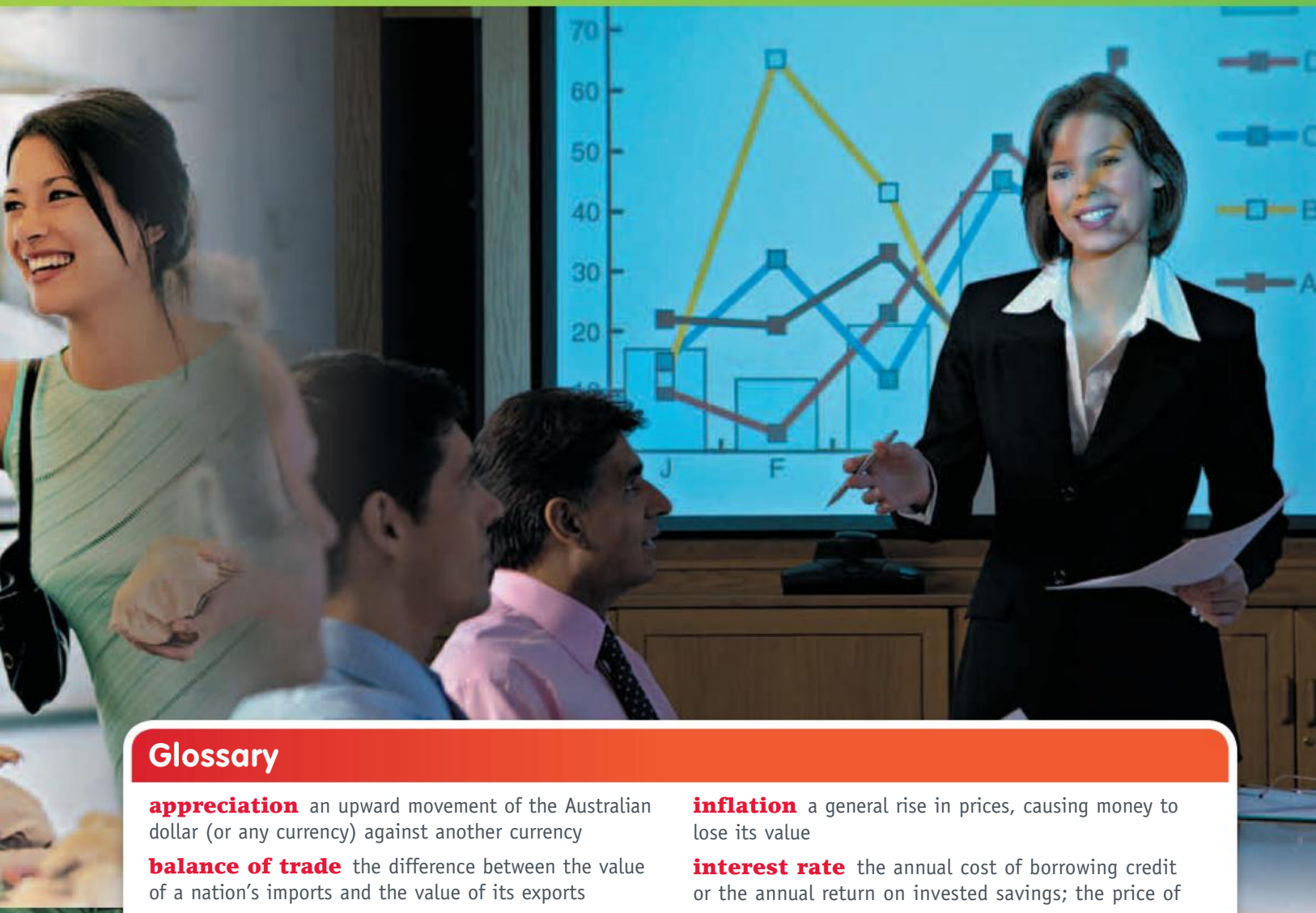
'Interest rates to fall'; 'The Australian dollar steady'; 'Unemployment rising'; 'Consumer spending falling'; 'Inflation rate at ten year low'. Stories with headlines such as these regularly appear in our media. You could be forgiven for thinking that such issues have very little impact on your lifestyle. However, whether you can find a job, afford to buy a car, take an overseas holiday or obtain a loan depends on events in the economy. The health of the economy affects us all.

The Australian economy is a complex system that operates with amazing efficiency. Consumers, businesses and governments each make their own economic decisions and undertake their own economic activity. All three, however, are interrelated. The decisions and actions of one will influence the others. And the most mysterious aspect is that the forces responsible for the system's operation are unseen.



Focus

On completion of this chapter, you will have learned to assess changes in our economy, how these changes relate to existing trends in the economic cycle, and to explain the implications of these changes for consumers and businesses.



Glossary

appreciation an upward movement of the Australian dollar (or any currency) against another currency

balance of trade the difference between the value of a nation's imports and the value of its exports

business cycle the cyclical fluctuations in the general level of economic activity

comparison rate loan interest rates calculated after adding fees and charges to the lender's advertised rate

Consumer Price Index (CPI) Australia's main measure of inflation

default the inability to repay borrowed money

depreciation a downward movement of the Australian dollar (or any currency) against another currency

depression a severe contraction in the level of economic activity resulting in many business failures, high and sustained levels of unemployment and sometimes falling prices

foreign debt the amount of money a country has borrowed from overseas sources

foreign exchange (forex or fx) market the market that determines the price of one currency relative to another

foreign exchange rate the ratio of one currency to another

inflation a general rise in prices, causing money to lose its value

interest rate the annual cost of borrowing credit or the annual return on invested savings; the price of money

investment the purchase of new plant and equipment

macroeconomics the study of the economy as a whole

mixed economy an economic system in which individuals and businesses make their own decisions but with a degree of government involvement

purchasing power the actual quantity of goods and services that may be bought with a given amount of money

real income what an income will actually purchase after allowing for the effects of inflation

recession a relatively mild contraction in the level of economic activity resulting in reduced spending, rising unemployment and a slow rate of economic growth

standard of living the quality of life measured by the quantity of goods and services available for consumption

term the length of time allowed to repay a loan

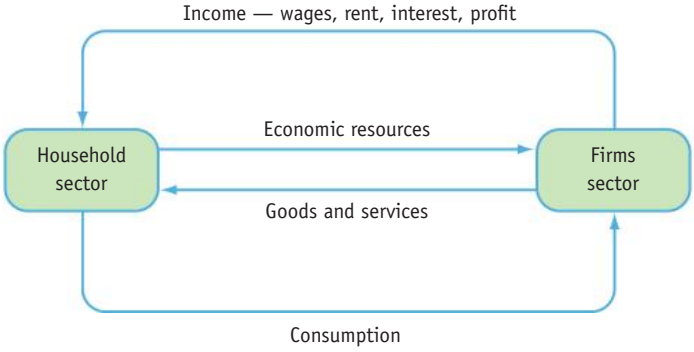
13.1

Economic links

Vanessa had a sudden flash of inspiration about how to best present her Commerce assessable task. 'I have always enjoyed model making so this could be a good place to start,' she thought. Vanessa's Commerce task was to explain the links within the economy. Her central theme was to be *income*.

The simple economic model

Vanessa had learned from her design teacher that when building a model it is easiest to start simply and build up to a more complex model. She started with just two groups of people. She called them 'households' and 'firms'. The household sector was made up of consumers. They were people who owned the economic resources (land, labour, capital and enterprise). Vanessa knew that they 'sold' their resources to firms that then used them to produce goods and services. This was called *production*. The firms paid an income for these resources. Households then used these incomes to purchase the goods and services produced by the firms. She knew this was called *consumption*. She called this version of the economy a two-sector model.

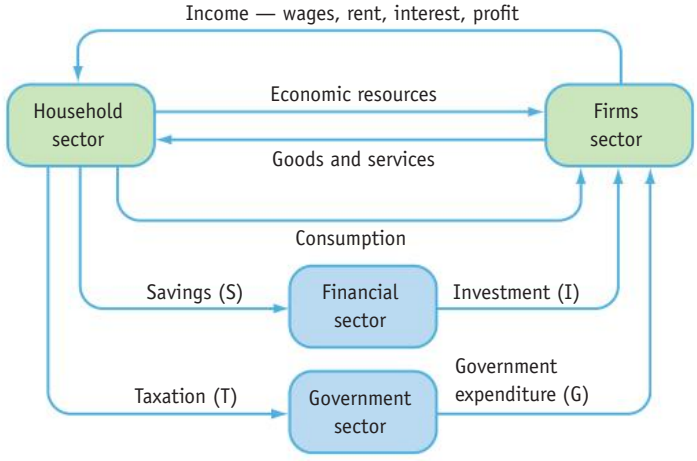


Vanessa's simple two-sector circular flow of income model

More complex models

Vanessa realised that this simple model did not adequately represent the economy. For a start, she knew that people do not spend all their income on consumption, but instead save part of it. Also, having a part-time job, she couldn't forget the money taken out as tax by the government. This meant two other sectors had to be added.

She labelled these sectors the financial sector and the government sector. Vanessa knew that firms paid taxes to the government and also saved with the financial sector but, to keep her model uncluttered, she drew money flowing from the household sector to these two new sectors and returning to the system through the firms sector. Vanessa recalled that money which is saved with the financial sector often returns to firms in the form of **investment**, while the money from taxation is used for government spending. She called this new version of the economy a four-sector model.



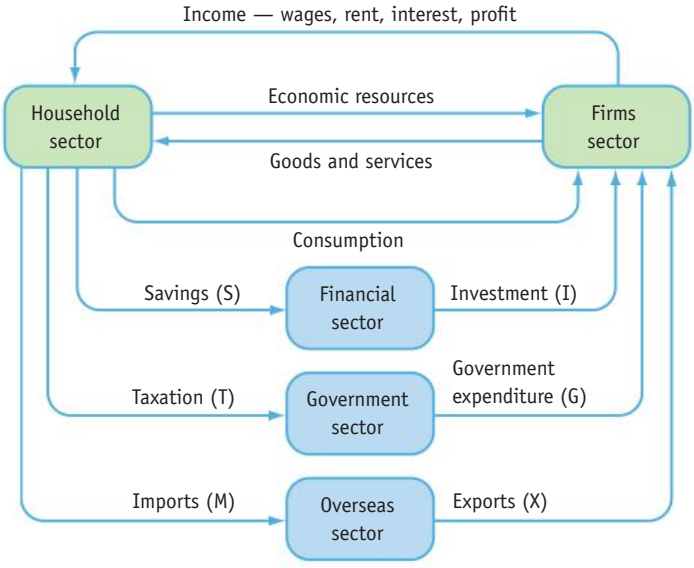
Vanessa's four-sector model of the economy

To complete her model, Vanessa had to add one more sector. Politicians are always talking about Australia's international trade, mentioning exports and imports and their effect on the economy. She called this the overseas sector and her final model was then ready to show the class.

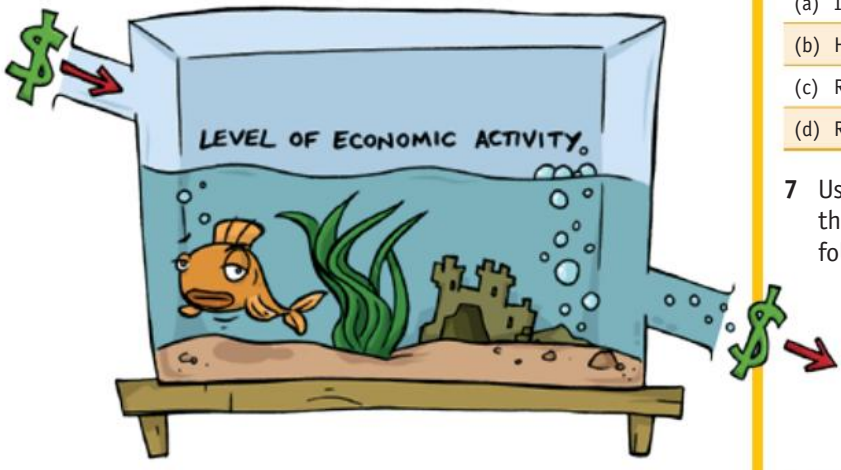
Vanessa named her model 'The circular flow of income: a **macroeconomic** model'. When explaining it to the class, she said this:

> The diagram shows how each sector is dependent on others through money flows. Savings, taxation and imports are referred to as leakages (money leaving) from the model. Investment, government expenditure and exports are the injections (money entering) into the model.
>
> Because leakages seldom equal injections, the level of economic activity fluctuates. Picture the economy as a fish tank. When more money enters the economy than leaves (injections are greater than leakages) the economy will expand and

experience economic growth. When more money leaves the economy than enters (leakages are greater than injections) the economy will contract and experience economic decline. To avoid the problems associated with growth or decline, the government tries to influence the decisions made by sectors to alter the flows of money, in order to achieve the correct balance in the economy.



Vanessa's completed model of the economy



The effect of injections and leakages is to raise or lower the level of economic activity.

The flow of money

'Money makes the world go around'. This may not be physically true, but it sums up in simple words the way the economy works. We all use money when we buy something; it is constantly flowing throughout the whole economy. It therefore links the main sectors within our economy and is what makes our economy function. Oil is the lubricant that keeps your car engine running smoothly; in the same way, money is the oil that keeps our economic system working. Without money we would have to go back to bartering. This would result in fewer and weaker links between the sectors and a lower **standard of living**.

Activities

Understand

1 What five sectors comprise the Australian economy?
2 What is meant by the terms 'leakage' and 'injection'?
3 If leakages are greater than injections, as described by Vanessa's model, suggest the effect that this will have on the economy.
4 Complete the following table using appropriate symbols. The first one has been filled in for you.

Model (Sectors)	Leakages	Injections
(a) Four	S + T	____ + ____
(b) Five	____ + ____ + ____	____ + ____ + ____

5 Explain the importance of money in our economy.

Think

6 Copy the following table into your notebook. Next to each statement indicate whether each event will expand or contract the level of economic activity.

Statement	Expand or contract
(a) Increased investment	
(b) Higher taxes	
(c) Rising export sales	
(d) Reduced government spending	

7 Using the completed five-sector model, identify the money flows which best describe each of the following transactions.
(a) An employee collects his wages.
(b) A car manufacturer installs a new welder.
(c) A teenager opens a bank account.
(d) A school student buys a mobile phone.
(e) An Australian miner sells iron ore to China.
(f) An employee pays income tax.

eBookplus **Worksheet 13.1** Explore the circular flow of income model.

Glossary

investment the purchase of new plant and equipment

macroeconomics the study of the economy as a whole

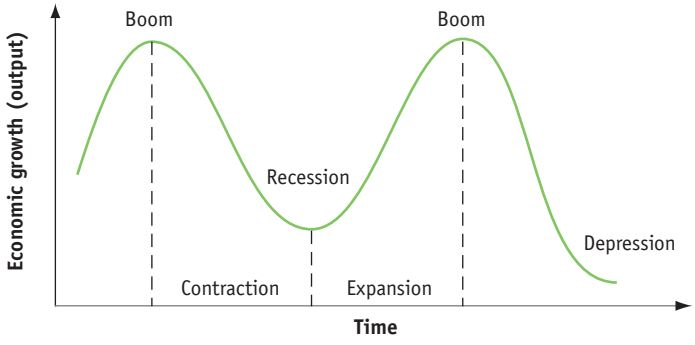
standard of living the quality of life measured by the quantity of goods and services available for consumption

13.2

The business cycle (1)

Imagine your local shopping centre to be a small-scale representation of the Australian economy. Now, imagine what would happen to the businesses within the shopping centre if all their customers decided to shop at another centre for a day. Economic disaster! If this situation continued for a month then the centre's businesses would close, employees would be laid off, and landlords and suppliers would not be paid. Eventually, as the 'economy' plunged into a **recession**, business owners would lose confidence in the economy's future. However, at the rival shopping centre, new businesses would open, many new jobs would be created, landlords and suppliers would gain new customers and the confidence of the local business owners would soar. The 'economy' of this shopping centre would boom.

While such an extreme situation would not happen in reality, the Australian economy does experience a cycle of 'booms' and 'busts'. These periods of high and low economic activity are referred to as the **business cycle**. After a period of prosperity, business activity gradually slows until a recession or **depression** is reached. Eventually, business picks up again until prosperity is restored. This completes the cycle. These cycles are a basic feature of our economic system.



Contraction

Key features
- Falling levels of production (output)
- Decreasing consumer spending
- Rate of inflation may fall
- Wage rates generally fall
- Interest rates eventually fall
- Level of unemployment rises

Expansion

Key features
- Rising levels of production (output)
- Increasing consumer spending
- Rate of inflation may rise
- Wage rates generally rise
- Interest rates eventually rise
- Level of unemployment falls

Phases of the business cycle

No economic system works perfectly all the time. The level of economic activity fluctuates (moves up and down). In other words, total production, incomes, spending and employment rise and fall. The fluctuations are caused by changes in the level of total spending — consumer spending (consumption), business spending (investment) and government spending — within the economy.

Case*study*

The Great Depression

In 1929 the United States of America had never been richer. People rushed to buy shares in companies in order to 'get rich quick'.

But on 24 October 1929, the euphoria rapidly evaporated. On 'Black Thursday', the New York Stock Exchange saw share values begin to fall sharply. American factories soon found it difficult to sell their goods. Employers were forced to reduce wages and dismiss many workers. This meant more people had less money to spend, and so the whole process accelerated.

As a result, US businesses cut back production and investment. Business and consumer confidence were shattered. Thousands of businesses were declared bankrupt. Mass unemployment was now common. Lifetime savings were wiped out when thousands of banks suspended operations. Farmers were bankrupt. Families were evicted from their homes for not being able to meet their mortgage repayments. And all the while, the unemployment queues grew longer.

As the US economy toppled, it dragged down other national economies. What began as a financial crisis of confidence in the USA ended up as the Great Depression of the 1930s.



Casestudy

2009 global financial crisis

In September 2008, the US financial system suffered a massive loss of confidence as homeowners defaulted on their mortgage payments. The housing bubble finally burst! Quickly, the US financial crisis spread to the rest of the world. Large financial institutions became bankrupt or were bought out, and governments were forced to implement rescue packages to bail out their financial systems.

The global financial crisis (GFC) inevitably led to a severe global economic recession, the worst since the 1930s Great Depression. World stock markets collapsed and world economic growth and trade severely declined with a consequent increase in unemployment. The economic deterioration was so severe in some countries that the International Monetary Fund was forced to bail them out by offering massive loans.

Governments implemented expansionary fiscal and monetary policies to stimulate consumer spending and business investment. This would act as a buffer against the deteriorating global economic conditions.

Casestudy

2011 European Union debt crisis

Flowing on from the GFC, in 2011 five smaller European Union (EU) countries — Portugal, Italy, Ireland, Greece and Spain (PIIGS) — struggled to repay their national debts. Greece's debt was so large it exceeded the size of the nation's entire economy! The PIIGS risked defaulting (failing to repay) on their loans. This would cause a recession in many countries, including the United States due to its large export sales to that region. Fearing the crisis would spread, loans were organised to help bail out the PIIGS on condition they adopt austerity measures to ensure the bailout money was repaid. The PIIGS faced a difficult time paying off the debt while at the same time trying to expand their economies.



The European Union debt crisis threatened the world's economy.

Activities

Understand

1 What do you understand by the 'business cycle'?
2 List the main phases of the business cycle. Use a diagram to illustrate your answer.
3 Why does the level of economic activity fluctuate over time?
4 Total spending consists of spending by which three groups (sectors)?

Think

5 If our economy grows (i) rapidly or (ii) slowly, why should we be concerned?
6 Read the case study about the Great Depression.
   (a) List the main economic effects of the Great Depression.
   (b) In small groups, brainstorm the policies you would put into action to fix a depressed economy. Share your answer with the rest of the class.
   (c) Investigate what the economic role of the government should be in a depressed economy, according to the famous English economist John Maynard Keynes. (*Hint:* you may need to refer to some economic references.) Comment on and compare your solutions with those developed by Keynes.
7 What was the main cause of the (i) 2009 global financial crisis and (ii) 2011 European debt crisis?
8 Use the **Great Depression** weblink in your eBookPLUS to prepare either a one-page or two-minute oral report on living conditions in Australia during the Great Depression. In your report, refer to the effects of unemployment on the individual.
9 Use the **GFC/Eurozone debt crisis** weblink in your eBookPLUS to explore key events of the global financial and European economic crises.

eBookplus **Worksheet 13.2** Complete and analyse a graph on the 'ups' and 'downs' of economic growth.

Glossary

business cycle the cyclical fluctuations in the general level of economic activity

depression a severe contraction in the level of economic activity resulting in many business failures, high and sustained levels of unemployment and sometimes falling prices

recession a relatively mild contraction in the level of economic activity resulting in reduced spending, rising unemployment and a slow rate of economic growth

13.3

The business cycle (2)



The number of business closures increases during a recession.

The fluctuations of the business cycle do not fall into a regular pattern. The periods of expansion can vary from several months to several years. A contraction need not result in a recession or a depression if a recovery begins before the economy falls too far. For example, if the Reserve Bank of Australia (RBA) lowers interest rates, this should raise people's confidence in the economy. This aims to encourage consumers and businesses to increase spending, which helps avoid a downward spiral to recession.

Sometimes there may be a downturn in only one kind of production, for example, motor vehicles. However, because of the interdependent nature of our economy, a change in any direction tends to spread. An increase in business activity can also spread. An increase in the demand for goods and services can force production and incomes to rise.

Recession — too little spending

Recessions (and depressions) are caused by lack of spending, not the inability of the economy to produce goods and services.

Most goods and services are produced before they are sold. The amount produced depends on how much the business thinks consumers, other businesses and governments will buy, which in turn is influenced by the level of economic confidence.

By choosing to spend some of your money, you send a signal to businesses to keep making the products you buy. If, however, some products are not bought, the business may cut back on production and some employees might lose their jobs and incomes. This causes total spending to fall even further as people's confidence in the future is shaken. In this way, a recession spreads and economic growth is slowed. When a recession becomes widespread and long-lasting, it is called a depression.

The key features of a recession include the following:

- Income and production are at their lowest level.
- Unemployment is at its highest level in the business cycle.
- Wages and salaries either fall or grow very slowly.
- Consumer demand and, consequently, business sales and profits, reach their lowest levels. Bankruptcies are everyday occurrences and the business outlook is bleak.
- Businesses have a lot of unused resources and there is no incentive to purchase new machinery.
- Interest rates remain low. There are few investment opportunities and a reduction in the number of creditworthy borrowers.
- The inflation rate tends to stay low.

Booms — too much spending

The upside of the business cycle is growth and prosperity. Production, spending and employment rise. Businesses expand, employees are hired and incomes increase. Consequently, total spending increases even more. Consumer and business confidence are high. However, the economy cannot keep producing more goods and services indefinitely. There is a limit. When this happens, additional spending pushes up prices. **Inflation**, a general rise in prices, now becomes a major economic problem and will eventually bring to an end the continued growth.

The key features of a boom include the following:

- Income and production are at their highest levels.
- There is full employment of labour and all other resources.
- Wages and salaries are relatively high. Employees are now in a strong bargaining position as businesses compete for scarce labour resources.
- Businesses are operating at full capacity. Increases in consumer demand are met by increases in prices rather than by increases in production.
- Interest rates are high as loanable funds are in relatively short supply.
- The rate of inflation rises sharply.

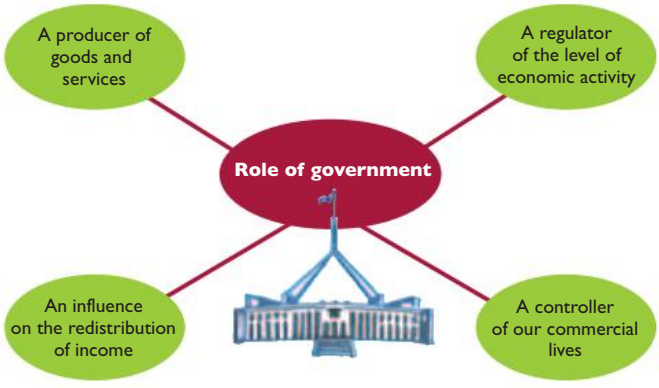


During a period of inflation, each dollar you have buys less and less; more money is needed to buy goods and services.

The role of government

Consumers and producers in Australia have a great deal of power in deciding the types and quantities of goods and services produced, but their freedom of choice is regulated somewhat by our governments. This is why our economy is referred to as a **mixed economy**: an economy that relies on markets to organise most aspects of economic life but with some government involvement.

The most important role played by the government is to regulate the nature and level of economic activity for the nation as a whole. It does this by undertaking four main functions within the economy, as shown by the diagram below.



Governments operate in a range of areas to make it possible for our economy to function efficiently.

Glossary

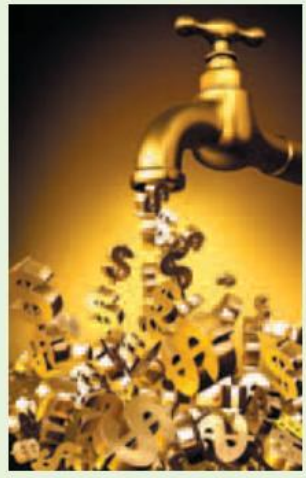
inflation a general rise in prices, causing money to lose its value

mixed economy an economic system in which individuals and businesses make their own decisions but with a degree of government involvement

Casestudy

Economic stimulus package

The global financial crisis of 2009 caused a downturn in world economic conditions. In response, governments of the rich nations launched economic stimulus packages in order to pour millions of dollars into their economies. In Australia, for example, the Rudd Government injected about $53 billion into the Australian economy through two budgetary measures. These packages contained a mixture of immediate stimulus to encourage consumer spending and longer-term infrastructure projects such as school buildings. In the US, President Obama introduced a $1.21 trillion stimulus measure designed to create or protect 3.5 million jobs. Additionally, world central banks cut interest rates with the aim of stimulating consumer spending and business investment.



Getting the money to flow

Activities

Understand

1 Why does the Reserve Bank of Australia often lower interest rates when a contraction occurs in the level of economic activity?
2 What is one of the main causes of recession and depression?
3 What is the relationship between a recession and a depression?
4 Why does the number of business closures decrease during a boom?
5 What is the main economic problem during:
  (a) a recession
  (b) a boom?
6 Why is the Australian economy referred to as a mixed economy?

Think

7 Explain why a rise in consumer confidence often results in a boom.
8 Read the case study about the economic stimulus package.
  (a) Why did governments in rich nations introduce economic stimulus packages in early 2009?
  (b) What do you think would be the impact of an economic stimulus package on an economy? Give reasons for your answer.

13.4

Interest rates

Saving and borrowing

In society, there are people who have spare money (surplus funds) that they usually save with a financial institution. When they allow their savings to be used by a financial institution, they expect something in return. The **interest rate** on money deposited is the price financial institutions must pay for the use of this money. Alternatively, there are people with not enough money (deficit funds) who need to borrow from financial institutions. They, too, must pay a price for the use of this money. The interest rate on loans (borrowings) represents the price. Financial institutions make a profit by charging a higher rate to borrowers than they pay to depositors.

Comfact

The interest rate charged is always expressed as a percentage; for example, 8 per cent per annum. This means a charge of 8 cents for each dollar borrowed over a year. **Comparison rates** are loan interest rates calculated after adding fees and charges to the lender's advertised rate.

Short-term and long-term interest rates

Interest rates can be classified as either short term or long term. For example, you can take out a home loan with the interest rate fixed for 20 years. This is considered a long-term interest rate. You make the same payments over these years, regardless of whether interest rates rise or fall. Alternatively, when you use your credit card or take out a personal loan, you are borrowing money at an interest rate that can change in the short term. As a general rule, short-term interest rates tend to be higher than long-term interest rates, as shown in the MetWest Bank advertisement at right.

The interest rate received by savers also varies according to:

- the amount of money deposited
- how long the money is deposited for
- the type of account selected.

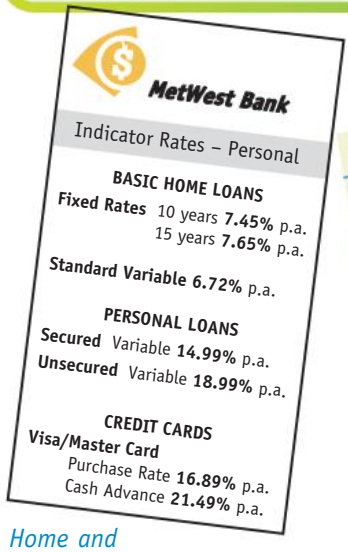
Casestudy

Of consuming interest

One factor that influences the level of interest rates is the actions of the Reserve Bank of Australia (RBA). The RBA is not a bank that accepts deposits from individuals. Its role is to manage the Australian economy.

In trying to avoid massive swings in the business cycle, the RBA will adjust short-term interest rates. High interest rates encourage consumers and businesses to save their money. Therefore, the RBA raises interest rates to slow down an economy that is expanding too rapidly. Low interest rates encourage consumers and businesses to spend. The RBA will consequently lower them when the economy is heading for a recession. The RBA's decision acts as a signal to other banks such as ANZ and Westpac to also change their interest rates on loans and savings accounts. Even a quarter of a percentage (0.25 per cent or 25 basis points) change in interest rates affects decisions made by consumers and businesses in the Australian economy.

RESERVE BANK OF AUSTRALIA


MetWest Bank

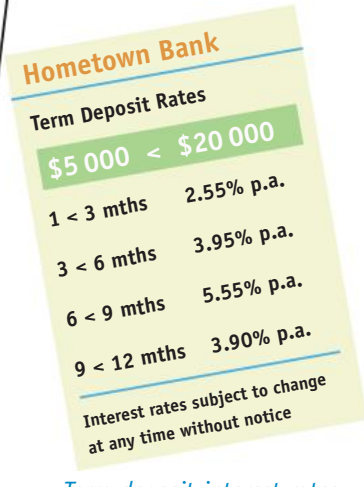
Indicator Rates – Personal

BASIC HOME LOANS
Fixed Rates 10 years 7.45% p.a.
15 years 7.65% p.a.
Standard Variable 6.72% p.a.

PERSONAL LOANS
Secured Variable 14.99% p.a.
Unsecured Variable 18.99% p.a.

CREDIT CARDS
Visa/Master Card
Purchase Rate 16.89% p.a.
Cash Advance 21.49% p.a.

Home and personal loan interest rates


Hometown Bank

Term Deposit Rates

$5 000 < $20 000

1 < 3 mths	2.55% p.a.
3 < 6 mths	3.95% p.a.
6 < 9 mths	5.55% p.a.
9 < 12 mths	3.90% p.a.

Interest rates subject to change at any time without notice

Term deposit interest rates

Fixed and variable interest rates

Once you have decided how much you want to borrow, you can select one of two main rates of interest for your loan.

1. *Fixed interest rate* — the interest rate is set (fixed) for the entire **term** of the loan. The main advantages are:
   - protection from unexpected interest rate increases
   - predictable payments, which make it easier to budget.

   The main disadvantages are:
   - you cannot take advantage of a fall in interest rates
   - an early payout penalty if you want to clear the loan before the fixed term has expired.
2. *Variable interest rate* — the interest rate moves up or down over the term of the loan. The main advantages are:
   - if interest rates fall, your repayments reduce
   - you can shorten the term of your loan if you maintain the higher repayment
   - additional repayments can be made without penalty.

   The main disadvantages are:
   - if interest rates increase, your repayments will rise
   - you may be forced to increase your repayments if the loan cannot be paid back within the agreed term.

   Most financial institutions also offer:
   - Combination loan — the interest is fixed for an initial period, usually up to 10 years, then reverts to a variable rate.
   - Split loan — where part of your loan is fixed and the remaining portion is variable. For example, imagine you borrow $150 000. You may decide to fix $100 000 over seven years and leave the remaining $50 000 at a variable rate.

   By using either of these methods, you can try to protect (hedge) against rising interest rates.



How financial institutions make a profit

Glossary

comparison rate loan interest rates calculated after adding fees and charges to the lender's advertised rate

interest rate the annual cost of borrowing credit or the annual return on invested savings; the price of money

term the length of time allowed to repay a loan

Activities

Understand

1 What is meant by the terms 'surplus funds' and 'deficit funds'?

2 Outline how the RBA maintains steady economic growth.

3 Explain the difference between *fixed* and *variable* interest rates.

4 List the advantages and disadvantages of fixed and variable interest rates.

5 Why is the interest rate often referred to as the 'price of money'?

6 If you borrow $10 000 for one year at 7 per cent per annum, how much do you pay in interest?

7 Examine the MetWest advertisement on page 302 and then answer these questions.
   (a) What is the fixed home loan rate for ten years?
   (b) What is the standard variable home loan rate?
   (c) Which is larger, the secured or unsecured fixed personal loan rate?
   (d) Which type of loan has the highest interest rate?

Communicate

8 In small groups, decide whether you would prefer a fixed or variable interest rate if you were taking out a $250 000 home loan. Give reasons for your selection. Choose a spokesperson to share the group's comments with the rest of the class.

9 Make a collage that shows a range of interest rates from a variety of sources.

eBookplus

10 Assume you have $1000 in a Commonwealth Youthsaver account and you owe $500 on your Commonwealth Low Fee Student MasterCard. What interest are you:
   (a) earning on your savings
   (b) paying on your credit card?

To help you, use the **Commonwealth Bank** weblink in your eBookPLUS.

Worksheet 13.3 Compare your investment options among four major banks.

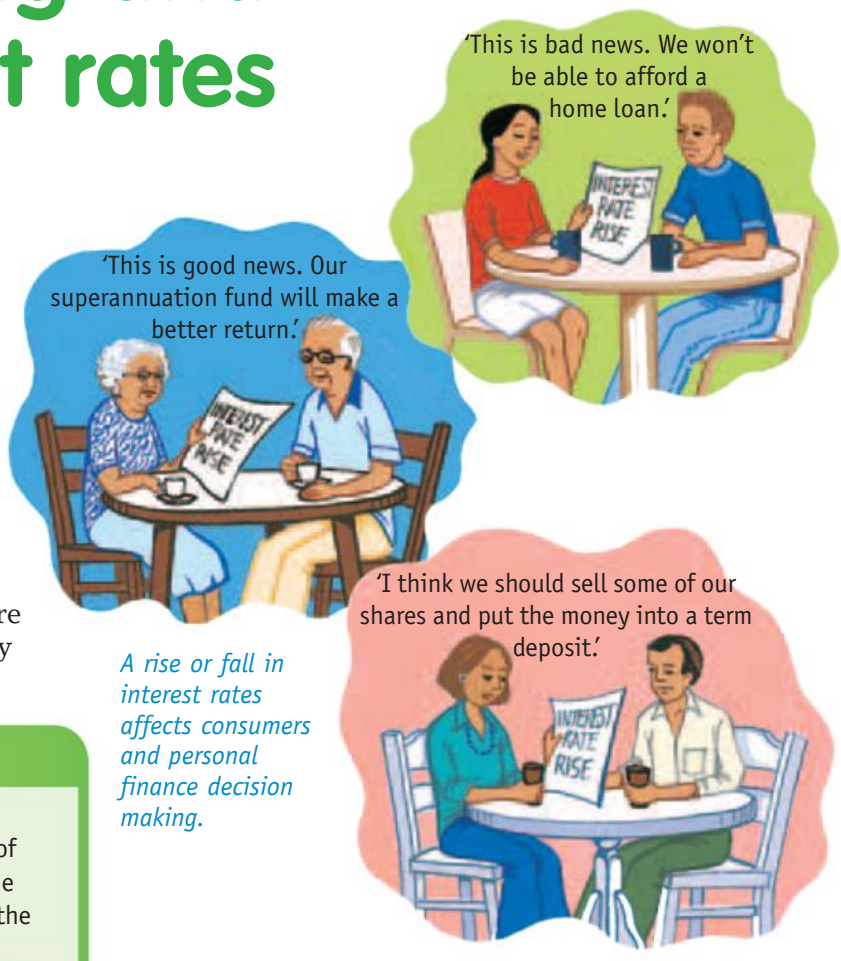
13.5

Effects of rising and falling interest rates

Rising and falling interest rates will directly affect consumer and personal financial decisions. Rising interest rates make saving relatively more attractive and borrowing relatively more expensive. Falling interest rates have the opposite effect. Consequently, the effect of an interest rate rise or fall will depend on whether you are a saver or a borrower.

The repayment of debt

The level of interest rates has a direct effect on a consumer's ability to repay a loan. For example, when interest rates are low, people are willing to borrow because they find it relatively easy to repay their debt.



A rise or fall in interest rates affects consumers and personal finance decision making.

Casestudy

The Vlahos family

The Vlahos family has just taken out a mortgage of $275 000 for a new home. The family is feeling the pressure of high mortgage repayments as well as the cost of education, food, utilities and keeping two cars on the road. The family currently pays an interest rate on the mortgage of 7.25 per cent, but hopes that the Reserve Bank may drop interest rates in the future.



Home-loan repayments calculator — fortnightly

Loan $	Interest rate %				
	6.75	7.0	7.25	7.5	7.75
200 000	690.90	706.79	722.80	738.98	755.34
225 000	777.26	795.14	813.15	831.35	849.76
250 000	863.62	883.49	903.50	923.72	944.18
275 000	949.98	971.84	993.85	1016.09	1038.60
300 000	1036.34	1060.19	1084.20	1108.46	1133.02

When interest rates are high, people are reluctant to borrow because repayments on loans cost more. Some consumers may even find it difficult to meet their existing loan repayments, especially if interest rates increase faster than the rise in a consumer's income. If interest rates rise sharply and stay high for a long period, some consumers will **default** on their loans.

The choice of fixed or variable interest rates

When interest rates continually rise, you can protect yourself from having to make larger repayments by taking out a fixed loan. Conversely, when interest rates fall, your repayments will be lower if you select a variable interest rate loan. The difficulty you and all consumers face is trying to accurately predict whether interest rates will increase or decrease in the future.

Case*study*

Interest rates: fixed or variable?

As a financial adviser, I tell my clients they should take a fixed loan when interest rates are rising. However, there is a risk. If after they fixed, interest rates started falling, they could have to pay thousands of dollars more compared to a variable rate. As well, to switch could cost a lot more due to the fees they have to pay to break a fixed rate. To complicate it further, the longer they wait, the higher the break cost will be due to interest rates getting lower. For most of my clients I recommend a split loan which gives the benefits of a variable loan and the security of a fixed rate. Ultimately, the choice of a loan will be influenced by a person's financial goals, income, and the need for flexibility or security.



Gina Astapulous

The choice of a personal investment strategy

When you invest, you want to achieve the highest return for the most acceptable risk. Therefore, there will be times when you will switch from one investment product to another. The level of interest rates will be one factor you will take into account when selecting an investment product. For example, when interest rates rise, demand for housing slows and prices fall. At the same time, saving money in a financial institution becomes more attractive. If you expect this situation to continue for some time, you may move out of property and place your money in a term deposit. Alternatively, you might decide to sell some shares because a term deposit offers a better return for much less risk. When interest rates are falling, you may decide on the opposite course of action.

Glossary

default the inability to repay borrowed money

Activities

Understand

1 What effect do falling interest rates have upon (a) savers and (b) borrowers?

2 What benefits or problems are created for people in the following situations when interest rates rise?
   (a) A small business with a large, variable short-term loan
   (b) A young person with a small, fixed personal loan
   (c) A retiree with money invested in a managed fund with a fixed rate of interest
   (d) A young couple with a mortgage where the interest rate has been fixed for five years
   (e) A middle-aged couple with a mortgage where the interest rate is variable

Think

3 'Interest is both a reward and a cost.' Explain this statement.

4 Imagine you are a financial adviser. Write a reply to the following letter.

> Dear financial adviser,
> Recently there has been a lot of media speculation about a possible rise in interest rates. I have 16 years left on my 20-year home loan. With interest rates likely to increase should I refinance the loan to a fixed rate so that I know exactly what my repayments will be? Are there any fees or charges if I decide to refinance? Please advise me.
> *Gemmina*

5 Refer to the case study on page 304, then answer these questions.
   (a) Use the home loan repayments calculator to find the monthly repayments for the Vlahos family.
   (b) If interest rates (i) fell and (ii) rose by 0.50 per cent, what effect would this have on their mortgage repayments?
   (c) If interest rates were to fall, what should the Vlahos family do with the extra money? Give reasons for your answer.

eBookplus

6 Many of the major banks provide loan calculators on their websites to help borrowers calculate their repayments. Use the **Calculator** weblink in your eBookPLUS to answer the following:
   (a) You have just bought your dream home with a $480 000 loan from a bank. Calculate the monthly payments required if:
      (i) the standard variable interest rate is 8 per cent and the loan is for 25 years.
      (ii) you wish to repay your loan, which has a rate of 7.5 per cent, in ten years.
   (b) You decide to repay your $480 000 over 30 years.
      (i) Your initial interest rate is 8.75 per cent. Calculate your monthly repayment.
      (ii) The bank announces a 0.50 per cent increase in interest rates. Calculate the new monthly repayment.
      (iii) If interest rates increased to 12 per cent, calculate how much more you would need to meet your repayments.

13.6

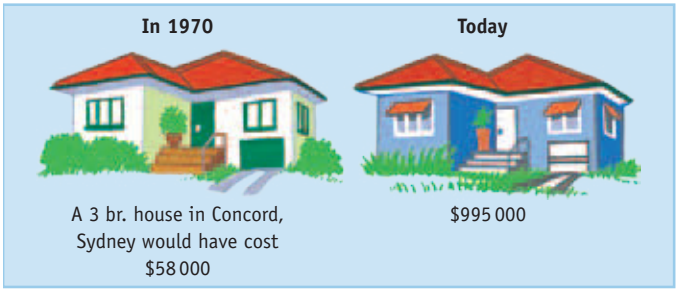
Inflation

Consumer prices

Have you ever heard your parents say that things were a lot cheaper 'when they were young'? Or your grandparents telling you that when they were your age they could go the movies for sixpence (five cents), and that included an ice-cream!

Money is used to measure the value of goods and services produced. Money does not change. We still have items for five cents. What does change is the amount we can buy with this money. We call this **purchasing power**. Wouldn't it be great if we could go to the movies now for five cents?

When there is a period of inflation, the purchasing power of our money decreases. This means more money is needed to buy goods and services. In other words, each dollar buys less and the purchasing power of money has fallen. For example, if prices double, a dollar will purchase half as much as it did before.



Inflation cuts the value of the dollar.

Causes of inflation

Prices will rise due to a combination of factors, including:

- *Cost factors.* Increases in the cost of raw materials, including labour
- *Demand factors*. When more goods and services are demanded than the economy can supply
- *Profit factors*. Businesses raise prices so that they can make larger profits.
- *Credit factors*. If credit is easy to obtain, people will spend more money on goods and services.
- *Overseas factors*. High prices on goods imported into Australia can increase production costs here.
- *Government factors*. If governments go into debt they must then borrow this money.

Comfact

Hyperinflation occurs when inflation rates are extremely high. This occurred in Germany between 1919 and 1923. In 1923, 1 000 000 000 000 marks (the unit of German currency) had about the same purchasing power as 1 mark in 1914. Prices were rising so rapidly that money lost over half its value within an hour, and wages were paid every day. Some employees had to wheel their pay home in a wheelbarrow!



German Deutschmarks were useless as currency. They were packed as waste paper (as shown here) and used as wall insulation and fireplace fuel.

Measuring inflation

In Australia, the main method of measuring inflation is by comparing changes in the **Consumer Price Index (CPI)**. It measures the prices of a wide range of goods and services considered to represent the normal spending patterns of an average household.

The Consumer Price Index is only a guide to the average increases in prices. If the inflation rate is said to be 3 per cent for the year, it does not mean that all prices have increased by 3 per cent. Some items may have increased by only 1 per cent, others by 5 per cent. Some may have even decreased.



Inflation is measured by the Consumer Price Index.

Effects of inflation

Inflation has serious consequences for all sectors of the economy. As well, some people suffer more in times of inflation than others. For example:

1. *Wage rates.* For workers whose main incomes do not keep up with rising prices, their **real income** decreases. Consequently, in spite of having higher incomes, their living standards do not improve. Only the few, whose wage rates rise faster than prices, because their jobs are in demand or have strong trade unions, are able to improve their standard of living.
2. *Fixed incomes.* People on fixed incomes, such as social welfare recipients or retirees with superannuation, find their incomes increase slowly. Their standard of living may fall because they are no longer able to afford the same level of goods and services.
3. *Business profits.* Inflation creates uncertainty. People do not know whether to spend or save. Some businesses may sell less while others may sell more. Should businesses expand now and be ready for the future or should they reduce production?

   If the Reserve Bank increases interest rates to control inflation, businesses may be reluctant to borrow and may shelve plans for expansion. Ultimately, this may result in a recession and business profits will fall even further.
4. *Savers and investors.* Inflation makes it difficult to maintain financial security. This is because, if the CPI increases by 8 per cent in a year, but average interest rates paid on deposits are only 5 per cent, the money in savings accounts, superannuation funds and managed funds decreases in value. If inflation is expected to remain high, saving may be discouraged.

Perhaps the greatest danger of inflation is that, if not controlled, it could eventually bring on a recession. When spending increases, businesses may overestimate the amount consumers will purchase. As a result, they overproduce. Then they have to cut production and some workers are laid off. The stage is set for a recession.

Glossary

Consumer Price Index (CPI) Australia's main measure of inflation

purchasing power the actual quantity of goods and services that may be bought with a given amount of money

real income what an income will actually purchase after allowing for the effects of inflation

Activities

Understand

1 Write the following statements in your notebook, deleting the incorrect term or phrase:
   (a) Money is used to measure the (variety/value) of goods and services.
   (b) A general (increase/decrease) in (values/prices) is termed 'inflation'.
   (c) What we can buy with our money is called its (purchasing/performance) power.
   (d) CPI stands for (Consumer Purchasing Index/ Consumer Price Index).
   (e) One group of people that suffers in times of inflation is (fixed/variable) income earners.

2 List the six main causes of inflation.

3 What is the effect of inflation on fixed-income earners?

Think

4 What determines the true value of money?

5 During the past ten years, Abel's wages have increased from $300 a week to $600 a week, which represents an increase of 100 per cent. Abel says, however, that his real wages have increased only 50 per cent. Explain how both these statements can be true.

6 Determine whether in a period of inflation you would rather be a person who had borrowed money or one who had loaned it. Present your ideas to the rest of the class.

Communicate

7 As a class, discuss the topic: 'During periods of inflation there are winners and there are losers'. Make a list of the main discussion points on the board.

eBookplus

8 Use the **Inflation Calculator** weblink in your eBookPLUS to complete the following:
   (a) An item costing $15 in 1975 cost $_____ in 1990 and $_____ in 2011.
   (b) An item costing $4500 in 1967 cost $_____ in 1987 and $_____ in 2011.

13.7

Exchange rates

Countries have their own currency, which they use for domestic purposes. This means that when transactions are conducted on a global scale, one currency must be converted to another. For example, if you want to buy a computer software program you saw advertised on the internet from a business in the USA, the US business will want to be paid in US dollars not Australian dollars. Similarly, if an American tourist visits Australia, he or she will pay for accommodation, restaurant meals and other products in Australian dollars, not US dollars. Therefore, in all global transactions it is necessary to convert one currency into another. This transaction is performed through the **foreign exchange market**, commonly abbreviated to **forex** or **fx**, which determines the price of one currency relative to another.

Exchange rates

Foreign exchange dealers around the world are constantly buying and selling each other's currency. In this way, the price or value of each country's currency is established. This value or price is called the exchange rate.

The **foreign exchange rate** is the ratio of one currency to another; it tells how much a unit of one currency is worth in terms of another. For example, if A$1 = US$1.05, that means one Australian dollar is worth 105 US cents. Conversely, one US dollar would be worth A$0.95 (US$1 divided by A$1.05 = A$0.95).



The foreign exchange rate determines the ratio of one currency against another.

Effects of exchange rate fluctuations

Exchange rates fluctuate over time due to variations in demand and supply.

Such fluctuations in the exchange rate have positive and negative effects on Australian consumers and businesses. For example, suppose that the value of the Australian dollar rises from US$0.95 to US$1.08. This upward movement of one currency against another is called an **appreciation**. (Of course, this means that the value of the US dollar has decreased against the Australian dollar, with one US dollar being worth A$0.92.)

The impact of this currency fluctuation is twofold:

1. An appreciation raises the price of Australian dollars in terms of foreign currencies — each unit of foreign currency buys fewer Australian dollars. The result is that our exports become more expensive and the price of imports falls.

   An appreciation, therefore, reduces the international competitiveness of Australian exporting businesses which, in turn, affects profitability. However, imported goods, overseas travel and foreign shares and investments will cost less, so Australian consumers are better off.
2. A currency **depreciation** has the opposite impact.

   A depreciation lowers the value of the Australian dollar in terms of foreign currencies. This means that each unit of foreign currency buys more Australian dollars. However, one Australian dollar buys less foreign currency — a depreciation makes our exports cheaper on international markets but prices for imports will rise.

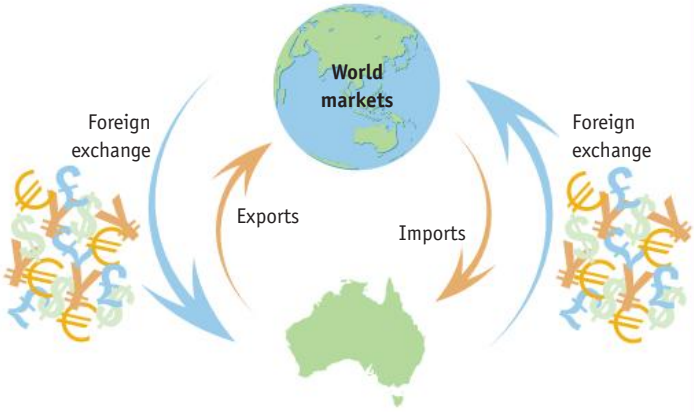
   Depreciation, therefore, improves the international competitiveness of Australian exporting businesses which, in turn, affects profitability. However, imported goods, overseas travel and foreign shares and investments will cost more, so Australian consumers are worse off.

Comfact

The worldwide volume of foreign exchange trading is estimated at US$1.3 trillion per day — that is, US$1 300 000 000 000!

Balance of trade

Export sales generate foreign exchange earnings; that is, money from other countries that comes into Australia as a result of selling Australian goods and services overseas. It is usually better for our economy when export sales are greater than the amount of imports purchased. If imports are greater than exports, this creates a negative **balance of trade**, which can lead to **foreign debt**. Over time, foreign debt can become a serious economic problem.



Exports help Australia to gain foreign exchange earnings.

Comfact

In 1983, Australia floated the Australian dollar. This meant that the market forces of demand and supply set the value of the Australian dollar. Prior to 1983, the exchange rate for the Australian dollar was set by the government.

Glossary

appreciation an upward movement of the Australian dollar (or any currency) against another currency

balance of trade the difference between the value of a nation's imports and the value of its exports

depreciation a downward movement of the Australian dollar (or any currency) against another currency

foreign debt the amount of money a country has borrowed from overseas sources

foreign exchange (forex or fx) market the market that determines the price of one currency relative to another

foreign exchange rate the ratio of one currency to another

Activities

Understand

1 What is meant by the term 'exchange rate'?
2 Write out the following exchange rates as sentences.
   (a) A$1 = US$0.63
   (b) A$1 = US$0.70
   (c) A$1 = US$0.95
   (d) A$1 = US$1.07
   Do the rates (a) to (d), when taken sequentially, show the Australian dollar depreciating or appreciating?
3 Calculate the value in Australian dollars of one US dollar for each of the rates in the previous question.
4 What effect do (a) depreciation and (b) appreciation have on the price of exports and imports?
5 What would happen if Australia continually bought more imports and sold fewer exports?

Think

6 Using the following table of Australian dollar conversions, calculate the value of the transactions listed above.

Currency	Exchange rate (A$)
US$	0.72
Yen	74.0
NZ$	1.16

   (a) Karen is visiting a friend in the USA and she wants to change A$1000 she has saved for her trip. How many US dollars will Karen receive?
   (b) Alicia wants to buy a Japanese kimono she has seen advertised on the internet. The kimono is priced at ¥7000 (7000 yen). What will the kimono cost in Australian dollars?
   (c) Marshall received a dividend of NZ$1200 from a New Zealand company in which he owns shares. How much is the dividend in Australian dollars?
7 Predict what would happen if a domestic firm borrowed US$5 million offshore just before a massive depreciation of the Australian dollar against the US dollar. You may wish to prepare this as a PowerPoint presentation.

Communicate

8 In small groups, explain the possible impact of currency fluctuations on Australian businesses and consumers. Select a spokesperson to present your group's ideas to the rest of the class.

Investigate

9 Forex rates can be found in the business sections of most daily newspapers. Access this information and record the value of the Australian dollar against five other currencies over a three-week period. Comment on the trend.

Chapter 14

OPTION



Community participation

Gale-force winds meant it would be a busy night for the local State Emergency Service (SES) volunteers. Placing tarpaulins over damaged roofs would be their main priority. Some trees had fallen across power lines, starting a grass fire that the Rural Fire Service (RFS) members were required to deal with.

The SES and RFS are just two of the many hundreds of community-based, non-profit organisations that play an important role in our communities.

Most people realise that volunteering benefits the community. But community participation is also a great way to help yourself. It gives you the opportunity to meet new people, a chance to experience your community and a break from everyday school activities. You can volunteer to work in a low-income country or in your own community. Either way, you will see the positive impact of your efforts.



Focus

On completion of this chapter, you will have learned how to become an active and effective participant in community organisations.







Glossary

action plan the detailed actions to be undertaken in order to achieve a goal

agenda a list of the items of business that will be discussed at a meeting

amendment an alteration to a motion

collective wants wants that are for the use of the whole community, such as roads and wildlife parks

ethical behaviour behaviour consistent with society's standards about what is morally acceptable; what constitutes right and wrong actions

goal a desired outcome or specific result that an individual or organisation intends to achieve through planning

leadership the ability to influence people to set and achieve specific goals

lobbying a process of gaining support from influential people and organisations

minutes a brief and official record of a meeting

motion suggestion for a change or proposed action

negotiation when two or more parties attempt to reach an agreement over conflicting interests

non-profit organisations organisations that operate to provide social, educational, religious and other services

objectives specific, short-term targets

quality of life the wellbeing of individuals

S.M.A.R.T. acronym used to describe goal setting: specific, measurable, achievable, realistic and timebound

vision statement formally expresses an organisation's role and function

volunteer an unpaid worker

14.1

Non-profit organisations

Every day, more than five million Australian **volunteers** play a crucial role in helping our society function. People of all ages are working in a voluntary capacity — delivering Meals on Wheels, coordinating community groups, protecting our homes during the bushfire season, keeping us safe while we swim at the beach and protecting our local wildlife. Many of the countless other activities volunteers perform are less visible in our society. For example, night vans and night patrols, literacy and numeracy tutors and court support workers — all giving freely of their time and expertise. Volunteers and the **non-profit organisations** they belong to play a crucial role in our communities.

Comfact

Approximately 710 000 non-profit organisations are registered nationally. Their 6.4 million member volunteers give 732 million hours of their time to the community every year, which has an estimated value of $16 billion.

The need for non-profit organisations

Within your community, the goods and services provided by businesses and governments satisfy most of the needs and wants of individuals. However, there are some needs and wants businesses will not satisfy because they would not make a profit. Nor do governments have enough money to satisfy all of society's **collective wants**.

Consequently, over the years numerous non-profit organisations have been established. They are not motivated to make a profit but rather provide a service to the community. For example, the Australian Conservation Foundation (ACF) campaigns to 'protect, restore and sustain the environment', while the Tarlo Bushwalking Club offers recreational activities to its members.

Many people in the local community who work as volunteers for non-profit organisations do so for the satisfaction of being able to assist; whether that be other people, native animals, the physical environment or a sports team.

Range of community organisations

There is a wide range of community organisations operating at the local, national and international level. Many of them are household names and well respected within the communities they serve. The one aspect they all have in common, however, is their desire to provide a service for their community, whether that is a suburb or town, the nation or the world.

Examples of community organisations at the local, national and international level

Community	Organisation	Service provided
Local	• Drama, music and sport clubs • Guides and Scouts • Rural Fire Brigade	• Leisure and recreation • Recreation and development • Fire fighting
National	• Australian Conservation Foundation • Guide Dogs Association • CanTeen • State Emergency Service	• Protection of Australia's natural environment • Mobility services for vision impaired people • Support for young people with cancer • Flood and storm emergency assistance
International	• Amnesty International • Greenpeace • Red Cross and Red Crescent	• Activism for human rights • Protection of the natural environment • Alleviate human suffering





A section of community organisations

GIRL GUIDES AUSTRALIA





Case*study* WIRES

The NSW Wildlife Information, Rescue and Education Service (WIRES) is the largest wildlife rescue organisation in Australia. When an echidna is hit by a car, a possum is attacked by a cat or a lizard gets its head stuck in a drink can, WIRES is there to help.

Since 1985, we have established a network of hundreds of volunteers who rescue, rehabilitate and release sick, injured or orphaned native animals. Each year we receive over 100 000 phone calls and rescue over 56 000 native animals, from injured bluetongues to orphaned wombats.

WIRES is a non-profit, non-political charity with branches operating across NSW. Over 90 per cent of our funding comes from public donations.

At WIRES, the best interests of the animal are always placed first. After treatment — often involving intensive veterinary care and nursing by unpaid rescuers and carers — animals are returned to the wild, with as little human intervention as possible.

Currently, there are approximately 2200 WIRES volunteers authorised to rescue, rehabilitate and release.





Activities

Understand

1 Using a local telephone directory or the internet, make a list of ten non-profit community organisations that operate in your local area.
2 Why do people volunteer to work for community organisations?
3 Read the WIRES case study and then answer the following questions:
   (a) What is the role of WIRES?
   (b) How many volunteers does WIRES have?
   (c) Where does most of WIRES funding come from?

Communicate

4 You have been hired by a voluntary agency such as WIRES or the Red Cross to prepare a publicity campaign to raise the status of their voluntary workers.
   In small groups, design a radio or television commercial explaining the important role these volunteer workers play in our society and why they should be valued more highly. Play your radio or television commercial to the rest of the class.
5 In small groups, prepare a report on one community organisation listed in the table opposite. In particular, report on its:
   (a) activities
   (b) membership numbers
   (c) funding sources
   (d) area(s) of operation.

eBookplus

6 Use the **Volunteering Australia** weblink in your eBookPLUS.
   (a) Read two volunteer stories. What motivated the people to become involved in community organisations?
   (b) List four voluntary opportunities that would interest you.

Worksheet 14.1 Create a brochure/poster to encourage new volunteers.

Glossary

collective wants wants that are for the use of the whole community, such as roads and wildlife parks

non-profit organisations organisations that operate to provide social, educational, religious and other services

volunteer an unpaid worker

14.2

Roles, functions and impact of community organisations

Roles and functions of community organisations

Non-profit organisations have as their main role the desire to provide social, community, religious, humanitarian and other services. Examples include the Salvation Army, CARE Australia and Meals on Wheels. These organisations carry out their work free of charge or at a subsidised rate and rely on volunteers, membership subscriptions and donations to continue operating.

Community organisations, whatever form they take, are essential for the wellbeing of both individuals and society. They are the 'social glue' that binds our society together, as they help build trust and cooperation, provide essential services and enable individuals to contribute to their communities.

Impact of community organisations on the quality of life

Imagine what life would be like if all community organisations ceased to operate. The **quality of life** — the wellbeing of individuals — would worsen for both the recipients and the volunteers. To better understand the impact that community organisations have on people's quality of life we will examine a micro-sample — the small country town of Gunning.

Case*study*

Tarlo/Middle Arm Landcare Project

The enthusiastic volunteers of the Tarlo/Middle Arm Landcare group aim to restore and care for the natural environment. One of their main projects is the 'Rhyanna Rest' on Tarlo River. This site was once a favourite picnic spot and swimming hole with deep clear pools. It was a perfect habitat for platypus.

However, over the years, the area had become infested with weeds and introduced tree species. The river flow had been reduced, resulting in excessive silting, diminishing of the water holes and degradation of the riverbanks. With a number of keen volunteers, along with financial support from the Hawkesbury–Nepean Catchment Management Authority, the Tarlo/Middle Arm Landcare group first removed invasive weeds such as blackberry, serrated tussock and willows. The site was then prepared for a mass planting of natives including wattles, tea trees and candlebark. Altogether over 400 native trees and shrubs have been planted. By rejuvenating the willow-choked, weed-infested creek back to its original state, the area can be used once again as a picnic site by locals where they can relax and enjoy the peaceful surroundings and native birds.



Landcare volunteers created an area for the community to enjoy by increasing the site's biodiversity.

Are you free?

Rural communities like Gunning run on voluntary labour, according to Michael McGirr.

Gunning, on the southern tablelands of NSW, where I live, supports a small number of businesses. Most of these cater for bread-and-butter necessities: petrol, food, postage and grog. In financial terms, it is a quiet economy. Yet there's a lot happening. And it's nearly all done by volunteers.

Every fortnight, a group gathers to assemble the local newspaper. It's called *The Lions Noticeboard* because it is organised by the small Lions Club. Normally it runs to about six double-sided A4 sheets, run off on cranky photocopiers, and contains small items advertising the next garage sale, yoga class and community meeting of one kind or another. It circulates about 1200 copies throughout the shire and is avidly read.

The same small group organises the monthly local markets, the 'driver reviver' on the highways during holidays and sausage sizzles at town events. Everybody admires them. Few people join them.

The story is different when people are asked to volunteer for a cause that is closer to home. According to Peter Dyce, the local fire control officer, about 10 per cent of the shire are active members of volunteer fire brigades. Parents bring their teenagers to earn their fire badges. In the culture of communities like this, it is almost as much a rite of passage as getting a driver's licence.

Meanwhile, there would be no entertainment in Gunning if it were not for functions organised by local groups. There are fewer than 600 people in the town, a couple of thousand in the shire, yet when the pre-school organised a trivia night 150 people came.

The Catholic parish puts on an art show, the Uniting Church a garden show, the CWA caters the breakfast for Anzac Day. Groups like the Red Cross take it in turns to provide the Monday lunch for senior citizens; a volunteer committee is preparing for the 102nd annual show early next year. Another group organised a bingo night to raise funds for drought relief in Bourke. Parents from the local school have a roster to sell drinks and snacks at the swimming pool during the summer holidays.



The local Gunning Focus Group has brought live drama, string quartets, guitar ensembles, cello recitals and art exhibitions to town. They have also planted roses in the main street and other public places. Nobody asked them to do it. They are just glad they do.

Councillor Mike Coley makes a number of points about the volunteer culture in a town like this. He says it is easier for people to see what the needs are when the community is small; and their efforts are more likely to be appreciated.

You often see an SES truck parked outside Coley's house. He is part of a group that is called outside the shire to help in rescues and storm relief. He is also the local snake-catcher.

Coley's experience with snakes says something about volunteer culture. It works best when personal needs and community needs fit together. It's hard to measure what that means to the economy of a town like Gunning. But economy is too narrow a term to describe life.

Activities

Understand

1 What is the role of community organisations?
2 Read the article 'Are you free?'
   (a) List the community organisations referred to.
   (b) According to Mike Coley, why is it easier to get people to volunteer in a country town?
   (c) When does a 'volunteer culture' work best?
   (d) Explain how the volunteer culture improves the quality of life for the Gunning residents.

Investigate

3 Research and record the role of:
   (a) The Smith Family
   (b) CARE Australia
   (c) Camp Quality.
4 List the types of community organisations in which people in your class are involved.
5 Record the main reasons class members give for volunteering their labour.

Communicate

6 In small groups, brainstorm how community organisations can assist a community.
7 Design and display a creative poster highlighting the benefits of volunteering.

Glossary

quality of life the wellbeing of individuals

14.3

Active community participation

Limits of individual action

Imagine you wanted to introduce a major change into your school, such as a new school uniform. To be successful, you need to seek the support of many people — students, staff members and parents. The more people who become active in the campaign and the more resources you have, the greater the chance of achieving your **goal**. Conversely, if only a few support your idea, your action will be limited. In a similar sense, individual action on a range of local, national and international issues will be limited due to:

- a lack of resources such as time and money
- an inability to publicise your idea
- apathy within the community
- imbalance of power
- using inappropriate strategies.

Overcoming these limitations can be time consuming and difficult. However, the power of the individual to bring about change should not be underrated.



The power of the individual. Tiananmen Square pro-democracy protests, Beijing 1989

Global citizenship

There are a number of global issues that people all over the world actively campaign against. While these issues can be solved only at a global level, it is the actions of numerous individuals in many countries that bring about change. By joining an organisation that becomes involved in global issues, you can help make a difference.

Global issue: Child slavery
Slavery, especially child slavery, still exists in some countries. It is estimated that about 260 million children worldwide are currently working in slave labour.

Action: *Community organisations such as Oxfam, New Internationalist and FairShare International pressure governments to abolish worker exploitation and child slavery.*



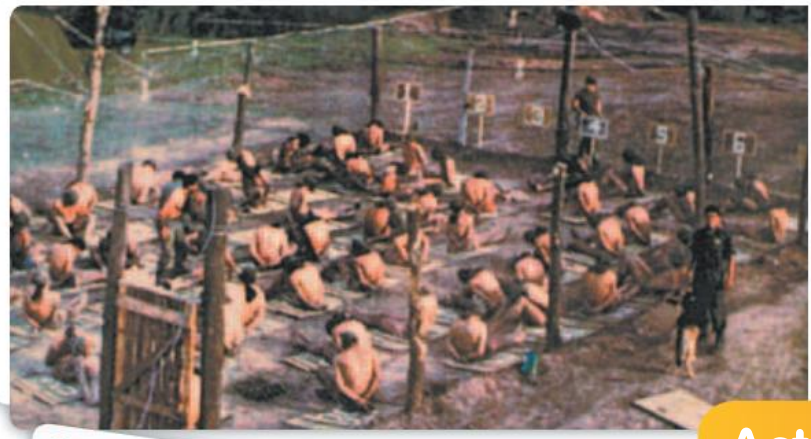
Global issue: Hunger and poverty
About a quarter of the world's population consumes about three-quarters of the world's resources, while the rest of humanity suffers acute poverty. Consequently, millions of people face malnutrition or starvation.

Action: *Community organisations such as World Vision, CARE Australia and TEAR Fund provide support and assistance to developing countries.*

Global issue: The arms trade
Over the last few decades, the world has experienced a build-up of weapons of mass destruction and the stockpiling of nuclear armaments.

Action: *Community organisations such as Women Against War, Australian Campaign Against the Arms Trade and Greenpeace lobby governments to restrict spending on military hardware.*





Global issue: Human rights violations

People in some countries are denied freedoms of expression or political involvement. They are persecuted and imprisoned, often without a trial, if they speak out against their government or stand up for their rights.

Action: *Community organisations such as Human Rights Watch and Amnesty International defend human rights by pressuring governments and monitoring, investigating and publicising human rights violations.*

Global issue: War and conflict

Terrorism, wars or other violent disputes occur around the world each day. The devastating consequences of these conflicts are death and destruction. Many innocent people, especially women and children, suffer.

Action: *Community organisations such as Red Cross, Red Crescent and Médecins Sans Frontières (Doctors Without Borders) try to alleviate human suffering by providing emergency relief.*





Global issue: Environmental disasters

Rainforest destruction, ozone depletion, global warming, and air, land and sea pollution are some of the main environmental problems that confront our planet.

Action: *Community organisations such as Greenpeace, Worldwide Fund for Nature (WWF), the Wilderness Society and the Australian Conservation Foundation organise campaigns to encourage the protection of the natural environment.*

Activities

Understand

1 List the factors that may limit an individual in bringing about change.

Think

2 (a) Why do you think some people are indifferent about global issues?
(b) Suggest ways of overcoming such indifference.

3 Examine the photo of Tiananmen Square opposite.
(a) In what ways is this a provocative photo?
(b) Imagine you are the person in the photo. Describe your emotions.
(c) Why do you think this photo has become an important symbol for groups promoting individual action?

Communicate

4 Using the information in this spread to give you ideas, design a pamphlet to show the importance of active global citizenship.

5 In pairs, discuss which global issue mentioned on these pages you regard as the most serious. Share your answer with the rest of the class.

Investigate

6 In small groups, use the library and the internet to prepare a five-minute oral presentation on one global issue.

eBookplus

7 To learn about other global issues and actions, use the **United Nations Global Issues** weblink in your eBookPLUS. Select a topic that interests you and investigate how various organisations are working to solve some of the issues raised in this spread.

Worksheet 14.2 Explore and analyse views on active community participation.

Glossary

goal a desired outcome or specific result that an individual or organisation intends to achieve through planning

14.4

Benefits of membership and being an effective participant

Maggy plants trees along a bushwalking track; Fayez attends a meeting of the residents' action group campaigning for a new skateboard park; Liz visits the elderly in the retirement home. Benefits accumulate not only to bushwalkers, teenagers and the elderly but also the volunteers who have a desire to help improve the quality of life for people within their community.

Volunteers meet the needs of others *and* their own needs. Instead of adopting an attitude of 'what's in it for me', volunteers are motivated by a sense of achievement and satisfaction in giving something back to the community.



Effective members combine to create effective organisations.

Community participation helps build positive connections with a wide range of people which contribute to the volunteer's wellbeing and a sense of identity. As a result of community participation, volunteers often feel:

- more accepted in the community
- better about themselves; an improved self-esteem
- that their confidence and social skills have improved.

Being an effective participant

Skills relating to effective participation

Imagine you volunteer to be the year representative on the school's Student Representative Council. To be an effective member of the council, you will need to display some specific skills including:

- being able to work as part of a team
- good communication and interpersonal techniques
- punctuality and good time management
- making a contribution during discussions
- support and acceptance of others
- accepting responsibility and fulfilling commitments
- being able to keep information confidential
- being well-informed about relevant issues
- **behaving ethically** and honestly.

Benefits of community participation

Volunteer	Recipient	Community
• Personal satisfaction • Experience new challenges • Gain confidence • Enjoyment and fun • Acquire new skills • Personal development • Meet new people	• Assistance provided • Improved quality of life • Difficulties alleviated • Needs met • Encouragement and support	• A more caring, cooperative, compassionate, dynamic society

Being an effective leader

As a participant in any organisation, there will be times when you will have to display effective **leadership** qualities in order to inspire other team members. You will use your leadership skills to act as a bridge on which to support team members as they cross from existing ideas into new and unfamiliar territory.

Being an effective leader is not an easy task, especially if there are lots of people to lead. However, not displaying leadership qualities is inviting a greater possibility of failure.

Some people believe that good leaders are 'born' rather than 'made'. They argue that the characteristics needed to be a good leader are part of an individual's unique personality and cannot be learned from textbooks. Whatever the case, a good leader is someone who displays certain characteristics.



The skills of leadership

Glossary

ethical behaviour behaviour consistent with society's standards about what is morally acceptable; what constitutes right and wrong actions

leadership the ability to influence people to set and achieve goals

Activities

Understand

1 Identify the benefits derived from people participating in community organisations.
2 What motivates volunteers to become involved in community organisations?

Think

3 Do you think leadership skills can be learned? Give reasons for your answer.
4 Which two or three skills do you consider the most important for being an effective participant? Give reasons for your answer.
5 (a) Prepare a list of five or six people who are effective leaders. You could select school leaders, politicians, community activists or friends.
(b) Against each name, list the personal qualities each person displays.
(c) What leadership qualities do the individuals tend to have in common?
(d) Compare your answer with those of other class members.

Communicate

6 As a class, brainstorm why people volunteer to work in community organisations.
7 In small groups, have one person lie down on a large sheet of paper. Draw the outline of this person. Brainstorm the qualities of an effective participant on this life-size model. Display your model in the classroom.
8 In pairs, arrange to interview a representative from a community organisation. Prepare either a two-page written or five-minute oral report. Include in your report:
(a) a brief history of the organisation
(b) the goals of the organisation
(c) why people volunteer for the organisation.
You may wish to video the interview and discuss it as a class.

14.5

Goal-setting in a range of contexts

Focusing on goals — start with the end in mind

From an early age, you have been setting goals. A goal is a desired outcome or specific result that an individual or organisation intends to achieve through planning. For example, when you were in primary school some goals you may have wanted to achieve could have included:

- learning to play a musical instrument
- becoming a member of a sporting team.

In secondary school, the goals will have changed and may now include:

- acquiring a part-time job
- improving your debating skills
- achieving the best possible results in Commerce.

Success in achieving your goals is often determined by the amount of planning undertaken. Detailed planning increases your likelihood of successfully achieving goals.

As with individuals, community organisations:

- need to establish goals
- have unique and, therefore, different goals
- are required to undertake planning to be successful in achieving specific goals.

An organisation will often outline its overall purpose in a **vision statement**. The vision statement formally expresses why an organisation exists, its role and its function. For example, the vision statement of the Yarrawollen Gymnastics Club is to 'enhance the lives of young people in the community by providing free training facilities'.

The main purpose of these statements is to guide and direct the organisation's members. They act as a benchmark against which to measure the organisation's success in achieving its goals.



Planning is required to achieve your goals in assessment tasks.

S.M.A.R.T goals

Setting goals is not a complicated process but you need to set the right type of goals. The best method of achieving this is by using the **S.M.A.R.T.** guidelines, a common acronym in goal setting. Using this technique will help you to define your goals more easily, and the details involved in achieving them. S.M.A.R.T. goals should be:

1. ***S**pecific*. Goals should be straightforward and emphasise what you want to happen.
2. ***M**easurable*. Decide on goals whose progress can be measured so you can see the change occur. This helps you stay on track.
3. ***A**chievable*. Goals need to be challenging but not be too far out of your reach otherwise you will become unmotivated due to the lack of success.
4. ***R**ealistic*. The goals must represent something toward which you are both willing and able to work.
5. ***T**imebound*. Your goals must have deadlines and sub-deadlines attached to them otherwise the commitment is too vague.

Producing action plans

Once the goals have been established, the next step is to decide how to achieve them. This involves developing an action plan.

An **action plan** sets out the actions to be undertaken in order to achieve a goal.

ACTION PLAN *Goal:* To have a party on Saturday 18 February				
Actions (objectives)	**Who**	**By when**	**Resources**	**Tick when completed**
1. Invite people	Maria	5 Feb	$80 for invitations and stamps	
2. Arrange venue	Jemima	8 Feb	$100 for venue hire	
3. Organise food and drink	Mohamed	15 Feb	$400 plus cutlery	
4. Organise music	Tamzin	15 Feb	$200 for DJ	
5. Decorate venue	Ben	17 Feb	$150	
6. Clean up venue	Wu	19 Feb	Three people	

An action plan for a party

A simple and concise action plan consists of four steps:

1. *What has to be done?* You list the tasks that need to be completed in order to achieve the goal.
2. *Who is to do what?* You allocate specific tasks — short-term targets called **objectives** — to individuals. Achieving an objective becomes the individual's responsibility.
3. *When is it to be done?* You devise a timeline showing by when the objectives need to be accomplished.
4. *What resources will be needed?* You need to determine what financial and non-financial resources will be required to achieve the objectives.

For example, if you decide to have a party next Saturday, this becomes your goal. Unless you undertake some planning, you will be unable to achieve this goal. You will need to invite people, organise food and drink, arrange for music and decide on a venue. These tasks are the 'series of actions' that you need to undertake to achieve your goal.



The action plan lets you achieve your goals.

Activities

Understand

1 What is meant by the term 'goal'?
2 What often determines the success in achieving your goals?
3 (a) What does a vision statement formally express?
(b) What is the purpose of a vision statement?
4 What is your school motto? Would you regard this as a vision statement?
5 What does the acronym S.M.A.R.T. represent?
6 List the four sections of an action plan.

Think

7 Reflect on a goal you have recently achieved. List the reasons why you were successful in achieving this goal.
8 Outline the relationship between *goals* and *objectives*.
9 Why is it necessary to develop an action plan when attempting to achieve a goal?
10 Using the S.M.A.R.T. technique, write a suitable goal for the following organisations:
(a) Earthcare Conservation Group
(b) Overseas Aid Trust.

eBook*plus* **Worksheet 14.3** Create an action plan using the S.M.A.R.T. technique.

Glossary

action plan the detailed actions to be undertaken in order to achieve a goal

objectives specific, short-term targets

S.M.A.R.T. acronym used to describe goal setting: specific, measurable, achievable, realistic and timebound

vision statement formally expresses an organisation's role and function

14.6

Strategies to achieve objectives

Meetings

Community organisations hold meetings regularly so that information of importance to members can be discussed. They are an important part of the life of a community organisation.

All meetings should be conducted in a set way so that everyone will understand what their speaking rights are and what procedure is being used. This way, the meeting can proceed in an efficient and orderly manner. Consequently, it is essential for all meetings to have an **agenda**, which lists the items of business that will be discussed or presented at the meeting. Without an agenda, a meeting has little or no direction, and can easily get off track, wasting valuable time. The type of agenda used varies according to the type of meeting.

Minutes should be kept as an official record of the meeting's decisions.

Lobbying

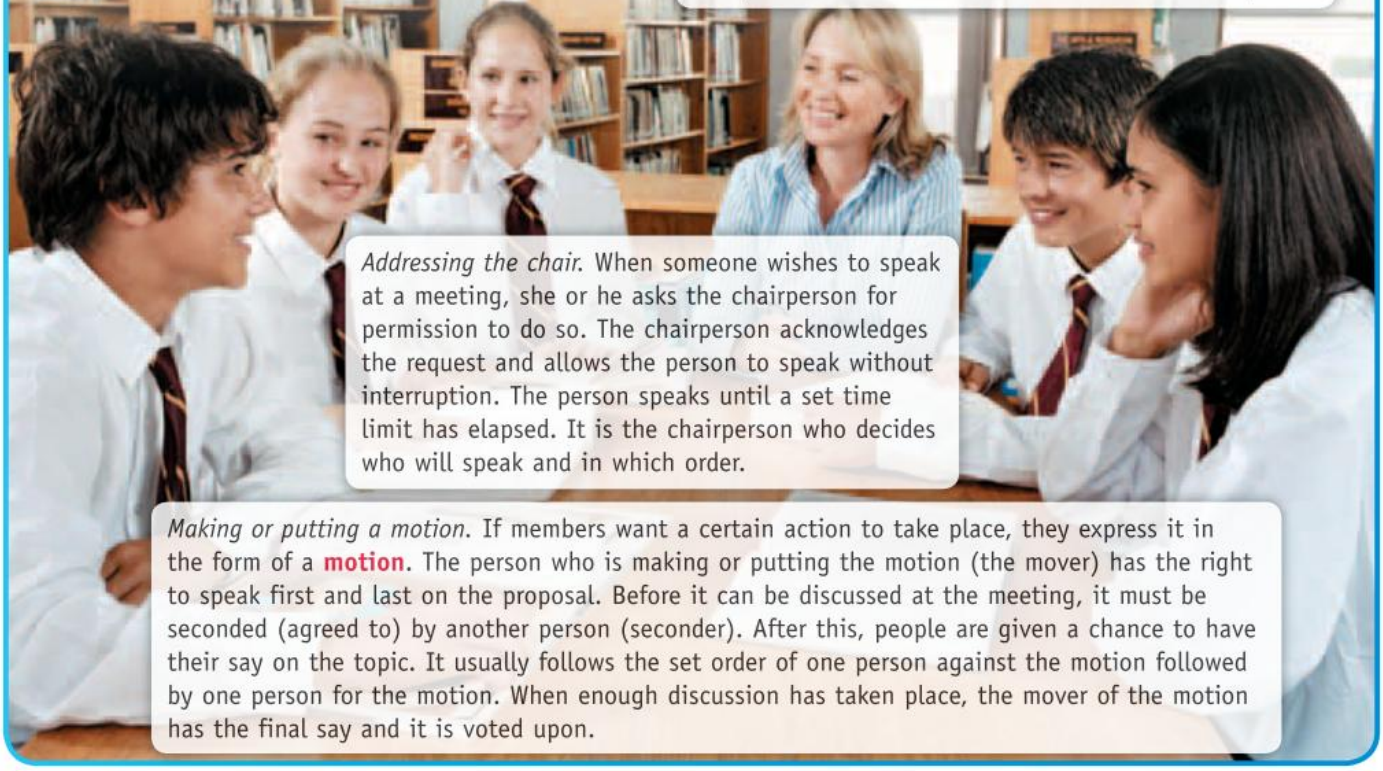
Lobbying is the process of gaining support from influential people — such as politicians — and other organisations. Lobbying can take a number of forms.

1. *Delegations* — selected representatives of the organisation meet with influential people to outline their concerns.
2. *Letter and email campaigns* — personal letters can be very effective, particularly if they arrive in large numbers.
3. *Petitions* — a collection of signatures supporting a cause.
4. *Rallies and demonstrations* — a public show of support.

Formal meeting procedures

A formal meeting is conducted according to the rules of debate and is controlled by an elected chairperson.

Moving an amendment. Sometimes members of the organisation make an **amendment** to a motion. An amendment is an alteration to a motion. Usually the mover of the original motion is asked to indicate acceptance of the amendment before it is voted upon.



Addressing the chair. When someone wishes to speak at a meeting, she or he asks the chairperson for permission to do so. The chairperson acknowledges the request and allows the person to speak without interruption. The person speaks until a set time limit has elapsed. It is the chairperson who decides who will speak and in which order.

Making or putting a motion. If members want a certain action to take place, they express it in the form of a **motion**. The person who is making or putting the motion (the mover) has the right to speak first and last on the proposal. Before it can be discussed at the meeting, it must be seconded (agreed to) by another person (seconder). After this, people are given a chance to have their say on the topic. It usually follows the set order of one person against the motion followed by one person for the motion. When enough discussion has taken place, the mover of the motion has the final say and it is voted upon.

Negotiation

Negotiating is something we do all the time. Negotiation occurs when two or more parties attempt to reach an agreement over conflicting interests.

Negotiation works best when:

- the issues are clearly outlined
- discussion is calm and rational
- all parties communicate clearly
- points of view are accepted
- parties agree on the outcome.

Using the political process

An organisation can either build support for its goals within existing political parties so they become adopted party policy, or stand its own candidates at an election. Either way, using the political process can be very effective as it brings the issues to the attention of the general public. This is a strategy a number of environmental groups have successfully used over the past few years.

Case*study*

People power

With approximately 600 000 online members and nearly one million actions taken in over fifty campaigns, GetUp! is currently one of the most influential lobby organisations in Australia.

GetUp! is an independent, grass-roots community advocacy organisation giving everyday Australians opportunities to get involved and hold politicians accountable on important issues.

Whether it is sending an email to a member of parliament, engaging with the media, attending an event or helping to get a television ad on the air, GetUp! members take targeted, coordinated and strategic action.

GetUp! does not back any particular party, but aims to build an accountable and progressive Parliament — a Parliament with economic fairness, social justice and the environment at its core.

GetUp! is a not-for-profit organisation and receives no money from any political party or the government.



Activities

Understand

1 Why is it necessary for community organisations to hold meetings?
2 What is the purpose of an agenda?
3 Complete these sentences in your notebook.
   (a) Without an a _ _ _ _ _, a meeting can easily get off track.
   (b) A m _ _ _ _ _ is a suggestion for consideration and discussion by the meeting.
   (c) It is the role of the c _ _ _ _ _ _ _ _ _ _ to control the meeting.
   (d) The written record of a meeting is known as its m _ _ _ _ _ .
4 Arrange for a representative of the school's SRC to give a short talk on a recent meeting. Ask them to outline a typical agenda. As a class, decide on some motions that could be presented to the SRC.
5 List the strategies community organisations can use to achieve their objectives.
6 How can community organisations use the political process to achieve their objectives?

Communicate

7 As a class, decide on an issue you would like to debate, such as 'People should be able to get a car licence at 16 years of age'.

   Elect a chairperson. Draft a motion. Decide who will be the mover and seconder of the motion. Have speakers speak for and against the motion (only once). An amendment could possibly be made. Finally, vote on the motion/amended motion when the chairperson decides that the motion has been adequately discussed.

   In a debriefing, discuss how the meeting went. Were there any problems? Did the meeting proceed efficiently? What could have been done to improve the meeting?

eBook*plus*

8 Use the **GetUp!** weblink in your eBookPLUS. Select and provide a brief report on a current GetUp! campaign that interests you.

Glossary

agenda a list of the items of business that will be discussed at a meeting

amendment an alteration to a motion

lobbying a process of gaining support from influential people and organisations

minutes a brief and official record of a meeting

motion suggestion for a change or proposed action

negotiation when two or more parties attempt to reach an agreement over conflicting interests

14.7

Achieving community outcomes

How particular organisations achieve their objectives

Each community organisation will achieve its objectives in a different way. These pages will examine the goals and strategies of four different types of community organisation (a charity, a trade union, an association and a club) and how effective each was in achieving their goals.

Case File 1 Association campaign

Organisation:
Myala Progress Association. Members of this progress association are concerned for the economic wellbeing of their town.

Goals:
1. To encourage economic growth and job creation
2. To reinvigorate the community

Strategies:
1. Two community consultation meetings
2. Hire a marketing consultant to prepare a report

Effectiveness of campaign:
1. Tourism trail developed by the tourism group
2. Beautification of the main street



Case File 3 Charity campaign

Organisation:
Third World Trust. Members of this charity want to provide practical assistance to people in poverty in Third World countries.

Goal:
To raise $50 000 for the construction of ten wells

Strategy:
Donation letters sent to the organisation's members

Effectiveness of campaign:
1. Donations totalling $48 500 received
2. Supplier agrees to sell pumps at cost price



Case File 2 Club campaign

Organisation:
Rockets Soccer Club. Members of this club come together for enjoyment and recreation.

Goal:
To gain local council support for a new soccer field

Strategy:
A petition containing 12 signatures delivered to the mayor

Effectiveness of campaign:
The proposal was not accepted by the council.



Case File 4 Trade union campaign

Organisation:
Hospitality Workers Union. Members of this union work in clubs as bar staff and table attendants.

Goal:
To obtain a 5 per cent wage rise

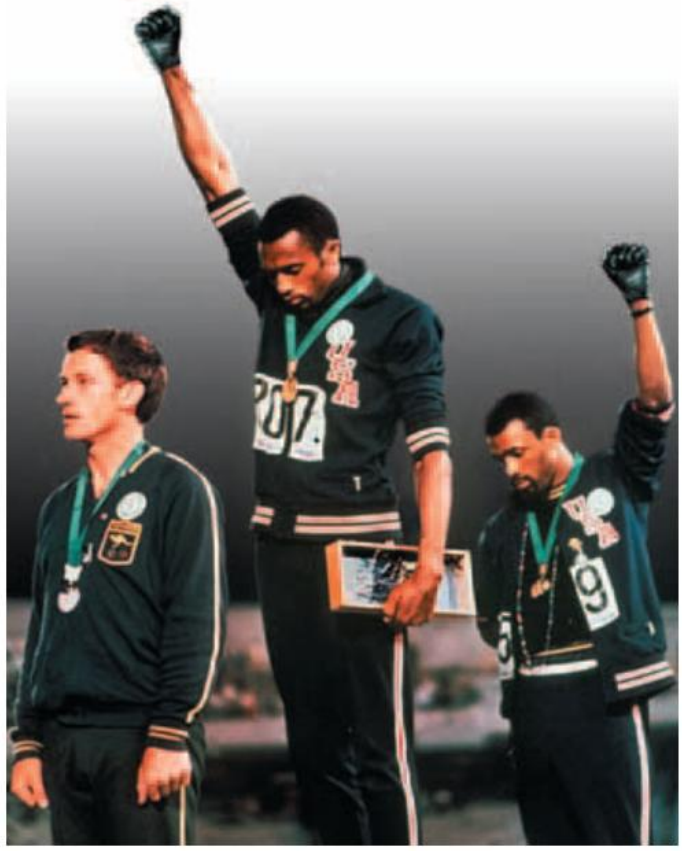
Strategies:
1. Four meetings with management to reach a negotiated agreement
2. A one-hour stop-work meeting

Effectiveness of campaign:
Compromise agreement reached for a 3 per cent wage rise



The role an individual can play

You may think an individual has little power to bring about change within his or her community. However, throughout human history it has been the ideas and actions of individuals and the inspiration they provide that has led to monumental changes. For example, think about the impact of Faith Bandler who campaigned for the right to vote for Indigenous Australians, or John Curtin and his leadership as Australia's Prime Minister during World War II.



The power of individuals. At the 1968 Olympic Games, Peter Norman, the Australian 200-metre silver medallist, wearing a civil rights badge, courageously supports the US athletes Tommie Smith and John Carlos as they raise their hands in protest against racial discrimination. Their actions highlighted this important issue.

Ultimately, the effectiveness of any organisation depends on the individual contributions and talents of the members. Members can help their organisation achieve its objectives by being committed and active; attending meetings; supporting other members; participating in debates; and volunteering for a position of responsibility.

Activities

Think

1 Which of the four case files do you consider to be the:
   (a) most effective
   (b) least effective in achieving its goal?
   Give reasons for your answer.

2 What should the Rockets Soccer Club have done to improve its chances of achieving its objective?

Communicate

3 In small groups, choose an issue of interest and concern (in your local community or nationally); for example, saving parkland or improving recreational facilities for teenagers.
   (a) Give your community organisation a name.
   (b) Provide a brief rationale for the formation of your group.
   (c) Identify your goals.
   (d) Construct an action plan.
   (e) Survey 20 people about the issue and find out about their concerns and opinions.
   (f) Conduct a formal meeting to discuss the issue and vote on motions.
   (g) Write a letter or email to the appropriate member of Parliament expressing your group's concerns.
   (h) Develop some strategies your group could use to achieve its objectives.
   (i) Consider how you would use the media to support and publicise your concerns.

4 In small groups, create a collage showing images of Australian men and women who have made a positive contribution to Australian life. Underneath each image provide a brief statement of the individual's achievement. Display your collage in the classroom.

Chapter 15

OPTION

Running a small business



A small business starts with an idea, and usually a very excited businessperson, such as Guy Bartlett, who strives to turn their dream into reality. Guy started his domestic building company Bartlett Constructions six years ago. Like many small business owners, he had a will to succeed.

Owning and operating your own small business can be challenging, rewarding and stimulating, as well as hard work. It requires a great deal of planning, an understanding of customers and their needs and constantly staying ahead of your competition. For those prepared to take the risk and who finally make it, the sense of achievement and satisfaction is well worth the effort.

Focus

On completion of this chapter, you will have become actively engaged in planning, organising and running a small business, and developed strategies to address problems as they arise.



Glossary

assets items of value owned by a business

business opportunity something an entrepreneur can see as an avenue to success

competitive advantage the ability of a business to develop strategies that ensure it has an 'edge' over its competitors

demographic factors population characteristics that affect customer spending and include: age, ethnicity, gender, marital status, family size and income

entrepreneur someone who starts, operates and assumes the risk of a business venture in the hope of making a profit

expenses the costs incurred in running a business

franchise the rights from a manufacturer to distribute its products under its name

goodwill the monetary value of a business's reputation

gross profit/loss amount remaining when the cost of goods sold is deducted from revenue

incorporation when the company has become a separate legal entity from its owners (shareholders)

liabilities the debts owed by a business to others

limited liability if the business cannot pay its debts, a shareholder generally loses only the money he or she invested in the business

liquidity the ability of a business to pay its debts on time

management the coordination of the human, physical, financial and information resources to achieve the goals of the business

market research collecting and analysing information about customers and the business opportunities available

net profit/loss amount remaining when operating expenses are deducted from gross profit

niche market a very small segment of the total market

owner's equity the value of the business to the owner(s)

partnership a business owned and operated by 2–20 people

promotion methods used by a business to inform, persuade and remind customers about its products

revenue the income earned by a business

risk management the process of identifying and minimising the risks faced by a business

sole trader a business owned and operated by one person

target market the group of customers to whom the business intends to sell its products

unlimited liability when a business owner is personally responsible for all the debts of his or her business

15.1

Being an entrepreneur

Most of us have seen something advertised and thought, 'that is just what I need'. Someone had the original idea for this product and went on to start, operate and assume the risk of a business venture — that someone is an **entrepreneur**. The motivating force behind them doing this is the hope of making a profit.

Reason for being self-employed

The desire to be your own boss is a major reason for people starting their own business. They desire the freedom to choose when and where they work, with whom they work and whether to work from home. The great attraction is the belief that they will have more control over their life. Of course, they are also motivated by the financial rewards they believe can be gained from establishing a business.

The simplest but most significant question a prospective business owner must ask is: 'why do I want to go into business?' The business owner's personality, skills and ambitions need to be analysed because the future success of the business rests largely with the owner. For this reason, people should carefully consider the advantages and disadvantages of being self-employed.

Advantages and disadvantages of being self-employed

Advantages	Disadvantages
• Be your own boss — independence • Possibility of making a profit • Challenge, reward and satisfaction • Increase personal wealth • Contribute to society • Develop own creative ideas • Overcome unemployment • Achieve a better lifestyle • Employ family members • Possible tax advantages	• Hard work and long hours • Other 'bosses' — customers, suppliers, financiers • Income may fluctuate and be uncertain • Risk of failure • Stress and worry • High levels of responsibility • Constantly solving problems • Difficulty in selling the business

Skills required and personal characteristics needed

Bill Gates, co-founder of Microsoft Corporation, is a classic example of an entrepreneur. While a teenager, he decided to take the risk of establishing his own business and launched Microsoft. Today Microsoft software is used to operate millions of computers worldwide.

However, entrepreneurial qualities are not confined to the world's famous people. At a recent swimming carnival, Yolanda Zurack, a Year 10 student, arranged to take along an Esky filled with cold drinks. During the very hot day, she sold all the drinks and made a reasonable profit. Yolanda Zurack and Bill Gates are both entrepreneurs. They organised their business, undertook the necessary arrangements for it to operate, and were prepared to take a risk. The size of the profits may differ, but they possess identical entrepreneurial qualities: courage, motivation, determination and energy.

Flair and creativity are also essential for an entrepreneur. They allow the entrepreneur to create or seize new opportunities for business or new goods and/or services.

Finally, the most important quality for an entrepreneur is the ability to set objectives and have a vision for the business's future. Having achieved his or her objectives, the entrepreneur must set new objectives, continually adjusting to changing business, economic and customer markets.



The personal characteristics of a successful small business owner

Case*study*

Entrepreneur Andrew Curry — soft tissue therapist

Interviewer: What would you consider to be your main entrepreneurial skills?

Andrew: *Being able to plan; confidence in my own ability, not because I'm arrogant but because I put a lot of time into developing my professional and business skills; highly motivated; work well with people; a competent communicator; and prepared to take responsibility. I like constantly finding new and innovative ways to run my business. Above all else, though, I'm passionate about what I do.*

Interviewer: As an entrepreneur do you take high risks?

Andrew: *All businesses involve some degree of risk; and I enjoy such challenges. However, the more calculated you make the decision and the more you take emotion out of the decision-making process, the more moderate the risk becomes. You minimise a high-risk strategy by approaching it objectively and gathering as much information as possible. I don't like to take high risks but I like to take high-risk situations and minimise the risks as much as possible. If this can't be achieved then it is not worth following the idea. It is a 'no-brainer' to take a high risk with low benefit!*

Interviewer: What must you do to be an ethical entrepreneur?

Andrew: *Simply act honestly and fairly in all business dealings. Constantly monitoring and evaluating how I operate the business helps maintain my good reputation. One of my main business goals is for Miracle Massage to have a good reputation within the wider community; something I feel very proud about. Being a reputable business is good business. It results in a large number of repeat, loyal clients. Ultimately, I gain a great deal of satisfaction from seeing my clients recover from chronic pain.*



Andrew Curry — entrepreneur

Activities

Understand

1 What is the role of an entrepreneur in our economic system?
2 Identify the entrepreneurial characteristics that Yolanda Zurack and Bill Gates have in common.
3 What is the major reason for a person wanting to start up his or her own business? Would you be motivated by this desire? Give reasons for your answer.

Think

4 Examine the figure outlining the advantages and disadvantages of being self-employed. Select two advantages and two disadvantages and elaborate on each of them.
5 Read the case study on Andrew Curry and then answer the following questions.
   (a) What entrepreneurial characteristics does Andrew Curry possess?
   (b) Identify the reasons for the success of Miracle Massage.
   (c) Are you surprised that an entrepreneur should take only moderate rather than high risks? Why do you think this might be the case?
6 Choose a business you would like to own. What personal qualities do you think are needed to be successful in this business? Share your response with a classmate and discuss the main differences in your answers.

Communicate

7 In small groups, identify someone who successfully runs a small business. List the personal qualities the person possesses that contribute to the success of the business.

eBookplus

8 Using the **Enterprise Network for Young Australians (ENYA)** weblink in your eBookPLUS, read two inspiring profiles and list their common characteristics.

Worksheet 15.1 Discover if you have what it takes to start a new small business.

Glossary

entrepreneur someone who starts, operates and assumes the risk of a business venture in the hope of making a profit

15.2

Selecting business opportunities

Identifying a **business opportunity** is not just about having an idea. An opportunity is something that a person can see as an avenue to success, such as a 'gap' in the market that is not already being satisfied by existing businesses, as is the case with Linda Polosak's business Sublime Designs.

Case*study*

Linda Polosak — Sublime Designs

Business owner Linda Polosak turned her ideas about interior design from an operation run out of her lounge room in 2006 into a highly profitable business employing eight people. Sublime Designs specialises in interior design concepts for small spaces. Linda's market research showed that, due to more people living in apartments and townhouses, there was a growing demand for innovative ways to accommodate furniture in limited areas. Her business is renowned for small space decorating using compact, space-saving, modular furniture. 'I studied the existing competition and their products, marketing techniques and unique selling points and used this to create an exclusive offering with a unique look and feel. We listen carefully to our clients' needs to make sure we provide solutions for their unique problems based on their budget and lifestyle. This has allowed us to establish a loyal customer base'.



Market research

Market research involves collecting and analysing information about customers and the business opportunities available. Surveys, questionnaires and interviews are used to reveal the facts and the attitudes of customers. Market research helps the entrepreneur to make better decisions by understanding consumer behaviour.

Market research asks questions such as:

- Who are our customers?
- What are they like?
- Why do they buy our product?

Location

A good location can make the difference between success and failure. This is particularly true for retail 'bricks and mortar' businesses, which need a constant flow of people walking past the store. For this reason they are often located in a shopping centre, mall or main street.

However, for online businesses (e-tailers) physical location is not a major consideration. What is more important is their virtual location such as a high Google rank. This will enhance the probability of being noticed by potential customers.



A good location will lead to more sales.

Demographics

It is important for an entrepreneur to understand the changes that are taking place in the make-up of the population. **Demographic factors** are population characteristics that affect customer spending and include age, ethnicity, gender, marital status, family size and income.

An examination of a region's demographic pattern will provide a clearer picture of a business's possible customers.

Competition

When identifying a business opportunity, the entrepreneur must decide on the type of market in which their good or service will compete. This means deciding whether to target the goods or services at a broad market (mass market) or a more specialised market (niche market). Once this decision is made, the entrepreneur is able to identify the level of competition and the main competitors. An entrepreneur should aim to achieve a sustainable **competitive advantage** over his or her competitors so as to capture a larger share of the market.

Target market

Many entrepreneurs are so enthusiastic about starting, they often overlook one crucial question: who will buy my good or service? Sales are the lifeblood of the business, so it is necessary to have a good understanding of one's target market.

Target market refers to the group of customers to which the business intends to sell its products. Once the target market has been identified, the business concentrates its marketing activities on that group. A women's fashion boutique in central Sydney, for example, would normally aim its marketing activities at the following type of customer:

- female
- 25–45
- city-based
- high income.



Target market for an exclusive women's fashion boutique

Activities

Understand

1 What is meant by a 'business opportunity'?
2 Why is it important for an entrepreneur to:
(a) undertake market research
(b) identify their target market?
3 Read the case study on page 330. How did Linda Polosak identify a 'gap' in the market?

Think

4 Maintaining a competitive advantage is essential for long-term business success. What do you think a business can do to keep ahead of its competitors?
5 Reflect on what you have read and learned so far. How would this information influence you if you were intending to start a small business? Would you still go ahead? Give reasons for your answer.

Communicate

6 Complete the mind map, started below, to show the planning needed to successfully operate a small business.



7 In small groups, brainstorm the possible business opportunities available to your school canteen. Choose a spokesperson to share the group's comments with the rest of the class.

Success and failure of small businesses

In the real world, success can be hard to achieve. Unfortunately, many small businesses end in failure. Within the first year of trading, about one-third of small businesses fail. This rises to approximately three-quarters within the first five years. Such figures tell a sobering story for anyone thinking of starting a small business: the chances of failure are high. Therefore, it is absolutely essential to undertake thorough planning to minimise the risk of failure.

Comfact

Small businesses don't plan to fail, they fail to plan.

Glossary

business opportunity something an entrepreneur can see as an avenue to success

competitive advantage the ability of a business to develop strategies that ensure it has an 'edge' over its competitors

demographic factors population characteristics that affect customer spending and include: age, ethnicity, gender, marital status, family size and income

market research collecting and analysing information about customers and the business opportunities available

target market the group of customers to whom the business intends to sell its products

15.3

Selecting the appropriate structure

There are four different legal structures to choose from when deciding how a business is to be owned and operated. These structures are described below.



Sole trader

A **sole trader** is a business that is owned and operated by one person. It is the most common type of business in Australia. A sole trader is the simplest and cheapest structure to establish.

The sole trader receives all the profit and suffers all the losses. He or she has **unlimited liability**. This means he or she can be forced to sell personal assets such as the house or car to pay for business debts.

A sole trader usually has only one person's name in its business name, for example, Greg's Electrical Shop.



Proprietary (private) company

A private company usually has between two and 50 private owners called shareholders. These businesses tend to be small to medium in size. Often, they are family-owned. Shares in private companies are offered only to those people the business wants as part-owners. This is why it is called a 'private' company.

A private company must have the words 'Proprietary Limited', abbreviated to 'Pty Ltd', after its name. The main advantage of a private company is that shareholders have **limited liability**. This means that if the business cannot pay its debts, a shareholder generally loses only the money she or he has invested in the business.

However, in some instances, company directors must give a personal guarantee when financial institutions are giving loans. In these cases, the person who offered the personal guarantee might lose their own assets to pay the debts of the business. Also, if company directors engage in misleading behaviour, they can be held personally responsible.



Partnership

A **partnership** is a business usually owned and operated by between two and 20 people, called partners. The partners share their profits and losses, usually equally. It is common for people with similar skills, such as doctors and solicitors, to form a partnership. Partnerships tend to have the names of the partners in the business name, for example Harries and Davidson Accountants. Partnerships have unlimited liability.

Public company

A public company can have an unlimited number of shareholders. The general public may buy and sell shares in these companies. Most public companies are large. Shareholders in public companies have limited liability.

A public company must have the word 'Limited', abbreviated to 'Ltd', after its name.

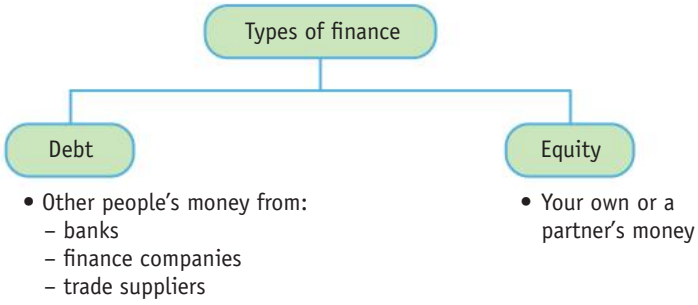
All companies are incorporated enterprises or have gone through **incorporation**. This means the company has become a separate legal entity from its owners (shareholders). Consequently, the company can sue and be sued, can own and sell property, and has perpetual succession — it will continue to exist when the owners change.



Arranging finance

Most small businesses are financed with a mix of debt and equity finance.

Debt finance is money obtained through loans; you use other people's money. Equity finance is money received from the sale of shares of ownership in the business; you use your own money. The main advantage with debt financing is that the owner does not have to sell any ownership in the business. Also, debt financing has certain taxation advantages. For these two reasons, debt financing is the most popular source of finance used by businesspeople when starting a small business.



The two main types of finance available to small business owners

Activities

Understand

1 Select the most appropriate word from the list below to complete the sentences that follow.

public	two	20
sole trader	personal	limited
stock exchange	private	unlimited
	liability	incorporation

A business entity with one owner is called a _____. This person faces _____ liability, which means he or she can be forced to sell his or her _____ assets to pay for the debts of the business. Partnerships normally consist of between _____ and _____ partners. Partnerships have unlimited _____. There are two types of companies, private and _____. A _____ company has fewer than 50 private shareholders. Shares in public companies are bought and sold on the _____. Companies have _____ liability, and have gone through the process of _____.

2 Explain the difference between *debt* and *equity* finance.

3 What are the advantages of debt finance?

Think

4 In your notebook, complete this table to show how each of the businesses in the box below is owned. The first one has been completed for you.

Sole trader	Partnership	Private company	Public company
		Beck's Pty Ltd	

Beck's Pty Ltd	Tom Wilson Plumbing
M&M Communications	CGM Ltd
Tip Top Pty Ltd	Tyler & Kelly

5 Decide what form of business ownership is appropriate for:

(a) a small bicycle shop that offers personal and professional advice by the owner

(b) a national retail chain that would require $589 million to establish

(c) a suburban hairdresser

(d) a medical clinic.

Give reasons for your answer.

Glossary

incorporation when the company has become a separate legal entity from its owners (shareholders)

limited liability if the business cannot pay its debts, a shareholder generally loses only the money he or she invested in the business

partnership a business owned and operated by 2–20 people

sole trader a business owned and operated by one person

unlimited liability when a business owner is personally responsible for all the debts of his or her business

15.4

Going into business (1)

There are two main ways of going into business:
- setting up a new business, which may involve establishing a **franchise**
- purchasing an existing business.

Choosing between the two main options is sometimes quite difficult; each has advantages and disadvantages.

Setting up a new business

Usually it is better to start a new business than purchase an existing one when:
- a person has created something unique and starts a business to market their invention
- an existing small business does not satisfy the needs of customers
- the market has grown and existing businesses cannot support additional customers.

Troy Bartlett, owner of Prema Press Tools Australia, and Kath Fry and Eisha Saleh, owners of Baraka, display the commitment needed to start a new business.

Advantages and disadvantages

Starting a business from scratch has a number of advantages:
- The owner has the freedom to set up the business exactly as he or she wishes.
- The owner's objectives can be matched more closely to the business.
- The owner is able to determine the pace of growth and change.
- The owner has more flexibility to select the location, target market, range of products and level of customer service.

Casestudy

Prema Press Tools Australia

Ever wondered what type of machine makes the plastic cards you have in your purse or wallet? Well, Troy Bartlett of Prema Press Tools Australia is the person to ask, for his business makes the intricate dies that punch out the distinctive card shapes.

As with most small businesses, Troy's experienced some start-up problems but he thrived on the challenges and was highly motivated to succeed. With the enthusiastic support of his wife Suzanna, an accountant, the business slowly developed and became recognised as one of the best in the industry. Troy invested in computerised numerically controlled (NC) equipment, which allowed him to specialise even further.

Although many small businesses are keen to expand, Troy wants his business to remain small. 'I do not want to lose control. I want to keep the personal contact with my customers. When a customer comes in with a problem, I can design and manufacture to their specific requirements. This is my business's main competitive advantage; I take a personal interest in the project from beginning to end. This means that I keep control of the whole process, so that the high levels of engineering are maintained. **Goodwill** is my primary objective. I aim to have the best reputation in the industry.'

Troy works long hours but he does not want to lose what gives him most satisfaction from the business. 'I'm very much a hands-on type of business owner. I get enormous satisfaction from working on a job from beginning to end. Actually, this is why I reject so many suggestions for expanding my business to match the competition. Bigger is not always better.'



Troy Bartlett

- There is no goodwill for which the owner has to pay.
- If funds are limited, it is possible to begin on a smaller scale.

However, there are also disadvantages:

- There is a high risk and a measure of uncertainty. Without a previous business reputation, it may prove difficult to secure finance.
- Time is needed to develop a customer base, employ staff and develop lines of credit from suppliers.
- If the start-up period is slow, then profits may not be generated for some time.
- Potential customers may be more difficult to attract than initially expected or unforeseen competition may appear, especially if the level of planning was inadequate.

Case*study*

Baraka

After both Kath Fry and Eisha Saleh experienced the challenge of finding modest yet stylish clothing for women, the 'baraka women' decided to solve the fashion gap themselves. 'Baraka' means 'blessing' in Arabic.

Kath Fry and Eisha Saleh have a fledgling business designing and manufacturing modest clothes for stylish women. Although it's currently a small business, there are big plans for the future. From a home base in Sydney's Chester Hill, the duo aim to take the Baraka brand global. At present they sell through their website, at parades and through a number of boutiques. 'We're getting interest in our clothes from overseas,' says Kath, 'and are laying the foundation for sales in the US, Dubai, Saudi Arabia and especially the EU, which we see as a good market.' In 2010, Baraka opened the first designer maxi-dress boutique in Sydney, supplying designs for the over-30s female **niche market** who choose to wear modest clothing.

However, for Kath and Eisha, it's not just about sales. 'We want to empower women through producing beautiful clothes for them to wear and also put money into charitable projects that support women. Five per cent of what Baraka makes goes to charity.' These charity projects promote the advancement of women through donations, upskilling and mentoring.

Another of their passions is having all their clothes — most of which are made from natural fabrics such as cotton, silk and jersey — produced in Australia at a time when off-shore manufacturing is more common. Kath says their customers are happy to pay for Australian-made quality.



Kath Fry and Eisha Saleh

Activities

Understand

1 One advantage of setting up a new business is not having to pay for goodwill. Explain this advantage.
2 List the conditions that need to exist to make starting a new business a better alternative than buying an existing business.

Think

3 Explain what you consider to be the two most significant advantages and two most significant disadvantages of starting a business from scratch.
4 Read the case study on page 334 and then answer the following questions.
   (a) Identify the personal qualities of Troy Bartlett that help make his business a success.
   (b) Outline what gives Troy his advantage over his competitors.
   (c) Why does Troy prefer to keep the business small?
5 Read the case study above and then answer the following questions.
   (a) What motivated Kath Fry and Eisha Saleh to set up a new business?
   (b) Identify the niche market for the maxi-dress boutique.
   (c) Why is having all their clothes made in Australia a smart business strategy?
   (d) Use the **Baraka** weblink in your eBookPLUS to outline Kath and Eisha's business philosophy.

eBook*plus*

Glossary

franchise the rights from a manufacturer to distribute its products under its name

goodwill the monetary value of a business's reputation

niche market a very small segment of the total market

15.5

Going into business (2)

Purchasing an existing business

When an existing business is purchased, the business is already operating and everything associated with the business is included in the purchase — for example, stock and equipment, premises, existing customer base, staff, and reputation and goodwill.

The owner of an existing business will always present the most positive picture when selling his or her business. It is important, therefore, to find out why the business is for sale. It may be a struggling business with complex problems rather than an exciting, once-in-a-lifetime opportunity. Before signing a contract of sale, the buyer should get financial and legal advice.

Advantages and disadvantages

Buying an established business has a number of advantages:

- Sales to existing customers will generate instant income.
- A good business history increases the likelihood of business success.
- Stock has already been acquired and is ready for sale.
- Equipment is available for immediate use.
- Existing employees can provide valuable assistance.

However, there may also be disadvantages:

- The existing image of the business may be difficult to change, especially if the business had a poor reputation.
- The success of the business may have been due to the previous owner's personality and contacts and this may be lost when the business is sold.
- It may be difficult to assess the value of goodwill with the likelihood of paying more than the business is worth.
- Some employees may resent any change to the business operation.

Kristen Lowe's Cut and Curl Hair Studio is an example of how success can come from buying an existing business.

Casestudy

Kristen Lowe, Cut and Curl Hair Studio



Interviewer: Kristen, what made you want to own a salon?

Kristen: *In my fifth year of apprenticeship at the salon, the owner suggested that my colleague Michelle and I might like to buy the business. Because we were both young and, looking back now, quite naive, we both said 'yes' on the spot. We had this idea the business would open on Monday with us as the new owners. As simple as that!*

Interviewer: Why did you decide to purchase an existing business?

Kristen: *We both wanted a business that already had a good reputation and a viable customer base. This reduced the risk. As well, because we were working in the salon, we knew the customers, suppliers and how the business operated.*

Interviewer: Did you realise at this stage the risks you were taking?

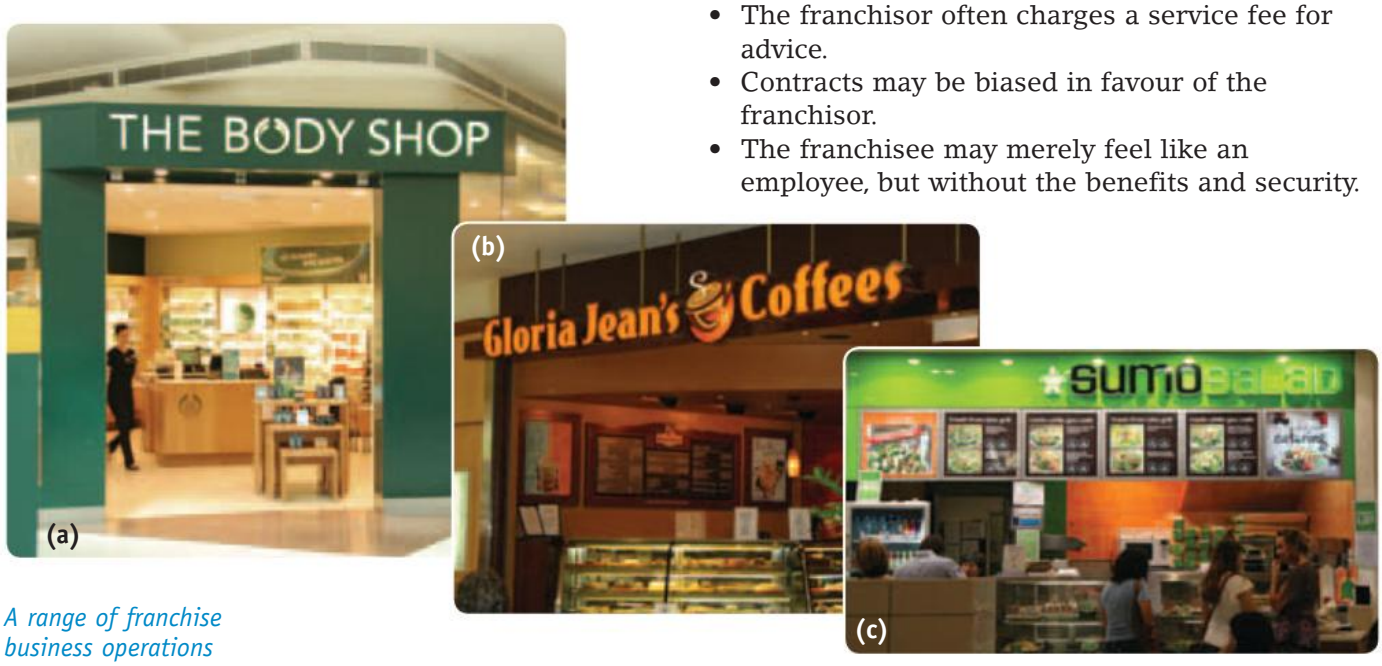
Kristen: *No, not really. Michelle and I just thought the customers would keep on coming. Luckily they did! I think that was because Michelle and I had good reputations, and over the years we had built up a large clientele of regular customers.*

Interviewer: You started the business as a partnership but now operate it as a sole trader. Was it difficult being a sole trader?

Kristen: *Yes. At the beginning it was stressful without having someone to share the burden and talk things over with. However, as time went by, I found that I liked being solely in charge because I could make all the decisions, and knew that the success of the business rested solely with me.*

Purchasing a franchise

Under a franchise agreement a person (*franchisee*) buys the right to use the business name and distribute the goods or services of an existing business (*franchisor*). People choose to start a franchise in the hope of avoiding many of the problems associated with starting a new business. For a set fee, the small business owner receives the benefits of a successful business formula, a well-recognised name and established trademarks. Franchise is the fastest growing area of small business, with approximately 1300 franchisors in Australia.



A range of franchise business operations

Advantages and disadvantages

Buying a franchise has a number of advantages.

- Products, equipment, premises design and marketing are usually established.
- The franchisor often provides training.
- There is less need for the franchisee to have previous business experience.
- The investment risk may be lower.
- There is immediate benefit from the franchisor's goodwill.

However, there may be disadvantages:

- The franchisor controls the operations.
- Profits must be shared with the franchisor.
- The franchisor often charges a service fee for advice.
- Contracts may be biased in favour of the franchisor.
- The franchisee may merely feel like an employee, but without the benefits and security.

Activities

Understand

1 Why should a buyer of a business consult an accountant and solicitor before signing a contract of sale?
2 Read the case study on page 336 and then answer the following questions.
   (a) Why did Kristen and Michelle decide to purchase an existing business?
   (b) Briefly outline Cut and Curl's strengths and weaknesses.
   (c) According to Kristen, what are the benefits of being a sole trader?
3 Distinguish between a 'franchisor' and a 'franchisee'.
4 Identify two main benefits of franchising for the (i) franchisor and (ii) franchisee.

Think

5 Suggest why some people choose to buy an existing business rather than set up a new one. Compare your answer with other class members.
6 Explain what you consider to be the two most significant advantages and two most significant disadvantages of purchasing a franchise.
7 Why do you think businesses operating as a franchise have a success rate three times that of independent businesses?
8 Select a small business you patronise regularly. If this business was for sale, would you consider buying it? Give reasons for your answer.

Communicate

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

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Worksheet 15.2 Imagine you are a DJ and are asked to complete a quote for the school dance job.

15.6

Meeting regulations and selling products

Small business owners may sometimes feel they are overregulated. Fulfilling all the legal obligations may be frustrating at times, particularly when more than one level of government is involved. All small business owners should be aware of the legislation (laws) that affects their business, especially the regulations, licences and approvals they may require to operate legally.

All three levels of government have regulations that must be followed by small business owners.

Federal government

Federal government obligations include:

1. payment of Pay As You Go (PAYG) income tax and fringe benefit tax
2. deduction of income tax from employees who earn above the minimum taxable wage level
3. possible collection of Goods and Services tax (GST) on behalf of the Australian Taxation Office
4. provisions for employee superannuation
5. abiding by unfair dismissal laws when dismissing employees
6. not engaging in anti-competitive practices.

Comfact

Small business owners should consult a solicitor or accountant to help them understand the laws governing their business operations.

State government

State government obligations include:

1. registration of the business name unless the business carries the name of the owner
2. provision of employee entitlements such as:
   - workers' compensation
   - occupational health and safety
   - award rates of pay and conditions
3. not engaging in misleading or deceptive advertising
4. abiding by any pollution controls
5. observing regulations relating to the sale of food, cigarettes and alcohol
6. adequate and non-deceptive labelling of all foodstuffs and clothing.



Almost every aspect of business is affected by government regulations.

Local government

Many small business owners overlook the importance of local government regulations. Any business using premises or land must first seek local government approval. Commencing trade before approval is obtained could result in the closure of the business. Local governments have control over the following business activities:

1. determining land zoning (use) and approving new development applications
2. fire regulations, especially fire prevention facilities
3. parking regulations governing the number of spaces that need to be provided
4. health regulations, especially the safe handling of food
5. the size, shape and location of business signs.

Selling products

You may have established a business selling a world-first proven product. However, products do not 'sell themselves'. Without customers, a product — even if revolutionary, exciting and so on — is useless. Many small business owners have failed despite having an excellent product. They lacked customers, and no customers means no profit. Consequently, you will have to **promote** your business by using:

1. *Networking*. Tell people about your business and what you do for a living.
2. *Creating a website*. The website can be used for product displays, e-tailing and blogging.
3. *Advertising*. Use print or electronic media to communicate messages about your products.
4. *Social media*. Create a business page on different social media platforms.
5. *Testimonials*. Existing customers tell others about their positive experiences with your business.
6. *Publicity*. Write articles and give seminars on topics related to your business.



Small business owners need to be flexible when promoting their business.

Activities

Understand

1 Complete the following table by listing three examples of regulations for the following levels of government.

Federal	State	Local
1.	1.	1.
2.	2.	2.
3.	3.	3.

2 What is meant by the term 'promotion'?

3 Why is it important to promote a business and its products?

Communicate

4 In small groups, arrange an interview with a local small business owner. Prepare either a two-page written or five-minute oral report. You may wish to develop your report under the following headings:
(a) Reasons for establishing the business
(b) Brief history of the business
(c) Regulations required to operate the business
(d) Success and failure along the way

5 Design a promotional brochure to advertise the opening of a new pizza store in the local area. Be sure to include the following details:
(a) name and address of the store
(b) date of opening
(c) hours of trading
(d) details of opening specials or other promotional activities.

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6 Choose one of the following regulatory bodies and complete the questions listed below:
- NSW Fair Trading
- Australian Securities and Investments Commission
- Australian Competition and Consumer Commission

(a) Briefly describe their role.
(b) Why is their role important in terms of business?

To help you, use the **NSW Fair Trading**, the **Australian Securities and Investments Commission** or the **Australian Competition and Consumer Commission** weblinks in your eBookPLUS.

Worksheet 15.3 Create a logo and slogan to promote your own business.

Glossary

promotion methods used by a business to inform, persuade and remind customers about its products

15.7

Maintaining records

All small business owners need a set of accurate and up-to-date financial records to track the success of their business, as well as for taxation purposes.

Income statement

A business earns income by selling a good or service to its customers. This is known as trading. To measure how successful a business is at trading, a financial report called an income statement, or statement of financial performance, is drawn up using three steps.

Step 1: Record the **revenue**, which is the income earned by a business.

Step 2: Record the **expenses**, which are the costs incurred in running the business. Common expenses include wages and salaries, purchases of raw materials, payments for telephone, electricity and so on.

Step 3: Calculate the profit or loss. A **gross profit/loss** is the amount remaining when the cost of goods sold is deducted from revenue. A **net profit/loss** is the amount remaining when operating expenses are deducted from gross profit. The word 'net' means that all expenses have been deducted. To understand a revenue statement, we will examine Angelo's Eatery, an eat-in and takeaway café.

Angelo's Eatery

Income statement for the year ending 30 June 2016

	$	$
Revenue		
Cash sales		215 000
less **Cost of goods sold**		90 000
Gross profit		125 000
less **Expenses**		
Wages	38 000	
Rent	20 000	
Electricity	5 500	63 500
Net profit		61 500

Income statement for Angelo's Eatery

Balance sheet

The balance sheet or statement of financial position shows the financial position of a business at a particular time. It records three different sets of accounts — value of assets; value of liabilities; and, proprietorship or owner's equity. To understand a balance sheet we will examine Angelo's Eatery.

1. *Value of assets.* **Assets** are items of value *owned* by a business. The assets of Angelo's Eatery include cash at bank, equipment (ovens, tables and chairs), motor vehicle, and stock on hand (fruit and vegetables and wines).
   Assets can be divided into two different types:
   (a) Current assets will be used up within one year. Examples include cash at bank and stock.
   (b) Non-current assets will last for longer than a year. Examples include motor vehicle and equipment.
2. *Value of liabilities.* **Liabilities** are the debts *owed* by a business to others. Angelo's current liabilities include accounts payable/creditors (the money he owes to other businesses for supplies). His non-current liabilities include the long-term bank loan used to buy equipment for the café.
3. *Owner's equity.* **Owner's equity** represents the value of the business to the owner(s). It is sometimes called capital, as it represents the money the owner has invested in the business. To calculate Angelo's equity, we total all the assets and subtract all the liabilities. This is the basic accounting equation: *assets = liabilities + owner's equity*.

The balance sheet for Angelo's Eatery is shown opposite.

Cash flow statement

A cash flow statement indicates the movement of cash receipts (inflows — such as money from sales), and cash payments (outflows — such as payments for expenses), over a period of time. By regularly comparing the totals of receipts and payments, a business is able to calculate its surplus or deficit of cash. This is an important indicator of a business's **liquidity** — the ability of a business to pay its debts on time. A typical cash flow statement is shown opposite.

Angelo's Eatery

Balance sheet as at 30 June 2016

Assets	$	$	Liabilities	$	$
Current assets			*Current liabilities*		
Cash at bank	68 000		Accounts payable		35 000
Stock on hand	22 300	90 300			
Non-current assets			*Non-current liabilities*		
Equipment	58 000		Bank loan		55 000
Motor vehicle	37 000		*Owner's equity*		
Glasses and cutlery	12 500	107 500	Net profit retained	61 500	
			Capital	46 300	107 800
Total assets		**197 800**	**Total liabilities and owner's equity**		**197 800**

Angelo's Eatery

Cash flow statement for the year ending 30 June 2016

	$	$
Cash inflows		
Net operating activities	75 300	
Borrowed funds	55 000	
Total cash inflows		130 300
Cash outflows		
Wages	38 000	
Rent	20 000	
Electricity	5 500	
Total cash outflows		63 500
Net cash flow (TCI–TCO)		66 800
Opening cash balance		11 000
Closing cash balance		77 800

Glossary

assets items of value owned by a business

expenses the costs incurred in running a business

gross profit/loss amount remaining when the cost of goods sold is deducted from revenue

liabilities the debts owed by a business to others

liquidity the ability of a business to pay its debts on time

net profit/loss amount remaining when operating expenses are deducted from gross profit

owner's equity the value of the business to the owner(s)

revenue the income earned by a business

Activities

Understand

1 What is the main use of an income statement to a business?
2 List the three steps necessary to complete an income statement.
3 List the three sets of accounts recorded in a balance sheet.
4 What is the difference between an *asset* and a *liability*?
5 What does 'owner's equity' represent?
6 Complete the following accounting equation:
Assets = _____ + _____
7 What is meant by the term 'liquidity'?

Think

8 Julian Moloney owns and operates Blue Hills Corner Store. Last year, he had a sales revenue of $178 000. His cost of goods sold totalled $75 000. His operating expenses were: electricity $1800, advertising $2200, interest charges $3000, salaries $12 000, rent $15 000.
(a) Construct an income statement for Julian and tell him whether or not he has made a net profit.
(b) Advise Julian on how he could increase the net profit for the following year.
9 Sandra Dyer, who makes customised jewellery, has asked you to help construct a balance sheet. Draw up her balance sheet as at today's date from the following: cash at bank $200, building $17 800, accounts payable $6500, machinery $5200, accounts receivable $800, motor vehicle $7000, mortgage $5500, stock $2000.
10 Adriana owns a craft shop. During July, the business sold $8200 of craft goods and received $200 in bank interest. She paid her sales assistant a monthly wage of $1350. During this month the business spent $2800 purchasing craft equipment, $350 for rent, $750 for insurance and $150 for electricity. Prepare a cash flow statement for the month of July for Adriana's business.

eBookplus **Worksheet 15.4** Learn more about maintaining financial records by examining workplace situations.

15.8

Risk management and key issues related to running a business

Risk management

It takes courage to establish and operate a small business. There are so many risks that the small business owner must be prepared to take and manage. **Risk management** is the process of:

- evaluating the risks faced
- calculating the possible costs
- implementing procedures to minimise such risks.

Planning for the future

Unexpected occurrences may be costly and threaten the viability of the business. Thorough planning is required to minimise the damage of these unexpected events. Below are some possible risks and strategies to help reduce their impact on the business.

Possible risks and strategies to minimise risk

Possible risk	Risk minimisation strategy
1. Rising bad debts	If customers are consistently late in paying, enforce a strict credit policy.
2. Lawsuits	Comply with statutory regulations and take precautions not to harm others — a reasonable duty of care.
3. Falling sales	Conduct market research to find out why sales are falling. Try to reduce costs to ensure the business survives.
4. Machinery breakdowns	Set aside money to cover the costs of repairs and service equipment regularly.
5. Physical damage	Take out an appropriate insurance policy such as fire, storm, flood or earthquake.
6. Copyright infringement	Obtain protection of your new product or idea (patent).
7. Supplier problems	Use a number of suppliers. Do not rely on only one.
8. Ill health	Death or disability insurance can protect your business.
9. Tax obligations	Keep up to date with changes to taxation and keep detailed records.
10. Expanding too quickly	Slow the growth rate to a more sustainable level.
11. Writing cheques in excess of funds	Examine your cash position and talk to your suppliers.
12. Theft	Put in place stock loss and crime prevention measures and improve security.
13. Computer security	Install anti-virus software, operate from a secure site and back up all files.

Key issues relating to running a business

Establishing a business is just the beginning. Keeping the business successfully running takes time, effort, dedication and **management**. Small businesses, like all businesses, must be managed: they do not operate automatically. Management requires the coordination of the human, physical, financial and information resources to achieve the goals of the business.



Managing a small business is a complex task.

Operating a business

We now come to perhaps the most crucial stage in a small business's existence: to push the 'start' button and get the business operating. The knowledge and skills you have gained while studying this topic can now be put into practice. To gain more experience, set up and run a simulated or school-based business. This will give you the opportunity to further develop your business skills. The world of business is most definitely an exciting one.

Management of administration

Small business owners often complain about paperwork, with some labelling it 'paper warfare'. However, for any small business to succeed, the owner must maintain and have easy access to a reliable and accurate set of records. Such records contain very useful information. Administrative records include:

- payroll — salaries and benefits
- financial statements — revenue statement, balance sheet and cash flow
- order processing and invoicing
- customer database — names and addresses of customers.



Management of marketing

To maximise customer awareness and sales, an organised marketing campaign is necessary, involving:

1. *Product* — quality, design, name and packaging
2. *Price* — setting the 'correct' price for the product
3. *Promotion* — methods used to inform, persuade and remind customers about the products
4. *Place (distribution)* — how to get the product from the business to the customer.

Management of finance

It is necessary to prepare a cash flow statement, construct a revenue statement and prepare a balance sheet so as to determine the business's financial performance.

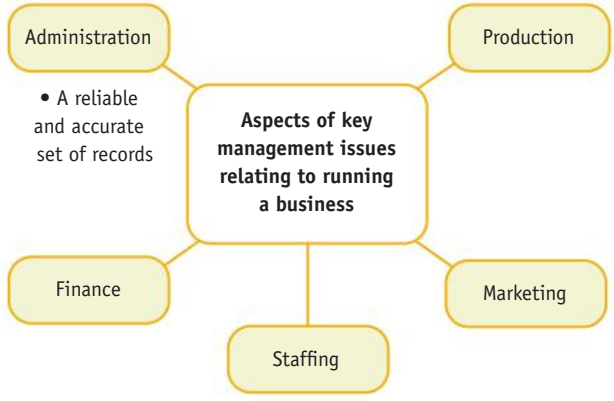
Activities

Understand

1 What is meant by the term 'risk management'?

2 Identify a suitable risk minimisation strategy for the following risks:
(a) physical damage
(b) supplier problems
(c) falling sales
(d) lawsuits
(e) computer security.

3 Complete the following mind map showing the key management issues relating to running a business. The first one has been started for you.



Think

4 Why do you think it is important to manage risk?

Communicate

5 In pairs, reorder these scrambled words to form a sentence. You will get clues from the text. The first word is in the correct position.
(a) A competent needs small owner business manager to risk a be.
(b) Thorough required planning damage minimise is unexpected to events of the.
(c) It strategies develop minimisation important risk is to.

6 Arrange for a representative of your nearest Business Enterprise Centre to visit your class. Conduct a 'current affairs' interview with the representative. You will need to select a panel of interviewers from the class and prepare a list of questions. You may wish to video the interview. Make sure you explain all this to the representative before she or he arrives at the school.

Glossary

management the coordination of the human, physical, financial and information resources to achieve the goals of the business

risk management the process of identifying and minimising the risks faced by a business

Glossary

absolute majority half the number of formal votes received in an election plus one p. 254

acceptable quality a product fit for purpose, acceptable in appearance and finish, free from defects, safe and durable p. 23

acceptance when the offeree agrees to the proposal p. 20

access equal opportunity for all people to make use of the legal system p. 106

accused to be charged with an alleged criminal offence p. 282

action plan the detailed actions to be undertaken in order to achieve a goal pp. 259, 321

adult a person 18 years or over p. 280

adversarial system system in which two opposing parties present their arguments to a magistrate or judge p. 86

advertising a paid, non-personal message p. 175

agenda a list of the items of business that will be discussed at a meeting p. 322

agent a person or organisation that conducts business on behalf of another p. 268

amendment an alteration to a motion p. 322

anarchy disorder or confusion due to the absence of government or laws p. 76

appeal an application for a legal decision to be reviewed in a higher court p. 82

appreciation an upward movement of the Australian dollar (or any currency) against another currency pp. 220, 308

apprenticeship training and education in a trade p. 127

arbitration when an independent body makes a final (and binding) decision on a dispute between two parties; a method of resolving disputes whereby a judge in a court gives a decision pp. 145, 293

arrest to detain someone suspected of having committed a crime p. 286

assets something of value, e.g. property, house, shares; items of value owned by a business pp. 162, 340

award a document that outlines an employee's minimum pay and conditions p. 129

bail to release an accused person who is awaiting trial p. 83

balance of power the power an individual or party has by holding the casting vote p. 257

balance of probabilities the standard of proof in civil trials p. 86

balance of trade the difference between the value of a nation's imports and the value of its exports p. 309

ballot paper a piece of paper on which a voter records her or his vote p. 254

bankrupt when a person is judged by a court to be insolvent; i.e. unable to pay her or his debts p. 60

barter the swapping or exchanging of one good for another p. 34

beyond reasonable doubt the standard of proof required in a criminal trial p. 86

bicultural able to appreciate and understand the business practices and customs in the host country p. 218

blue chip shares very safe and secure shares p. 169

bond money that is lodged with the Rental Bond Board. It is used to cover any damages or cleaning costs if the rented premises are left in an unsatisfactory condition. p. 230

book-up a charge account operated by a trader p. 31

budget a list of income and likely expenditures pp. 6, 264

business any organisation that produces and sells goods and services in order to make a profit p. 6

business cycle the cyclical fluctuations in the general level of economic activity p. 298

business opportunity something an entrepreneur can see as an avenue to success p. 330

Cabinet the group of select government ministers that meets regularly to decide major issues of government p. 245

cadetship/traineeship training in a full-time job, with time allocated to attend university or TAFE p. 127

capacity the ability of a person to do something p. 280

Capital Gains Tax a tax on the profits arising from the increased value of assets such as shares or property p. 168

capital punishment when an offender is put to death p. 284

cash flow money coming into and going out of a business p. 50

caveat emptor a term meaning 'let the buyer beware' p. 23

Centrelink the main federal government welfare agency. It provides financial assistance as well as counsellors and social workers to those in need. p. 227

charge a formal allegation that a person has committed an offence p. 282

cheque a written communication ordering your financial institution to pay a person a specific amount of money p. 30

civil law deals with non-criminal matters involving disputes between individuals and organisations p. 288

coalition a government that becomes possible because two or more parties agree to work together p. 256

code of ethics a set of values and principles p. 269

collective wants goods and services that are for the use of the whole community, such as roads and wildlife parks pp. 146, 312

commerce the buying and selling of goods and services between individuals and businesses p. 4

commission the percentage of a sales price received by a salesperson for her or his services p. 42

committal hearing a hearing to decide whether there is enough evidence to put a person on trial for an indictable (serious) offence p. 83

common law (employment) contract when an employer and an individual employee negotiate a contract covering pay and conditions. p. 130

common law system of law based on the previous decisions of judges, or precedents p. 96

community services services largely funded from within the community to provide something that is desirable but not profit making p. 240

comparison rate loan interest rates calculated after adding fees and charges to the lender's advertised rate p. 302

comparison shopping contacting (by telephone, internet or in person) a number of sellers to obtain the best deal p. 8

competitive advantage the ability of a business to develop strategies that ensure it has an 'edge' over its competitors p. 331

conciliation similar to mediation except the conciliator can suggest possible solutions; a method of settling a dispute where a third party acts as an interventionist mediator pp. 145, 293

condition report details the exact condition of a property when new tenants move in p. 230

consideration the giving up of something of value p. 20

constitution a document which sets out how an organisation or a country will be governed pp. 99, 244

constitutional monarchy a type of government that is based on a constitution and has a queen or king as its head of state p. 244

consumer guarantees a set of rights and remedies for defective goods and services p. 23

Consumer Price Index (CPI) Australia's main measure of inflation p. 306

consumer someone who purchases goods and services to satisfy needs and wants p. 4

contract a legally binding agreement pp. 20, 288

cookie a file that a web server stores on the user's computer when a website is visited. A cookie gathers information about a user. p. 202

copyright protects an author, artist, musician or publisher by giving them exclusive rights over their creation p. 203

court a place where people can resolve disputes relating to law p. 82

credit bureau an organisation that keeps on file the credit records of consumers p. 61

creditor a person who is owed money p. 60

criminal law law involving cases where the government has declared some action to be illegal p. 282

cultural diversity the multitude of individual differences that exist among people p. 218

cybermall a virtual shopping mall p. 190

debenture a document issued by a firm when you lend it a sum of money p. 163

debit card plastic card that allows you to buy goods by electronically transferring money out of your account into the store's account. It can also be used to obtain cash. p. 238

debtor a person who owes money p. 60

defamation unlawfully damaging a person's reputation p. 203

default the inability to repay borrowed money p. 304

default notice a document from a lender stating that a person has failed to carry out the terms of the contract p. 60

defendant the party in a criminal or civil trial against whom an action has been brought p. 86

democracy a system of government where political power lies with the people p. 246

demographic factors population characteristics that affect customer spending and include: age, ethnicity, gender, marital status, family size and income p. 330

departure tax a tax that must be paid when leaving a country p. 270

depreciation a downward movement of the Australian dollar (or any currency) against another currency pp. 220, 308

depression a severe contraction in the level of economic activity resulting in many business failures, high and sustained levels of unemployment and sometimes falling prices p. 298

discriminate to treat somebody differently or less favourably because of her or his personal characteristics such as gender, ethnicity or religion p. 106

discrimination treating a person less favourably because of factors such as gender, ethnicity, religion or disability p. 138

distribution chain the ways of getting the product to the customer p. 10

dividend sum payable as profit for shares; part of a firm's profit that is divided among shareholders pp. 42, 162

domestic trade economic transactions that take place within Australia p. 209

double dissolution a decision made by the head of state to dissolve both houses of parliament p. 101

drawee the financial institution that provides cheque account facilities p. 30

drawer the person who writes and signs a cheque p. 30

e-commerce the buying and selling of information, goods and services via the internet pp. 8, 188, 208

e-security electronic security on the internet p. 193

e-tailer electronic retailer pp. 8, 188

EFTPOS **e**lectronic **f**unds **t**ransfer at **p**oint **o**f **s**ale p. 29

electronic transfer the transfer of funds from one account to another via the internet or telephone p. 35

employee a person who works for a wage or salary p. 124

employer a person who hires employees p. 124

employment contract a legally binding, formal agreement between an employee and an employer p. 128

encryption technology scrambles data travelling over the internet to prevent unauthorised access p. 194

enterprise agreement agreement about pay and conditions made at an workplace/enterprise level p. 130

entitlements non-wage benefits such as long service leave or sick leave p. 116

entrepreneur someone who starts, operates and assumes the risk of a business venture in the hope of making a profit p. 328

equities stocks and shares held by an individual p. 68

equities (shares) ownership entitlements in a company p. 214

escrow account an account where a third party holds money until goods are delivered p. 194

establishment costs one-off costs for setting up a new place to live or a business p. 232

ethical acceptable to society's current standards p. 160

ethical behaviour behaviour consistent with society's standards about what is morally acceptable; what constitutes right and wrong actions p. 318

ethical consumerism buying products that are not harmful to the environment, animals and society p. 173

ethics a set of principles of right and wrong behaviour p. 180

evaluating the comparison of planned performance against actual performance p. 184

evidence information presented that helps a court reach a decision in a case p. 282

exclusions the things that an insurance policy will not specifically cover p. 234

expenses the costs incurred in running a business p. 340

exports goods and services sold to another country p. 209

Fairtrade an alternative method of international trade which promotes sustainable farming, fair wages, alleviation of global poverty and a fair price for growers p. 173

Federal Parliament the House of Representatives and the Senate p. 244

federation when separate countries or states agree to join together as one p. 244

fee money paid to others for their services p. 43

fixed expenses expenses that are the same amount every time p. 44

fixed interest rate interest rate that remains the same for the period of the loan p. 158

foreign aid financial and technical assistance by government and non-government (private) organisations from developed (high income) nations to developing (low income) nations p. 222

foreign debt the amount of money a country has borrowed from overseas sources p. 309

foreign exchange (forex or fx) market the market that determines the price of one currency relative to another p. 308

foreign exchange rate the ratio of one currency to another; it tells how much a unit of one currency is worth in terms of another pp. 220, 276, 308

formal vote a vote that has been correctly marked on a ballot paper in accordance with the rules p. 254

franchise the rights from a manufacturer to distribute its products under its name p. 334

free-trade agreement an agreement between countries that results in reductions in barriers to trade p. 212

garnisheed when a certain amount of money can be taken out of a borrower's wages p. 58

global consumer a person who buys goods and services from other countries p. 208

globalisation the movement across nations of people, goods, money and ideas p. 208

goal a desired outcome or specific result that an individual or organisation intends to achieve through planning p. 316

good behaviour bond a type of punishment whereby the offender agrees to display good behaviour for a set time or they will forfeit a sum of money and be tried for the original offence as well as any new offences p. 284

Goods and Services Tax (GST) a broad-based tax of 10 per cent on the supply of most goods and services consumed in Australia p. 147

goods items that you can see or touch p. 4

goodwill the monetary value of a business's reputation p. 334

grievance procedures a number of predetermined steps that are followed to resolve a dispute p. 144

gross domestic product the total value of all goods and services produced in an economy in a given year p. 216

gross profit/loss amount remaining when the cost of goods sold is deducted from revenue p. 340

group buying buying in bulk so both the buyers and the sellers benefit from the deal p. 192

guarantor someone who guarantees to pay back the money if the borrower does not pp. 52, 288

hierarchy a grading system based on order of importance p. 82

House of Representatives the lower house of Federal Parliament, sometimes called the people's house p. 245

hyperlink a feature highlighted within a document that triggers a link to another document p. 198

identity theft the crime of stealing personal information in order to assume that person's name p. 194

imports goods and services bought from another country p. 209

impulse buying buying something without giving much thought as to whether you really need it pp. 8, 47

inclusions the things that an insurance policy covers p. 234

income money received on a regular basis from work, property, business, investment or welfare payments pp. 6, 42

income and expenditure account a record of income earned and money spent during the previous week p. 159

incorporation when a company has become a separate legal entity from its owners (shareholders) p. 333

independent a candidate or member of parliament who is not a member of a political party p. 257

indictable offence a serious criminal offence p. 83

inflation a general rise in prices, causing money to lose its value p. 300

insurance the payment of an amount of money that covers a person or property in the event of loss, damage or accident so that the person does not suffer a severe financial setback p. 234

insured the person who is covered by the insurance policy p. 234

insurer the company that is providing the insurance p. 234

intellectual property property that is created by an individual's intellect; a song, poem, novel and so on p. 221

interest the extra money you have to pay back when borrowing money pp. 17, 48

interest rate the annual cost of borrowing credit or the annual return on invested savings; the price of money p. 302

international (global) trade the buying and selling of goods and services between nations p. 208

invasion of privacy the wrongful intrusion into the personal life of another p. 198

investment putting money into something in order to make a profit; the purchase of new plant and equipment. Individuals, government and business all carry out investment. pp. 66, 156, 296

investment portfolio all the investments an individual has p. 164

itinerary a travel plan p. 272

judge a court official who has the power to make decisions on matters brought before a court of law p. 84

jury a group of people (either 12 or six) selected to hear the evidence in a court case p. 82

kinship traditional indigenous rules that outline the correct way of living p. 78

kitty a central fund p. 228

labour force people aged 15 and over who are either employed or unemployed pp. 6, 119

labour standards those conditions that affect a business's employees, or those in its supply chain p. 218

landlord the person who owns the premises being rented p. 230

laws a set of legal rules p. 76

lay-by the system that allows a customer to purchase a good by paying a deposit and then making regular repayments for a set time. You obtain the good when the final payment is made. p. 238

leadership the ability to influence people to set and achieve goals p. 318

legal aid free legal advice or representation p. 287

liabilities the debts owed by a business to others p. 340

limited liability if the business cannot pay its debts, a shareholder generally loses only the money he or she invested in the business p. 332

liquidity the ability of a business to pay its debts on time p. 340

loading extra pay to compensate casual employees for lack of access to entitlements p. 116

lobby to attempt to enlist popular and political support for some particular cause p. 248

lobbying a process of gaining support from influential people and organisations p. 322

m-commerce the ability to conduct business transactions through a mobile device p. 201

macroeconomics the study of the economy as a whole p. 296

magistrate a court official who hears cases in the lowest court of law p. 82

mail order to buy products, via catalogues, for delivery by mail p. 11

malware software intended to perform unwanted actions on a computer p. 198

managed fund a pool of money that comes from people who have similar investment goals. It is invested by a fund manager in assets such as shares or property. pp. 156, 214

management the coordination of the human, physical, financial and information resources to achieve the goals of the business p. 342

manufacturer a person or business that makes goods p. 10

market research collecting and analysing information about customers and the business opportunities available p. 330

market segmentation when the total market is subdivided into groups of people who share one or more common characteristics p. 178

materialism an individual's desire to constantly acquire possessions p. 181

mediation when a third party helps those involved in a dispute to reach a solution acceptable to both sides pp. 144, 293

military law rules applicable to people in the armed forces p. 78

minor a person under 18 years of age p. 280

minority government a government without a voting majority which relies for its survival on the support of other parties or independents p. 256

minutes a brief and official record of a meeting p. 322

mixed economy an economic system in which individuals and businesses make their own decisions but with a degree of government involvement p. 301

money any token, with an agreed value, that people accept as payment in exchange for a good or service p. 4

monitoring checking and observing the actual progress of something p. 184

mortgage a loan for goods or a property. If you fail to make your loan repayments, then the mortgagee will repossess the goods and sell them. pp. 50, 238

motion suggestion for a change or proposed action p. 322

needs things that are necessary for survival, such as water and food p. 4

negligence the failure to exercise proper care, which could result in another person being injured or suffering a risk p. 289

negotiation a method of resolving disputes where the parties involved discuss the issues in an attempt to reach a compromise pp. 144, 323

net income the amount a person has left after income tax is deducted p. 47

net investing direct investor trading over the internet p. 200

net profit/loss amount remaining when operating expenses are deducted from gross profit p. 340

niche market a very small segment of the total market p. 335

non-profit organisations organisations that operate to provide social, educational, religious and other services p. 312

oath a promise to tell the truth or that something is true p. 282

objectives specific, short-term targets p. 321

offer a proposal p. 20

ongoing costs those costs that keep on recurring such as rent, mortgage and electricity bills p. 232

online being connected to the internet p. 188

online fraud intentional deception committed on the internet p. 198

online shopping purchasing products over the internet p. 12

overtime time during which work is done outside regular working hours. Such time is usually paid at higher rates. p. 42

owner's equity the value of the business to the owner(s) p. 340

parent company a company that owns or controls another company (subsidiary) p. 216

participation rate the proportion of people aged 15 or over employed or actively looking for work p. 121

partnership a business owned and operated by 2–20 people p. 332

passport an official document granting permission to travel between countries p. 270

payee the person who is to receive the money from a cheque p. 30

personal selling communication between a sales representative and a potential customer p. 174

phishing the use of a fake bank website to elicit a customer's account details p. 198

pieceworkers people who are paid according to the number of items they make p. 140

plaintiff the party that commences a civil action p. 87

political risk any political event which has a negative impact upon business operations and profit p. 220

portal a website designed to offer a variety of internet services from a single convenient location p. 190

portfolio a range of low-risk and high-risk financial investments; an area of government responsibility, such as health or defence pp. 68, 245

precedent a previous legal decision that serves as a rule or pattern in future cases p. 96

preferences order in which voters list candidates at an election, after they have made their first choice p. 254

preferential system a counting system that is designed to allow the majority of Australians to have their say in an election by stating the order in which they prefer candidates p. 254

premium the amount of money to be paid to receive insurance cover pp. 56, 234

price the amount of money a consumer is prepared to offer in exchange for a good or service p. 5

primary industry industry involved in the growing or extracting of natural resources p. 118

primary target market the market segment at which most of the marketing resources are directed p. 178

private law deals with disputes between private citizens p. 90

pro rata proportion of normal full-time benefits related to the hours worked p. 116

product differentiation occurs when products that are the same or similar are made to appear different and/or better than those of their competitors p. 172

product endorsement when celebrities express their appreciation and support for a product p. 176

product placement the inclusion of advertising in entertainment p. 181

product positioning the creation of a product image compared with the image of competing products p. 173

profit what remains after all business expenses are deducted from sales revenue pp. 6, 43

promotion methods used by a business to inform, persuade and remind customers about its products pp. 174, 339

promotion mix the various promotion strategies a business uses in its promotional campaign p. 174

proportional representation when each senator must win a set proportion of votes, or quota, to win a Senate seat p. 254

prosecutor the party bringing a criminal action against the accused; usually the state p. 87

public law deals with disputes that affect the community p. 90

publicity any free news story about a business's products p. 176

purchasing power the actual quantity of goods and services that may be bought with a given amount of money p. 306

quality of life the wellbeing of individuals p. 314

quaternary industry industry involved in the transfer and processing of information and knowledge p. 118

quinary industry industry involved in providing domestic services p. 118

quota the number of votes that a Senate candidate must get to win a Senate seat p. 254

rate of return the profit you receive on your investment as a percentage of the original investment p. 164

real income what an income will actually purchase after allowing for the effects of inflation p. 307

recession a relatively mild contraction in the level of economic activity resulting in reduced spending, rising unemployment and a slow rate of economic growth p. 298

redress to set right p. 26

redundancy when a particular job a person is doing is no longer required to be performed, sometimes due to technological changes p. 140

referendum a vote by electors on a proposed change to the Australian Constitution p. 244

relationship marketing the development of long-term relationships with individual customers p. 175

rent regular payment made by a tenant to an owner for the use of the owner's building or land p. 43

repossess to take back goods bought on credit if repayments have not been made p. 52

reservation fee usually one week's rent that will reserve the premises for a person while their application for tenancy is being considered p. 230

residential tenancy agreement the standard agreement between tenants and a landlord when a house or flat is being rented p. 230

retailer a business that sells products directly to consumers p. 8

revenue the income earned by a business p. 340

rip-off to overcharge or swindle p. 18

risk management the process of identifying and minimising the risks faced by a business p. 342

royalty a sum paid to authors, musicians and so on, as a percentage of the proceeds from their work p. 43

S.M.A.R.T. acronym used to describe goal setting: specific, measurable, achievable, realistic and timebound p. 320

salary a fixed amount of money paid on a regular basis (usually fortnightly or monthly) to a permanent employee of an organisation p. 43

sales promotion the use of activities or materials as direct inducements to customers p. 176

savings plan a commitment to regularly put aside some money for future use p. 46

scam an illegal business practice; obtaining money by means of deception pp. 18, 196

search engine a program that gathers and sorts through information on the web p. 190

secondary industry industry involved in turning raw materials into finished or semi-finished products p. 118

secondary target market a smaller and less important market segment p. 178

secured loan something deposited as a guarantee to fulfil the payment of a loan p. 50

Senate the upper house of the Federal Parliament, sometimes called the State's House p. 245

services things done for you by others p. 4

share a part ownership of a public company p. 162

social media advertising online advertising using social media p. 175

social welfare payment a payment made by a government to help people in need p. 42

sole trader a business owned and operated by one person p. 332

spam unsolicited email, usually advertising, which is sent to a large number of people p. 198

sponsorship promoting a product by associating it with a specific event p. 176

standard of living the quality of life measured by the quantity of goods and services available for consumption p. 297

statute law laws made by parliaments p. 96

stockbroker individual or firm that specialises in buying and selling shares p. 162

subsidiary a company owned and controlled by another company p. 216

sue to bring a civil action against another person for causing damage or injury p. 83

superannuation a way of saving so an employee has some money in retirement pp. 43, 148, 156

superannuation fund a managed fund designed specifically to produce benefits when you retire p. 163

target market the group of customers to whom the business intends to sell its product pp. 178, 331

taxes the part of our income taken by the government to pay for collective goods and services p. 146

telecommuting using technology to work from home p. 204

tenant the person who rents a property from a landlord p. 230

term the length of time allowed to repay a loan p. 303

tertiary industry industry involved in providing a service to others p. 118

tort a civil wrong p. 91

transnational (multinational) corporation (TNC) a large business organisation that has a home base in one country and operates businesses in other countries p. 216

trial a process to determine whether someone committed a criminal act or caused another person a loss p. 82

triple bottom line the economic, social and environmental performance of a business p. 251

unconscionable act any practice by a seller that is just not reasonable and often illegal p. 18

unemployment when people are trying to find work but have so far been unsuccessful p. 134

unfair dismissal termination of employment that is considered to be harsh, unjust or unreasonable p. 139

unlimited liability when a business owner is personally responsible for all the debts of his or her business p. 332

unsecured loan nothing is deposited as a guarantee to fulfil the payment of the loan p. 50

unsecured note similar to a debenture except the holders of these are one of the last to be repaid if a firm is liquidated p. 163

variable expenses expenses that change over time p. 44

variable interest rate rate that moves up or down depending on market forces p. 158

victim a person who is injured or killed by another p. 282

Vienna Convention international convention that sets standards for people who have been arrested outside their own country p. 277

visa a stamp placed in your passport for the country you will be visiting, stating the length of time you are allowed to visit the country p. 268

vision statement formally expresses an organisation's role and function p. 320

volunteer an unpaid worker p. 312

wage money received by workers, usually on a weekly basis, for services they provide to an employer p. 42

wants things that are not essential for survival but that we would like to have p. 4

warrant an order from a judge authorising police to do something such as arrest someone or search property p. 286

warranty a promise to repair any defects that are in a product p. 236

website a collection of related web pages which typically has a home page where users enter the site p. 188

wholesaler buys goods in large quantities from the manufacturer p. 10

witness a person who gives evidence in court p. 282

work–life balance achieving the right amount of time devoted to work and for personal life p. 121

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