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JACARANDA

ECONOMICS AND BUSINESS ALIVE

7

VICTORIAN CURRICULUM | SECOND EDITION



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GRAEME SMITHIES

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HOW TO USE

the *Jacaranda Economics and Business Alive* resource suite

The ever-popular *Jacaranda Economics and Business Alive for the Victorian Curriculum* is available as a standalone Economics and Business series or as part of the *Jacaranda Humanities Alive* series, which incorporates Economics and Business, History, Geography, and Civics and Citizenship in a 4-in-1 title. The series is available across a number of digital formats: learnON, eBookPLUS, eGuidePLUS, PDF and iPad app.

Skills development is integrated throughout, with key skills targeted through SkillBuilders.

This suite of resources is designed to allow for differentiation, flexible teaching and multiple entry and exit points so teachers can *teach their class their way*.

Features

All topics start with an **Overview** which includes a pre-test to gauge students' readiness to begin.

1 Working for a living – the world of consumers and producers

1.1 Overview

Some people work to make money, but are there other reasons to join the world of work?

1.1.1 Your role in the economy

Can you imagine what life would be like if you couldn't buy new clothes, the latest phone, laptop or computer game? Having access to these things is only possible if you (or your parents) work to earn an income to pay for them.

You are an important part of the economy because you contribute money whenever you buy goods and services to satisfy your needs and wants. The money spent has come from the income earned from working. By choosing to spend some of your money, you send a signal to producers to keep making the products you buy and to continue employing people to make the products or provide the services you buy. Businesses rely on consumers like you and your parents to buy their goods and services.

ON Resources

eWorkbook Customisable worksheets for this topic

Video Lesson What is economics? (class 0255)

LEARNING SEQUENCE

1.1 Overview

1.2 The importance of businesses as producers

1.3 Responding to consumer demand

1.4 Determining prices

1.5 Influencing overseas producers

1.6 **SkillBuilder**: Communicating information in tables and graphs ONLINE

1.7 The importance of work

1.8 Why we work

1.9 Different types of work

1.10 Work, the economy and society

1.11 Alternative sources of income

1.12 **SkillBuilder**: Analysing and interpreting graphs ONLINE

1.13 **Thinking Big research project**: How technology gets me to school ONLINE

1.14 **Review**

To access a pre-test and starter questions and receive immediate, **corrective feedback** and **sample responses** to every question, select your learnON format at www.jacplus.com.au.

Topics open with an **inquiry question** to spark students' curiosity about the topic.

An online **workbook** is available for customisation and printing.

ON Resources

eWorkbook Customisable worksheets for this topic

Video Lesson What is economics? (class 0255)

OnResources feature boxes provide guidance about additional resources online.

SkillBuilders, Thinking Big research projects and Reviews are available online for every topic.

LEARNING SEQUENCE

1.1 Overview

1.2 The importance of businesses as producers

1.3 Responding to consumer demand

1.4 Determining prices

1.5 Influencing overseas producers

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Corrective feedback and Sample responses are available online for every question.

Skills keys identify each question according to the skill targeted, providing insights into skills development. Progress and results can be tracked and filtered by skill online.

FIGURE 3 The relationship between consumers and business



KEY

→ Flow of money

⇄ Flow of goods and services

1. Businesses are producers that make or supply goods and services that are distributed to households.

2. Consumers use money, cards and cheques to purchase goods and services.

3. Consumers are usually also employees, who provide businesses with their labour in the production of goods and services.

4. Employees receive money in the form of wages for their labour.

1.2 ACTIVITY

1. List five goods and five services that you or members of your family have purchased in the last week.

(a) Identify one good from your list, and name the business that most benefited from that purchase.

(b) Examine the components that make up that particular good. Identify any other businesses that might have benefited indirectly from the purchase of that good.

(c) Identify a service from your list, and name the business that most benefited from that purchase.

(d) What equipment did the supplier of that service use? Identify any other businesses that might have benefited indirectly from the purchase of that service.

Examining, analysing, interpreting

1.2 EXERCISES

Economics and Business skills key: **E51** Remembering and understanding **E52** Describing and explaining **E53** Examining, analysing, interpreting **E54** Questioning and evaluating **E55** Reasoning, creating, proposing **E56** Communicating, reflecting

1.2 Exercise 1: Check your understanding

1. **E51** What is the difference between needs and wants?

2. **E52** What do we mean by the term 'labour'?

3. **E51** Name three types of business that provide goods.

4. **E51** Name three types of business that provide services.

5. **E52** Explain why wants are considered to be unlimited.

1.2 Exercise 2: Apply your understanding

1. **E52** Explain the role of a producer in the economy.

2. **E52** Explain the role of a consumer in the economy.

A range of activities is provided to promote deeper inquiry, encourage collaboration and help students to develop their research skills.

Exercise sets at the end of each subtopic allow students to **check** and **apply** their understanding.

Skillbuilders model and develop key skills in context.

2.6 SkillBuilder: Conducting a survey

online

How do we conduct a survey?

A survey is the process of collecting data to help analyse an issue. It consists of putting a set of questions to a sample group of people. For example, the publishers of a magazine may conduct a survey to find out whether their readers are satisfied with the content of the magazine. Surveys are an efficient way of collecting information from a large number of respondents. The questions can range widely to find out people's attitudes, values, opinions and beliefs. Katey's Cafe may conduct a survey to gather information about its customers and the types of products they wish to buy.



Select your learnON format to access:

- an explanation of the skill (Tell me)
- a step-by-step process to develop the skill, with an example (Show me)
- an activity to allow you to practise the skill (Let me do it)

2.7 Being an entrepreneur

2.7.1 Turning ideas into a business

Not everyone knows how to turn their ideas into a business. A person who is willing to take a risk and has the qualities required to turn an idea into a successful business is called an **entrepreneur**. An entrepreneur's methods are sometimes regarded as groundbreaking and innovative. For these people, the opportunity to explore untapped markets with no guarantee of success can be motivating itself. However, for those whose ideas translate into a successful business venture, the profits are often huge.

FIGURE 1 Could you be an entrepreneur? If you have most of these attributes and skills, your chances of entrepreneurial success look good.



2.7.2 What is an entrepreneur?

An entrepreneur is someone who could be just like you.

Entrepreneurs:

- have great ideas and do something about them
 - hunt for opportunities to promote their ideas
 - thrive on the challenge of creating their own successful business
 - make money out of solving problems and selling their ideas
 - usually start up their own businesses.
- How old do you have to be?

Any age! If you have a great idea and the determination to make it happen, you could join this list of young entrepreneurs who enjoy some huge success stories:

Discuss features explicitly address Curriculum Capabilities.

1.2 The importance of businesses as producers

1.2.1 Producers and consumers

It is sometimes said that 'money makes the world go around'. Of course, this is not physically true, but it does sum up the way the economy works. In simple terms, the economy consists of **producers**, who make and sell goods and services, and **consumers**, who buy the goods and services. Producers pay their employees with money, and also hope to make money themselves out of what they sell. This money is used to buy goods and services from other producers. Producers rely on consumers to buy from them, and consumers rely on producers to provide the goods and services they want. Money allows this relationship to work.

DISCUSS
Do you believe that money makes the world go around? Is too much or too little importance placed on money in our society? **[Critical and Creative Thinking Capability]**

1.2.2 Needs and wants

Imagine you have survived an aeroplane crash and find yourself alone on a desert island. To survive, you will have to find the essentials—food, clothing and shelter. These are the basic needs that we must all have whether we are on a desert island or in the comfort of our home.

As well as these needs, there are additional things we might like to have on the desert island to make life more comfortable. These could include a bed, a torch, a fishing rod, a comb or a toothbrush, and a table and chair. These things are called **wants**. Although we would like to have these possessions, we could survive without them.

FIGURE 1 Even on a desert island, you have basic needs that must be satisfied if you are to survive.



TABLE 1 Needs versus wants			
	Definition	Examples	Properties
Needs	Goods or services that are essential for life	Water, food, shelter, air, clothing, medication	Finite list: <ul style="list-style-type: none"> • They must be satisfied if life is to continue. • They remain throughout life. • They temporarily wane when satisfied.
Wants	Non-essential goods and services	Torch, bed, fishing rod, armchair, toothbrush, mobile phone, laptop	Unlimited list: <ul style="list-style-type: none"> • Life can continue without them. • Wants change throughout life. • New wants arise once others are satisfied.

1.13 Thinking Big research project: How technology gets me to school

online only

SCENARIO

Many jobs are performed that help you with your morning routine, such as bread being baked and delivered to supermarkets so you can have toast for breakfast. Research and prepare a presentation on five of these jobs and explain how they have changed over the years due to technology or societal values.



Select your learnON format to access:

- the full project scenario
- details of the project task
- resources to guide your project work
- an assessment rubric.

Resources

projectPLUS Thinking Big research project: How technology gets me to school (pr-1043)

1.14 Review

online

1.14.1 Key knowledge summary

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

1.14.2 Reflection

Reflect on your learning using the activities and resources provided.

Resources

- WorkBook** Reflection (300-3215.1)
Crossword (300-3215.2)
- Interactivity** Working for a living — the world of consumers and producers crossword (pr-7706)

KEY TERMS

business activities the combined economic activities of buying, selling and investing performed by an organisation
casual describes an employee who works only when needed
consumer a person or group who is the final user of goods and services produced within an economy
employed describes someone working in return for a wage or salary
employees people who work for a wage or salary
employer a person or organisation hiring others to work for them
enterprising behaviours describes a range of skills including adaptability, initiative, communication, management, leadership and problem solving, and associated behaviours such as working productively with others to achieve common goals, planning and organising, using resources effectively, analysing issues and managing risk

1.13 Thinking Big research project: How technology gets me to school

online only

SCENARIO

Many jobs are performed that help you with your morning routine, such as bread being baked and delivered to supermarkets so you can have toast for breakfast. Research and prepare a presentation on five of these jobs and explain how they have changed over the years due to technology or societal values.



Select your learnON format to access:

- the full project scenario
- details of the project task
- resources to guide your project work
- an assessment rubric.

Resources

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A range of questions and a post-test are available online to test students' understanding of the topic.

Key terms are available in every topic review.

learnON

Jacaranda Economics and Business Alive learnON is an immersive digital learning platform that enables student and teacher connections, and tracks, monitors and reports progress for immediate insights into student learning and understanding.

It includes:

- a wide variety of embedded videos and interactivities
- questions that can be answered online, with sample responses and immediate, corrective feedback
- additional resources such as activities, an eWorkbook, worksheets, and more
- Thinking Big research projects
- SkillBuilders
- teachON, providing teachers with practical teaching advice, teacher-led videos and lesson plans.



teachON

Conveniently situated within the learnON format, teachON includes practical teaching advice, teacher-led videos and lesson plans, designed to support, save time and provide inspiration for teachers.



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1 Working for a living — the world of consumers and producers

1.1 Overview

Some people work to make money, but are there other reasons to join the world of work?

1.1.1 Your role in the economy

Can you imagine what life would be like if you couldn't buy new clothes, the latest phone, laptop or computer game? Having access to these things is only possible if you (or your parents) work to earn an income to pay for them.

You are an important part of the economy because you contribute money whenever you buy goods and services to satisfy your needs and wants. The money spent has come from the income earned from working. By choosing to spend some of your money, you send a signal to producers to keep making the products you buy and to continue employing people to make the products or provide the services you buy. Businesses rely on consumers like you and your parents to buy their goods and services.

Resources

-  **eWorkbook** Customisable worksheets for this topic
-  **Video eLesson** What is economics? (eles-0253)

LEARNING SEQUENCE

- 1.1 Overview
- 1.2 The importance of businesses as producers
- 1.3 Responding to consumer demand
- 1.4 Determining prices
- 1.5 Influencing overseas producers
- 1.6 **SkillBuilder**: Communicating information in tables and graphs 
- 1.7 The importance of work
- 1.8 Why we work
- 1.9 Different types of work
- 1.10 Work, the economy and society
- 1.11 Alternative sources of income
- 1.12 **SkillBuilder**: Analysing and interpreting graphs 
- 1.13 **Thinking Big research project**: How technology gets me to school 
- 1.14 **Review** 

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1.2 The importance of businesses as producers

1.2.1 Producers and consumers

It is sometimes said that ‘money makes the world go around’. Of course, this is not physically true, but it does sum up the way the economy works. In simple terms, the economy consists of **producers**, who make and sell goods and services, and **consumers**, who buy the goods and services. Producers pay their **employees** with money, and also hope to make money themselves out of what they sell. This money is used to buy goods and services from other producers. Producers rely on consumers to buy from them, and consumers rely on producers to provide the goods and services they want. Money allows this relationship to work.

DISCUSS

Do you believe that money makes the world go around? Is too much or too little importance placed on money in our society? **[Critical and Creative Thinking Capability]**

1.2.2 Needs and wants

Imagine you have survived an aeroplane crash and find yourself alone on a desert island. To survive, you will have to find the essentials — food, clothing and shelter. These are the basic **needs** that we must all have whether we are on a desert island or in the comfort of our home.

As well as these needs, there are additional things we might like to have on the desert island to make life more comfortable. These could include a bed, a torch, a fishing rod, a comb or a toothbrush, and a table and chair. These things are called **wants**. Although we would like to have these possessions, we could survive without them.

FIGURE 1 Even on a desert island, you have basic needs that must be satisfied if you are to survive.



TABLE 1 Needs versus wants

	Definition	Examples	Properties
Needs	Goods or services that are essential for life	Water, food, shelter, air, clothing, medication	<i>Finite list:</i> <ul style="list-style-type: none"> • They must be satisfied if life is to continue. • They remain throughout life. • They temporarily wane when satisfied.
Wants	Non-essential goods and services	Torch, bed, fishing rod, armchair, toothbrush, mobile phone, laptop	<i>Unlimited list:</i> <ul style="list-style-type: none"> • Life can continue without them. • Wants change throughout life. • New wants arise once others are satisfied.

1.2.3 Goods and services

In order to satisfy our needs and wants, we purchase goods and services. **Goods** are classified as the physical items that satisfy our needs and wants, and that we can see and touch. They include food, TV sets, cars, refrigerators, bottles of soft drink and clothing. **Services** are classified as the actions done for you by others, which are designed to satisfy needs and wants. They include the services provided by doctors, dentists, banks, mechanics and teachers. If you are stranded alone on a desert island, you will have to find or make all the things you need and want. In effect, you would be a one-person economy because you would be responsible for both producing and consuming all the goods and services. In a modern economy, we generally rely on businesses to provide us with goods and services.

FIGURE 2 In a modern economy, we generally rely on businesses to provide us with goods and services.



1.2.4 The relationship between businesses and consumers

In the Australian economy, we satisfy our needs and wants by working to earn money and then buying goods and services from businesses that produce them. When we are working, we are providing our **labour** to contribute to the process of producing goods or services for other consumers to buy. When we are spending our money, we are consumers, purchasing goods and services that others have produced in order to satisfy our needs and wants.

To satisfy needs and wants, consumers like you make economic decisions every day. For example, you may decide to buy milk from a supermarket rather than from a dairy, catch a bus to school rather than walk, use a loose-leaf folder rather than a bound notebook, buy a can of Australian tinned food rather than one from overseas. Your decisions influence what businesses produce and therefore affect the economy.

We can examine the relationship between businesses and consumers by looking at the model in the interactivity. It demonstrates how labour is exchanged for money, and how that money is used to purchase goods and services.

FIGURE 3 The interrelationship between consumers and business



- 1 Businesses are producers that make or supply goods and services that are distributed to households.
- 2 Consumers use money, cards and cheques to purchase goods and services.
- 3 Consumers are usually also employees, who provide businesses with their labour in the production of goods and services.
- 4 Employees receive money in the form of wages for their labour.

1.2 ACTIVITY

1. List five goods and five services that you or members of your family have purchased in the last week.
 - (a) Identify one good from your list, and name the business that most benefited from that purchase.
 - (b) Examine the components that make up that particular good. Identify any other businesses that might have benefited indirectly from the purchase of that good.
 - (c) Identify a service from your list, and name the business that most benefited from that purchase.
 - (d) What equipment did the supplier of that service use? Identify any other businesses that might have benefited indirectly from the purchase of that service.

Examining, analysing, interpreting

1.2 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

1.2 Exercise 1: Check your understanding

1. **ES1** What is the difference between needs and wants?
2. **ES2** What do we mean by the term 'labour'?
3. **ES1** Name three types of business that provide goods.
4. **ES1** Name three types of business that provide services.
5. **ES2** Explain why wants are considered to be unlimited.

1.2 Exercise 2: Apply your understanding

1. **ES2** Explain the role of a producer in the economy.
2. **ES2** Explain the role of a consumer in the economy.

3. **ES3** In what ways can an individual be both a producer and a consumer in an economy?
4. **ES3** In what ways are producers and consumers dependent on each other?
5. **ES5** Could the relationship between producers and consumers succeed without money? What do you think might have to happen if there was no such thing as money?

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

1.3 Responding to consumer demand

1.3.1 What consumers want

Any producer wishing to be successful in business must supply goods or services that correspond with the needs and wants of consumers. It is no use trying to sell something that nobody wants to buy. The ability to understand and act on consumer preferences is an important skill for anyone wishing to go into business.

1.3.2 The marketplace

A market is any organised exchange of goods and services for money. This can occur in a physical marketplace such as a shopping centre, but it can also occur without any actual physical location. When we purchase goods or services online or over the telephone, we are still participating in a market.

FIGURE 1 The internet is an important tool that allows consumers to find out about goods and services available to them.



FIGURE 2 Hairdressers compete with each other in a market for hairdressing services.



A market has to provide a means for consumers to find out about the goods and services available. This can occur when consumers physically walk into a shop and examine the goods on display; when consumers visit a website; or when they look up different businesses in a telephone or online directory.

A market also has to provide a means for consumers to pay for the goods or services they are purchasing, and a means for them to receive those goods or services. In a physical shop, this is fairly simple: we visit the premises, receive the good or service and then pay (by handing over cash or using a card or smartphone) as we leave. An online market usually requires some means of online payment and a postal or other delivery service to bring the goods to the consumer.

We usually think of a market in relation to the particular goods and services being sold. For example, there is a market for groceries, where different businesses compete with each other to provide consumers with different products. There is a market for takeaway food, with different restaurants offering a variety of choices for consumers. If one shopping centre has two or more hairdressers, this constitutes a market for hairdressing services.

1.3.3 Responding to consumer demand

How does a business owner find out what consumers want?

- *Analyse the business's sales.* There is no point in stocking products that no-one wants to buy, so business owners constantly monitor their sales to identify what is most popular and ensure that they can supply it.
- *Carry out market research.* This includes surveys of consumers to identify possible future consumer preferences.
- *Examine social trends.* This requires finding out what sorts of issues people are concerned about and then responding to those concerns. Examples include the desire for a healthy lifestyle, environmentally friendly products and organic food.

Healthy lifestyle

We regularly see and hear stories in the media suggesting that much of our modern lifestyle is harming our health. Obesity is a growing problem, and eating unhealthy foods and not exercising are seen as a danger to wellbeing. As consumers become more aware of possible health issues, they are likely to look for healthy options when buying goods and services. Producers respond to these concerns by trying to make their products appear as healthy as possible.

We see this most commonly in food packaging. Phrases such as 'low in cholesterol', '98 per cent fat-free' and 'no added sugar' are all designed to appeal to the health-conscious consumer. Packaging laws in Australia require that all ingredients are listed on food packets, so we have a way of checking some of these claims and comparing different products. While not all health claims on food packaging are necessarily honest or accurate, competition between similar products in the marketplace allows consumers to make the healthiest choices if they wish to do so.

Concerns about health also lead to new goods and services being introduced into the economy. Next time you visit a supermarket or pharmacy, take note of the huge number of vitamins and other dietary supplements on sale. This has been an area of enormous growth, with millions spent on TV advertising to promote the latest products. In addition, gyms and personal trainers have increased in number as consumers try to adopt healthier lifestyles. All of this growth in the businesses providing such goods and services is an example of the way markets can respond to consumer preferences.

Environmentally friendly products

Through education, we have become more aware of our impact on the environment and the need to reduce pollution. Businesses that can demonstrate that they used environmentally friendly methods to produce the goods and services they provide might be more appealing to consumers. You may have seen cans of tuna with the claim 'pole and line caught' on the packaging. Historically, tuna fishers have used methods that accidentally caught many other types of fish, some of them endangered species. Pole and line fishing allows only tuna to be caught, and so is more environmentally friendly. Consumers have shown a preference for this type of product.

FIGURE 3 Gyms and personal trainers have increased in number as consumers become more health conscious.



FIGURE 4 Consumers have shown a preference for environmentally friendly methods of catching tuna.



DISCUSS

The population of bluefish tuna in the ocean has dramatically decreased because of consumer demand for it, with some estimates saying that the current population is now only 4 per cent of what it once was. Is buying pole and line caught tuna enough, or should we be doing more to protect the ocean environment? **[Ethical Capability]**

Other examples of environmentally friendly products include cosmetics produced by The Body Shop, which endorses environmentally sustainable production methods and has always promoted the fact that none of its products are tested on animals. Washing detergents will often advertise that they are biodegradable and so will not harm the environment. Electrical goods are often sold with a sticker indicating their level of energy efficiency. All of these are examples of producers responding to consumer concern for the environment. Perhaps a more recent change is the decision by supermarket giants Coles and Woolworths to no longer provide single-use plastic bags. These bags were not bio-degradable and often ended up in landfill or waterways once discarded.

Organic food

Combining both environmental concerns and a desire for healthy food options is the growth in demand for organic food. It is generally understood that food labelled as ‘organic’ has been grown without the use of pesticides and other chemicals, and so is a healthier choice. In addition, if the grower has not used these chemicals, there is less risk of them causing damage to other plants or animals, or harming the environment in other ways. As well as fresh fruit and vegetables, many packaged foods now carry the word ‘organic’ on their packaging to appeal to consumers. Successful businesses will always make sure they are aware of consumer preferences, and will attempt to adapt their goods and services to meet these preferences.

FIGURE 5 Organic fruit and vegetables are seen to be both healthier and more environmentally friendly.



1.3 ACTIVITIES

1. Visit your local supermarket and identify four food products that claim to be healthy options.
 - (a) Explain what particular claim is made for each product.
 - (b) How does the labelling for each product attempt to get across a healthy message?

Describing and explaining

2. Use internet resources to find:
 - (a) how pole and line fishing is more environmentally friendly than other methods
 - (b) the name of three brands of canned tuna that use fish caught by pole and line.

Questioning and evaluating

1.3 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

1.3 Exercise 1: Check your understanding

1. **ES1** What is a market?
2. **ES2** Outline two ways in which a business owner can find out what consumers want to buy.
3. **ES2** Identify and explain two conditions that are required for a market to work.
4. **ES1** Explain what is meant by market research.
5. **ES3** Virtual or online markets have become increasingly popular. Analyse why this is the case.
6. **ES1** Identify two benefits that online markets have over physical markets.

1.3 Exercise 2: Apply your understanding

1. **ES2** Explain one way in which producers have responded to consumers' desire for a healthy lifestyle.
2. **ES3** Why does the demand for organic food demonstrate both a desire for healthy food options and an awareness of environmental issues?
3. **ES2** Explain why Coles and Woolworths no longer provide single-use plastic bags.
4. **ES3** The types of businesses that operate in the hairdressing market include hairdressing salons; manufacturers of shampoo, conditioners and hair dyes; manufacturers of scissors and combs; suppliers of electrical goods such as hairdryers and electrical trimmers; towel suppliers; and furniture businesses. Identify as many businesses as you can that operate in the following markets:
 - (a) takeaway food market
 - (b) bicycle sales and repairs market
 - (c) gymnasium and fitness market.
5. **ES3** Markets for different products can affect each other. Explain how conditions in the market for apples may affect the conditions in the market for apple juice.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

1.4 Determining prices

1.4.1 Deciding on price

One of the most important decisions that any business owner has to make is how much to charge for their goods and services. This will have a major impact on the success of the business, as prices set too high may drive away potential customers while prices set too low may make it difficult to achieve a **profit**.

Businesses can determine their prices by using the recommended retail price, following price leaders, using percentage mark-ups, pricing according to what the market will bear, or offering quotes to customers.

1.4.2 Recommended retail price

Sometimes the manufacturer of a product may provide a recommended price that can be used by **retail** businesses selling that product to consumers. Manufacturers of electrical goods often do this. This price is known as the recommended retail price (RRP). Such a price can only be a recommendation, as it is illegal in Australia for any manufacturer to dictate the selling price. Nevertheless, the RRP can provide a useful guide to the retail business owner, particularly when starting a new business.

FIGURE 1 Electrical goods often have a recommended retail price.



1.4.3 Price leaders

Some businesses are more influential in a particular market than others. These businesses are often price leaders — they tend to set the prices rather than follow the prices set by others in the market. In the food and grocery market, the two big supermarket chains (Coles and Woolworths) tend to be price leaders. To survive, smaller supermarkets must compete with at least some of the prices of those larger stores, so their owners will carefully monitor the price leaders. All businesses need to adjust their prices from time to time to ensure they can compete with the prices charged by other suppliers in the same market. They will often look to price leaders as a guide to what is a reasonable price. For example, when Coles and Woolworths lowered milk prices to \$1 a litre in 2011, other suppliers had to follow suit. This practice still operates today.

FIGURE 2 Large supermarkets are often price leaders in the grocery market.



1.4.4 Percentage mark-ups

Using a **percentage mark-up** is a common way of determining prices. If it costs a certain amount for the retail business to buy the product, a percentage can be added to that cost to ensure the retailer makes a profit. Assume a clothing store has a percentage mark-up of 25 per cent. The store will buy a pair of jeans for \$100. With a 25 per cent mark-up, the jeans will have a selling price of \$125. This \$25 is used to cover the other costs of the business, such as wages and electricity bills, and to contribute to the business' profits. The business owner has to calculate an appropriate percentage mark-up to allow this to happen.

FIGURE 3 The percentage mark-up on products is used to cover business expenses and provide a profit to the business owner.



1.4.5 What the market will bear

When setting prices according to what the market will bear, the seller attempts to get as high a price as possible while ensuring that the price is not too high for consumers to pay. The best example of this type of price setting can be seen at an auction. Many houses and other properties are sold via auction. People who want a property determine the price by bidding against each other until one of two things happens: either one bidder outbids all other buyers and becomes the successful buyer, or the property does not sell because no-one is prepared to pay the price the seller wants. In the latter case, the seller and the highest bidder can come together after the auction to negotiate a price that is acceptable to both of them.

FIGURE 4 House auctions are a good example of prices being determined by what the market will bear.



FIGURE 5 Listening to customers can help a business owner to determine what level of prices the market will bear.



Of course, not all businesses can sell their goods or services through an auction process, so determining prices based on what the market will bear often comes down to the experience of the business owner. An ability to understand consumer preferences is an important skill for a business owner. Listening to customers, following what is happening to the products throughout the market and monitoring the prices charged by competitors are all important activities for a business owner.

1.4.6 Quotes

Many service businesses will set a price by offering a quote to a consumer to perform certain work. A business such as a plumber or electrician might find that the amount of labour and the cost of materials used can vary from job to job. Preparing a quote for each new job may be a better way to determine the price. A quote is an estimate of the costs involved in an individual job, plus a certain amount so the business makes a profit. Consumers will sometimes seek out quotes from a number of competing businesses before choosing one.

FIGURE 6 Tradespeople such as plumbers often use quotes to determine the prices they charge.



1.4 EXERCISES

Economics and Business skills key: ES1 Remembering and understanding ES2 Describing and explaining ES3 Examining, analysing, interpreting ES4 Questioning and evaluating ES5 Reasoning, creating, proposing ES6 Communicating, reflecting

1.4 Exercise 1: Check your understanding

1. **ES1** What is a recommended retail price?
2. **ES1** What makes a business a price leader? Give one example of a price leader.

3. **ES2** How would a tradesperson calculate a quote for a customer?
4. **ES2** Why can't a manufacturing business force the retailers that sell its products to sell at the recommended retail price?
5. **ES3** What factors does a business owner have to take into account when calculating a percentage mark-up to apply to goods for sale?

1.4 Exercise 2: Apply your understanding

1. **ES2** Explain why setting the 'right' price is important to a business owner.
2. **ES2** Explain how a price leader can affect other businesses in a market.
3. **ES2** Explain why an auction is a good example of a price being determined by what the market will bear.
4. **ES3** A business selling lawnmowers pays suppliers \$400 for each mower it buys for resale. It sells 10 mowers per week. Each week the owner pays \$1000 in wages to an assistant, \$800 in rent on the shop, and has gas, electricity and water bills of \$200. For each of the following percentage mark-ups, calculate how much profit the owner would make in a week:
 - (a) 50 per cent mark-up
 - (b) 75 per cent mark-up
 - (c) 100 per cent mark-up.
5. **ES4** In 2011 Coles and Woolworths both lowered the price of a litre of milk to \$1. Discuss why they might have done this.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

1.5 Influencing overseas producers

1.5.1 Exports and imports

Australia is a major trading nation. Australian businesses import (buy goods and services from other countries) and export (sell goods and services to other countries) in order to meet the needs and wants of Australian and overseas consumers. Producers all over the world will not only try to satisfy the demands of consumers within their own country, but will also look for every opportunity to sell goods and services to consumers in other countries as a means of increasing profits.

1.5.2 Exports and Australia

From the beginning of European settlement, Australia has been involved in trade. From the 1820s we exported wool to many other countries, particularly Great Britain. In the 1850s, the discovery of large deposits of gold meant that we became one of the world's largest exporters of this precious metal. We have also always imported many of the goods we want. With a comparatively small population, it has always been expensive to set up factories in Australia to make the goods we need, so it has often been cheaper to import goods from other countries.

FIGURE 1 Australia was a major exporter of wool for more than 100 years.



Why are exports important?

According to recent government statistics:

- More than 56 772 different businesses in Australia exported goods and services in 2015–16.
- Exports brought in \$372.3 billion in 2016–17
- Almost 21 per cent of Australia's total income comes from exports

Much of our national wealth is created through exports. In addition, money that we earn from exports can be used to pay to import the goods and services we need.

1.5.3 Imports and Australian consumers

There are many reasons why Australia imports a wide range of products, but the lower cost of imported goods is usually a major factor. Australian manufacturers may not be able to make a product as cheaply as it can be made overseas, so they simply import the product. Most of the electrical goods that we buy, for example, are manufactured in various Asian countries. Everything from flat-screen TVs to washing machines and air conditioners are manufactured in countries such as Japan, South Korea and China. It is difficult to find an Australian-made product in these categories.

Many imports are brought into the country as cheaper alternatives to the Australian-manufactured products. You can see this on the supermarket shelves, where the cheaper home-brand version of a particular type of food is often an imported alternative to the Australian-made product. Imported ingredients or components are often used in products that are assembled in Australia. For example, Australian juice companies that use fruit from local suppliers may still import juice concentrate from overseas and mix it with the local product.

FIGURE 2 Australia is a major trading nation, exporting and importing many goods and services.



FIGURE 3 Electrical goods such as flat-screen TVs are usually imported from Asian countries.



Australian consumers influence overseas businesses

Most imported goods coming into Australia are purchased by Australian retail businesses expecting to sell them on to local consumers. Although consumers in Australia increasingly buy goods from overseas themselves through online purchases, it is mostly retail businesses that import large container loads of electrical goods, footwear, clothing, toys, sporting equipment and other goods from producers in other countries.

Just as Australian manufacturers are influenced by Australian consumer preferences to produce particular types of goods and services to match those preferences, businesses that import goods must also be aware of those preferences. This means they will only order goods from overseas producers that they know Australian consumers will buy. Those overseas producers may have to be aware of consumer preferences in a variety of different countries (not just Australia) if they are to be successful.

FIGURE 4 Workers in a textile factory in Laos manufacture clothes to sell in Australian shops.



Advantages and disadvantages of importing goods from overseas

Importing goods and services can have both positive and negative effects on the Australian economy. This is illustrated in **TABLE 1**.

TABLE 1 Advantages and disadvantages of imports

Advantages	Disadvantages
<ul style="list-style-type: none">• There is a much larger range of goods and services for consumers to buy.• It forces Australian producers to make goods and services more efficiently, as they have to compete against cheaper imported products.• Importing goods from other countries can encourage people in those countries to buy products from us.• Australian workers have the opportunity to live and work overseas and learn other languages and cultures.• Trade between countries encourages peaceful relationships between those countries.	<ul style="list-style-type: none">• Australian jobs may be lost to countries with lower wages, particularly in manufacturing.• Australian industries have found it difficult to compete with the lower production costs of some overseas countries. This has led to a closure of industries, such as motor vehicle manufacture.• Money leaves the country, adding to the wealth of overseas producers instead of remaining in Australia.• We may become too dependent on imported goods and lose the skills to produce these ourselves.• Harmful animal species as well as diseases, such as bird flu, may inadvertently be brought into the country on ships bringing in imported goods.

on Resources

 **Weblink** Australian Government Department of Foreign Affairs and Trade

1.5 ACTIVITY

Using the information in **TABLE 1**, design a poster to encourage Australians to buy Australian-made products rather than imported products.

Reasoning, creating, proposing

1.5 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

1.5 Exercise 1: Check your understanding

1. **ES1** What is the difference between imports and exports?
2. **ES1** Explain why it is important for Australia to import goods and services.
3. **ES1** Give two examples of goods that Australia imports.
4. **ES2** Give two reasons why exports are important for the Australian economy.
5. **ES2** How would an overseas manufacturer know what products to sell to Australian consumers?

1.5 Exercise 2: Apply your understanding

1. **ES2** Identify two positive and two negative effects that importing goods and services has on the Australian economy.
2. **ES4** Use the information in this subtopic to identify whether the following statements are true or false.
 - (a) Australia was a major importer of wool for more than 100 years.
 - (b) Most of the electrical goods that we buy are manufactured in Asian countries.
 - (c) Almost 51 per cent of Australia's total income comes from exports.
 - (d) Exports brought in \$372.3 billion in 2016–17.
3. **ES4** Australia is an exporter of raw materials and minerals and an importer of finished goods. Explain why this can be detrimental to our economy.
4. **ES2** Explain one non-economic benefit of Australia exporting products overseas.
5. **ES2** Explain how online markets affect the value of our imports.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

1.6 SkillBuilder: Communicating information in tables and graphs



How do we communicate information in tables and graphs?

In subtopic 1.4 we discussed the different methods of determining prices for goods and services, including 'what the market will bear'. This method of price setting usually involves some interaction between buyers and sellers, where the buyers want to pay as low a price as possible while the sellers would like to charge as high a price as possible. From these two different sets of preferences, the market will usually arrive at a price that is acceptable to both buyers and sellers. We can demonstrate how this works by using simple tables and graphs.

Select your learnON format to access:

- an explanation of the skill (Tell me)
- a step-by-step process to develop the skill, with an example (Show me)
- an activity to allow you to practise the skill (Let me do it).



1.7 The importance of work

1.7.1 Why we work

We all dream of being wealthy and able to buy the things we want, when we want them. For most of us, this means we get up and go to work each day to earn a **wage** or **salary**. It is this work or labour that has improved our lives and made us more comfortable.

1.7.2 Labour, then and now

In early times, people performed activities such as hunting for food, gathering berries, planting seeds and picking fruit, all of which required manual labour. Today, labour requires the use of modern technology and an education at school, university or TAFE. The modern labour force includes scientists, graphic designers, architects, journalists, web developers, dentists, doctors, pharmacists, shopkeepers, managers and factory workers.

FIGURE 1 Examples of the types of activities people perform that can be classified as work



1.7.3 The importance of labour

When we think of the term **labour**, our first thought will often be ‘work’. In very general terms, **work** is defined as human labour — whether paid or unpaid, voluntary or involuntary. A more complex definition is the performance of laborious tasks (mental and physical) and/or the provision of time and effort in exchange for money. If you are working, then you are part of the **labour force**.

In Australia people are considered to be in the labour force if they are:

- over 15 years of age
- and either **employed** or looking for work.

Note that anyone who is not working and not looking for work is not considered to be in the labour force.

The main reason we work is to get paid: to receive a wage or salary or other **remuneration** for the work that we perform or the services we provide. When someone is working, they are considered to be employed. According to the Australian Bureau of Statistics (ABS), a person is employed when they are engaged in some form of work for at least one hour a week. Specifically, it classifies a person as being employed if they work for one hour or more for pay or profit or an **income**. This includes everyone who works — from teenagers working part-time after school, to an older worker delivering advertising material in their local neighbourhood.

TABLE 1 shows that the number of employed people increased from January to February 2019, while the number of unemployed people decreased during the same period. Sometimes the number of unemployed and employed people can increase at the same time. This happens when, for example, more people enter the workforce for the first time (such as school leavers and graduates) or people return to the workforce (such as parents whose children have started school).

TABLE 1 Labour force figures in Australia, January–February 2019

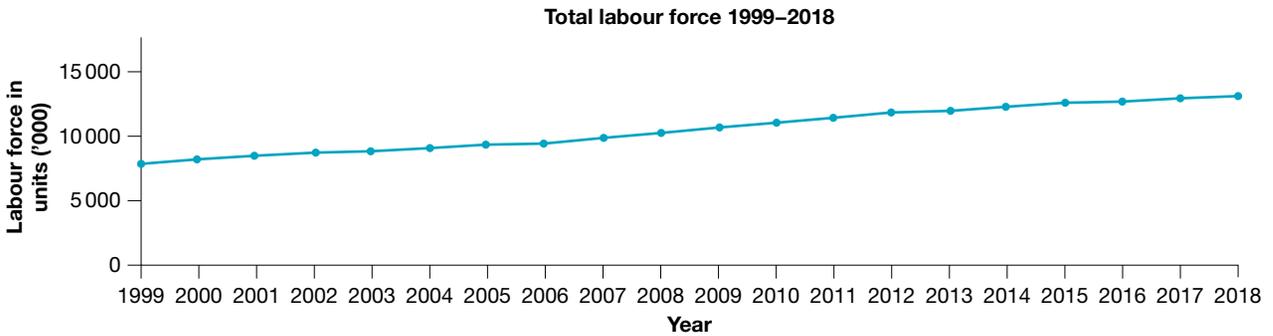
	January	February
Employed persons ('000)	12758.8	12763.4
Unemployed persons ('000)	675.9	664.3
Unemployment rate (%)	5.0	4.9
Participation rate (%)	65.7	65.6

Source: <https://tradingeconomics.com/australia/employed-persons>.

Since 1999 Australia has experienced a steady growth in both population and labour force participants. In 1999, there were 9 379 000 participants in the labour force. By 2018, this number had grown by more than 3 million to 12 974 560. **FIGURE 3** displays the numbers of participants in Australia’s labour force. From this graph, we can see a steady growth in the total labour force during the period 1999–2018.

FIGURE 2 Doing your own household chores is classified as unpaid work.



FIGURE 3 The Australian labour force 1999–2018

Source: Graph based on data compiled from Australian Bureau of Statistics, *Australian social trends, data cube – Work* (February 2013) (cat. no. 4102.0); *Eco3: Labour Force status, Jan 2007 to Jan 2014*; and *Labour force, Australia, May 2018* (cat. no. 6202.0).

TABLE 2 shows that between 2001 and 2018 the number of females entering the workforce grew steadily, increasing by almost 5 percentage points compared with an increase of just 0.2 percentage points for males. In 2014–15, the labour force participation rate for males was 78.3 per cent compared to 65.1 per cent for females.

TABLE 2 Labour force participation rates based on gender in Australia, 20–74 years, 2001–18

Year	Males (%)	Females (%)
2001–02	78.1	60.3
2002–03	77.9	61.2
2003–04	77.8	60.9
2004–05	78.2	61.9
2005–06	78.7	63.0
2006–07	79.1	63.7
2007–08	79.3	64.4
2008–09	79.3	65.0
2009–10	79.2	64.7
2010–11	79.5	65.1
2011–12	79.1	65.2
2012–13	78.8	65.1
2013–14	78.4	65.0
2014–15	78.3	65.1
2015–16	78.3	65.9
2016–17	77.9	66.0
2017–18	78.3	67.1

Source: Data compiled from Australian Bureau of Statistics, *Gender indicators, Australia, September 2018* (cat. no. 4125.0).

1.7.4 The importance of unemployment

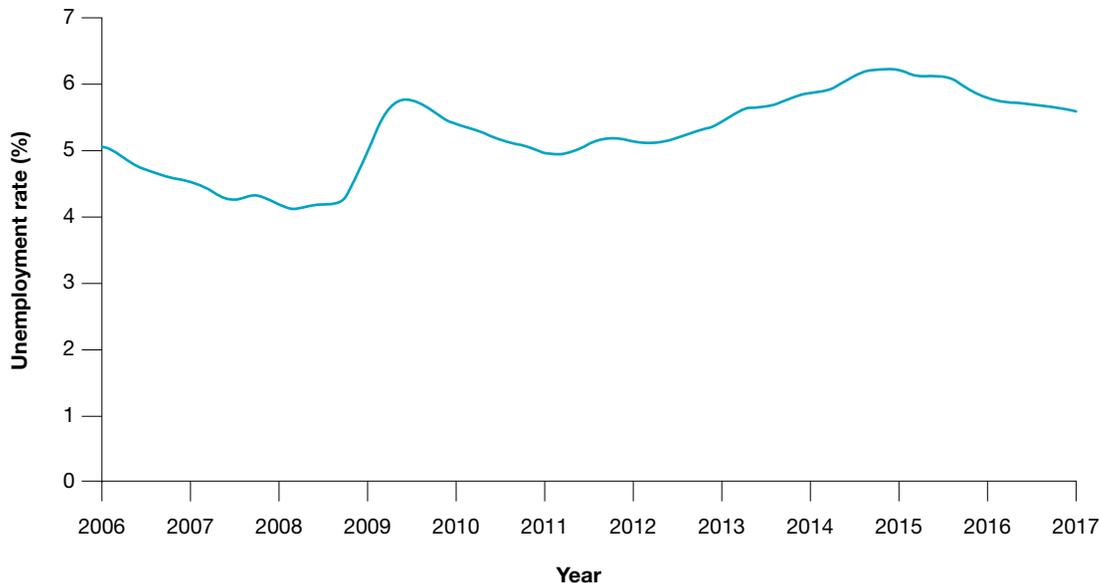
When the ABS examines growth in labour, it also examines unemployment levels. This is because the total labour force is made up of both employed people and people looking for work.

The level of unemployment is an indicator of the number of people unsuccessfully trying to get into the workforce. **FIGURE 5** shows that over a period of 12 years, the unemployment rate (the percentage of the labour force actively looking for work) varied up and down gradually — except in 2009, when it spiked. This major spike can be attributed to the start of the global financial crisis. After the global financial crisis, the unemployment rate drifted downward again until 2011, when a steady increase began. Since 2015, the unemployment rate has again been trending down.

FIGURE 4 There are higher unemployment rates for young people because of the difficulty of getting experience to land that first job.



FIGURE 5 Unemployment rate in Australia, 2006–17

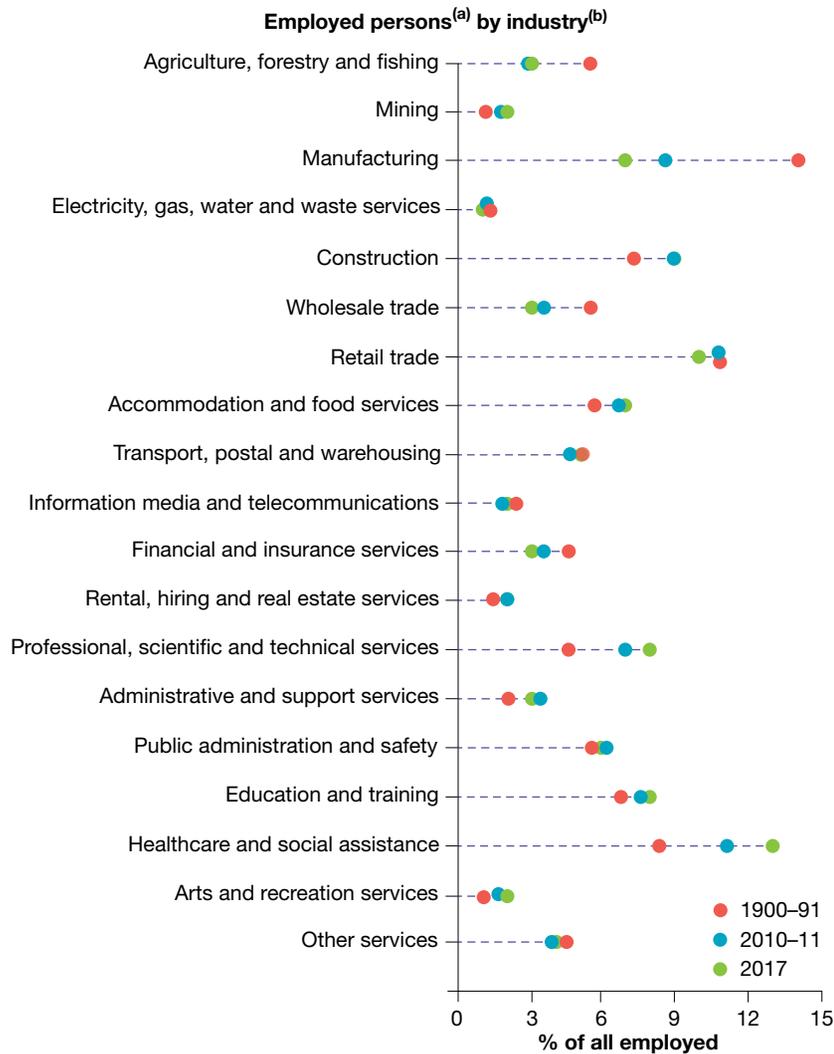


Source: Graph based on data from Australian Bureau of Statistics, *Labour force, Australia, January 2018* (cat. no. 6202.0).

1.7.5 Industries people work in

When gathering data, the ABS splits the areas in which people work into 19 industries. These are made up of mining, manufacturing, retail, construction, education, health and 13 more industries. **FIGURE 6** shows these industries and compares the number of people employed in each industry in 1990–91, 2010–11 and 2017. Notice since 1990, the number of people employed in manufacturing decreased from about 14 per cent to 7 per cent.

FIGURE 6 Number of people employed by industry in Australia, 1990–91, 2010–11 and 2017



(a) Annual average of quarterly data.

(b) Classified according to the Australian and New Zealand Standard Industrial Classification (ANZSIC), 2006 (Revision 1.0) (1292.0).

Source: Graph redrawn from Australian Bureau of Statistics, *Year Book Australia*, 2018 (cat. no. 1301.0).

The very nature of work has changed dramatically over the last century. Much of this change has been driven by advances in technology, the movement of women into the workforce, and major shifts in society’s values and attitudes. In the past, the vast majority of the paid workforce was made up of men. Now we see an increasing number of women entering paid employment in preference to staying at home and engaging solely in unpaid work.

FIGURE 7 The ABS classifies an ambulance officer as part of the ‘Healthcare and social assistance’ industry.



1.7 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

1.7 Exercise 1: Check your understanding

1. **ES1** How does the ABS define work?
2. **ES2** Why do you think the ABS definition of employed requires a minimum of one hour of work per week?
3. **ES2** Why is remuneration important for someone who is working?
4. **ES4** Are the following statements true or false?
 - (a) Pocket money is a form of income.
 - (b) If you work only three hours a week, you are not employed.
 - (c) A full-time employee works, on average, about 40 hours per week.
5. **ES1** Provide two reasons why people may not look for work.

1.7 Exercise 2: Apply your understanding

1. **ES3** Examine **FIGURE 1** and answer the following questions:
 - (a) Identify the types of activities that each person performs.
 - (b) State whether the activity would be voluntary or involuntary in each case.
 - (c) Explain how technology may have affected how the work depicted is done.
 - (d) How may these jobs change in the future? Give examples.
2. **ES3** Examine **TABLE 1** and answer the following questions:
 - (a) Was there an increase or a decrease in the number of people employed? By how much?
 - (b) Was there an increase or a decrease in the number of people unemployed? By how much?
3. **ES4** Examine **FIGURE 5**. To what can you attribute the spike in 2009 after a steady drop during 2002–08?
4. **ES3** Examine **FIGURE 6** and answer the following questions:
 - (a) Has manufacturing increased or decreased? To what can you attribute this change?
 - (b) What other industries have shown a drop in numbers?
 - (c) Which industries have grown?
 - (d) Which industry shows the greatest change (positive or negative)?
5. **ES3** Examine **TABLE 2** and answer the following questions:
 - (a) When did the biggest growth in the male participation rate occur?
 - (b) When did the biggest growth in the female participation rate occur?
 - (c) When did the male participation rate decline?
 - (d) When did the female participation rate decline?
6. **ES5** Choose three industries from the list in **FIGURE 6**. For each chosen industry, make a list of five jobs that could be found in that industry. For example, the ‘Healthcare and social assistance’ industry would include doctors, nurses, physiotherapists, IT specialists and administrative assistants — but you have to think of your own examples!

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

1.8 Why we work

1.8.1 Work to earn a living

How many times have you heard the saying, ‘Money doesn’t grow on trees’? As you get older, the importance of money and its uses becomes clearer. For example, you need money when you catch up with friends and plan a day out to the movies, ice skating, rollerblading, visiting the art gallery or any other exciting or interesting activities. You need money to fund your lifestyle.

So where does the money you need come from? If you said your parents, you know that the money comes from your parents going to work. Once you leave school, though, chances are you will enter the workforce if you haven’t already started working while at school. Being part of the workforce will enable you to start earning money, which you can then use to buy things that you want. Earning a living is often the primary reason that people work. It is, however, not the only one.

FIGURE 1 Going to a concert is just one of the many activities for which you need money.



FIGURE 2 Jobs provide income that is used to buy goods and services



1.8.2 Why do people work?

Imagine for a moment that you are unbelievably rich. You have so much money that you will never have to worry about working to earn more. What would you do? Most likely you are imagining a life of non-stop fun. Now it's time for a reality check! Even the wealthiest people in the world often choose to work. This is because there are many personal benefits to be gained from working aside from financial benefits. Non-financial benefits of participating in the workforce include:

- the opportunity to use your skills and abilities in a positive way
- meeting and mixing with new people
- doing something you love and are passionate about
- increasing your self-esteem and confidence
- developing your natural strengths and talents
- wanting to be part of a group or a team at work
- having friends at work
- contributing to the Australian economy
- being happy.

The financial benefits can include:

- earning an income
- exchanging money for goods and services
- being a consumer
- having the ability to buy what you need and want
- creating and maintaining a good standard of living for your family.

1.8.3 Benefits of paid work

The main reason that people work is to be paid — to receive an income — but there are other reasons too. Let's look at some of the most common ones.

To earn money

To survive, we must have money. Most people sell their labour to an **employer** and receive an income in return. The most common forms of income are wages and salaries. While earning money, many workers will struggle to maintain some degree of balance between work and leisure, known as the **work–life balance**. This need for work–life balance is important to many workers and can form the foundations of a good life and a worker's sense of **wellbeing**.

To improve living standards

Imagine a teenage girl who has just received her first pay packet from a part-time job. On her way home, she decides to visit a shopping centre and buy new clothes. The income from her job has allowed her to improve her **standard of living** and given her a brand new wardrobe.

Working generates an income that enables consumers to satisfy their needs and wants. What if those needs and wants are intrinsic? That describes something inside the individual that will motivate them to want to go to work — for example, to be happy, to have a good life, to feel valued for the work they perform, and to pass on their knowledge and skills to the next generation. A July 2006 study found:

With societies becoming more affluent and the nature of work changing there has been a change from a focus on extrinsic work values (pay, working hours — the benefits a job has for the employees' lives outside of work), to a focus on intrinsic work values (the quality of the work itself).

Source: FDS International, *What Workers Want: A Worldwide Study of Attitudes to Work and Work–Life Balance*.

What this means is that workers are no longer so preoccupied with pay rates. Instead, they are more concerned as to whether the work they do will make them happy and improve their wellbeing.

To gain status and prestige

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

To obtain self-satisfaction

Two hundred employees of a factory were asked to write down the most important aspect of their work. The responses revealed that it was not money: 67 per cent of the employees said that knowing they had done the job well and received some praise from the supervisor were the most rewarding aspects. Both job satisfaction and self-satisfaction were seen as important. This doesn't mean that money is not important; it is. However, there are many other rewards you can get from a job.

To make friends

Work provides the opportunity to meet other people and make friends. Sometimes workplaces have social clubs that employees can join to make friends and have fun.

FIGURE 3 Earning money is important for most workers, but achieving a work–life balance is necessary for wellbeing.



FIGURE 4 The work of a heart surgeon is well remunerated because it is held in high regard by society.



To help others

Voluntary workers play an essential role in our society. Many people in the local community work for voluntary agencies such as country fire brigades, Meals on Wheels or the State Emergency Service. They receive no financial payment, but do it for pleasure and the satisfaction of being able to help others.

FIGURE 5 Volunteers, such as lifesavers, receive no payment for their work but offer their services to the community freely.



DISCUSS

Would you work if you had an alternative source of income that meant you didn't have to? What factors would influence your decision?

[Personal and Social Capability]

1.8 ACTIVITIES

1. Conduct a small survey of your family and friends to find the reasons they go to work. Present your information in a table similar to the one shown below. What are the top three reasons people work? Present your results to the class and discuss your conclusions.

	Reasons for working
Person 1	
Person 2	
Person 3	

Communicating, reflecting

2. You have been hired by a voluntary agency such as Lifeline to prepare a float display in a forthcoming street procession. The display must raise the status of the agency's volunteer workers. Work in groups to design and present a float display for your selected voluntary agency. Consider your message, costumes, roleplay actions, banners, decorations and music. Incorporate constructive feedback provided by the class in deciding how you could improve a future display.

Reasoning, creating, proposing

3. Using online resources, prepare a list of five volunteer agencies that operate in your area.

Remembering and understanding

1.8 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

1.8 Exercise 1: Check your understanding

- ES1** Are the following statements true or false?
 - Five important reasons why people work are to earn an income, to improve their standard of living, to gain prestige and status, to obtain self-satisfaction and to make friends.
 - The primary reason why people work is to earn a living.
 - One benefit of working is to have your own office.
 - Feeling a part of the work environment is important to workers.
 - Most people sell their labour to an employee.
 - The most common form of income is pocket money.
 - The type of work someone does is often used to measure that person's status and prestige.
 - Voluntary workers play a very small role in our society.
- ES1** List three examples of voluntary work.
- ES2** Look at the reasons given in this subtopic for why people work. Do you agree with them? Explain your answer.
- ES2** Explain how the teenage girl with her first pay packet was able to improve her standard of living.
- ES1** Complete these sentences:
 - We purchase goods and services to _____.
 - Voluntary work is just as important as paid work because _____.
 - The income I will earn from my job will help me to _____.
 - We can improve our standard of living by _____.
 - Self-satisfaction is important because _____.

1.8 Exercise 2: Apply your understanding

- ES5** Rank each of the following occupations according to their level of status and prestige on a 1 to 10 scale, where 1 is the highest status and 10 the lowest. Compare your list with other class members.
 - Entertainers
 - Doctors
 - Teachers
 - Bankers
 - Firefighters
 - Scientists
 - Police
 - Athletes
 - Plumbers
 - Computer programmers
- ES4** Discuss the following statement: 'What a person does is more important than what she or he is paid'.
- ES2** Explain the importance of volunteer work to the economy.
- ES2** Describe two reasons why it is important for people to work.
- ES6** Discuss the statement: 'All work is valuable in its own way'.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

1.9 Different types of work

1.9.1 Paid and unpaid work

As we have already discovered, paid work is defined by the Australian Bureau of Statistics as performing services for one hour or more per week in return for receiving money or income, while unpaid work comprises those tasks performed without receiving an income. Jobs such as cooking, cleaning and gardening are all work, but you cannot argue that you are employed when you are cleaning your room! Household chores do not earn an income, although your parents may reward you with pocket money for performing them. In the world of economics, however, pocket money is not considered an income. Other examples of unpaid work are family duties, school, voluntary work and community service.

1.9.2 The labour force and its workers

Australia's labour force is made up of people who are working and people who are actively looking for employment, whether it is **full-time**, **part-time**, **casual** or **seasonal**. As we saw in subtopic 1.7, the labour force is made up of people aged 15 and over who are either employed (including self-employed people) or unemployed. People not regarded as part of the labour force include:

- pensioners
- people with a physical or mental disability who are unable to work
- full-time students who do not work
- full-time carers who look after children or other family members
- volunteers working without pay in institutions such as the State Emergency Service and charities.

A small percentage of the labour force (just under 5.6 per cent in January 2018) is unemployed. This group is still included in the statistics on employment rates in Australia.

To be considered employed, you must fulfil all these requirements:

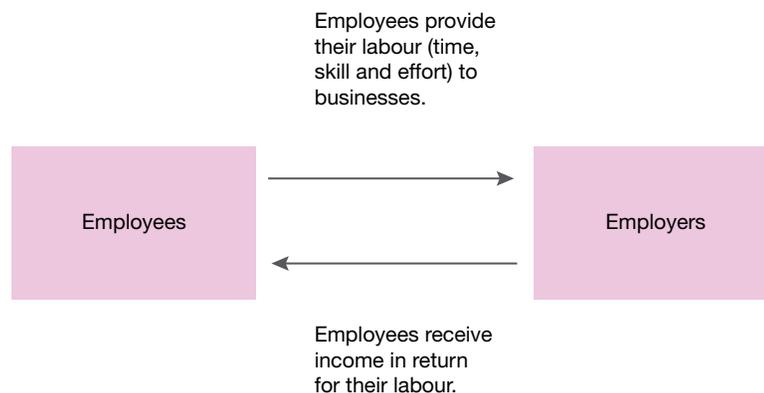
- be aged 15 years or over
- have worked for at least one hour in the week, or have a job even though you were not at work in the week
- have received pay, profit, commission, or payment of some kind for your work.

In Australia we have **industry-wide awards** that set out the minimum wages and **working conditions** for all employees in an entire industry or occupation. These awards also set out the award hours, which are the minimum weekly hours of work that a person covered by that award must be given.

FIGURE 1 People who work or are looking for work are part of the labour force.



FIGURE 2 The employment relationship



Types of workers

In Australia, workers are classified as full-time or part-time, permanent or casual, seasonal, or even on and off. The three main categories are described in **TABLE 1**.

TABLE 1 Different types of workers

Type of worker	Features
Full-time worker	<ul style="list-style-type: none">• Ongoing employment• Number of hours per week is 35 or more
Part-time worker	<ul style="list-style-type: none">• Ongoing employment• Number of hours per week is fewer than 35• Number of hours may be fixed or variable
Casual worker	<ul style="list-style-type: none">• Employed on an 'as needed' basis• No permanent weekly roster• Hours vary from week to week; for instance, 10 hours one week and 3 hours the next• May work for more than one employer

Since 2014, the number of casual and part-time workers has grown, with an increasing number of women in the workforce. According to the ABS, working women outnumbered working men in May 2014, with females comprising 50.5 per cent of the total working population while males made up 49.5 per cent. The same survey found that full-time workers made up 60 per cent of all employees, while only 40 per cent of employees worked part-time. Here there are striking differences between working men and women: 76.6 per cent of male employees worked full-time but only 43.7 per cent of female employees did so (see **TABLE 2**). The majority of female employees worked part time (56.3 per cent), and a greater proportion of female employees (25.6 per cent) were casual than were male employees (17.4 per cent). Responsibility for the care of children is a likely factor for women finding it more difficult to work full time or overtime.

TABLE 2 Work differences between the sexes, 2018

	% of male employees	% of female employees	% of total labour force
In full-time work	75.1	45.4	60.2
In part-time work	24.9	54.6	38.8
In casual work	19	25	22

Source: Data compiled from Australian Bureau of Statistics, *Employee Earnings and Hours, Australia, May 2018* (cat. no. 6306.0).

The unemployed

The unemployed are those people who are actively looking for work but are not presently employed. It includes people who have lost their jobs because of changes in the economy, those about to start a new job, and those who are between jobs (such as fruit pickers and ski-resort workers). Remember that not all work is paid. Volunteers freely give up their time and energy to help the community, and parents stay at home to look after small children. These people are performing important work but they are not counted as part of the labour force.

FIGURE 3 Ski instructors are seasonal workers who are employed only during winter.



TABLE 3 compares unemployment rates across three countries. It shows that the unemployment rate for Australia spiked in 2008–09 during the global financial crisis (GFC), then remained fairly steady for the next three years before starting an upward trend. In contrast, the US unemployment rate has shown a steady decline after a massive jump in 2009. This jump can be attributed to the GFC, which has also contributed to the trend towards an increase in the number of part-time jobs.

TABLE 3 Unemployment rates (annual percentage) across three countries, 2007–18

	Australia	Japan	USA
	%	%	%
2007	5.1	4.0	5.1
2008	4.2	4.0	5.8
2009	5.6	5.1	9.3
2010	5.2	5.0	9.6
2011	5.1	4.6	8.9
2012	5.2	4.3	8.1
2013	5.7	4.0	7.3
2014	6.1	3.6	6.2
2015	6.1	3.4	5.3
2016	5.7	3.1	4.9
2017	5.6	2.8	4.4
2018	5.3	2.4	3.9

Source: Unemployment rates 2018, OECD.

Permanent, casual and seasonal workers

Permanent workers are those who as part of their working conditions are entitled to either paid holiday leave or sick leave, or both. Casual workers are those who as part of their working conditions are not entitled to either paid holiday leave or sick leave, or both. Seasonal workers are usually workers who are

employed during a season, such as summer or winter. For example, apple fruit pickers would only work during the apple harvesting season and ski instructors would only work during the cold winter season when there is snow.

1.9.3 Voluntary work

When we look at Australia's labour force, we tend to focus on who is employed, who is unemployed or who is seeking employment. Often we neglect to acknowledge the valuable contributions made by groups that do not fit into these categories. These groups include:

- volunteers, such as country firefighters or medical specialists working with Doctors without Borders (Médecins Sans Frontières)
- a grandparent caring for a grandchild
- parents caring for a sick or disabled child
- parents who stay at home to raise the family.

Voluntary workers play a significant role in society. Their contribution to the economy is vital, necessary and valuable. Many people work part-time for non-profit agencies such as the Country Fire Authority (CFA), Meals on Wheels, the State Emergency Service, help lines, and with community support groups such as those helping the aged, reading to preschool children, or even handing out pamphlets for political parties on election day. These workers will usually not receive any payment for the work they perform. They freely volunteer their time and effort to help others in the community, yet in many cases are undervalued and do not receive the recognition they deserve.

FIGURE 4 City ambassadors are volunteer workers who provide assistance to tourists in Melbourne.



DISCUSS

Many charities rely solely on donations and volunteers to conduct their operations. Should charities also be assisted by our government, or is the system we have the best way of managing things? **[Ethical Capability]**

1.9.4 Self-employment

The majority of people employed in Australia — almost 57.3 per cent — work for medium and large **organisations** that have between 100 and 1000 employees and are involved in **business activities**. About 23.3 per cent are employed by small businesses with fewer than 20 employees. However, a minority of people find it more fulfilling to run their own businesses rather than work for someone else. They prefer to be self-employed.

People who believe they have the necessary skills and knowledge to start up their own business are called **entrepreneurs**. Entrepreneurs often display **enterprising behaviours** by starting businesses in new markets — locally, nationally or globally. They are usually highly skilled in areas such as manufacturing, design and production, accounting, management, marketing, which shows their **entrepreneurship**. Entrepreneurship is the ability to demonstrate the skills and risk taking related to the creation, organisation and management of a business or enterprise.

The ABS reports (in cat. no. 8165.0) that at the end of 2017–18, there were 2 313 291 actively trading businesses in the market sector in Australia, an increase of 3.4 per cent (74 992 businesses) from the end of 2016–17. The vast majority of failed businesses were small businesses. This means that, although many people see themselves as having the necessary skills, ability and knowledge to start a business of their own, the chances are high that they will not succeed and will end up seeking employment elsewhere.

CASE STUDY

Bremmera Foods

Bremmera Foods is owned by two young entrepreneurs, Bill Kondoleon and Denis Keno, who saw a niche in the yoghurt market and took advantage of it to start up their own factory that produces Greek-style yoghurt. The men, well aware of the constant appetite the community has for new and healthy products, noticed a void in the industry for good quality yoghurt. Within 18 months, they had grown big enough to move into a factory quadruple the size of their original operations. Today, they offer a range of healthy and new products to consumers.

Source: Adapted from *Neos Kosmos* (English edition) 13 April 2009, p. 4.

on Resources

 **Weblink** ABS labour statistics

1.9 ACTIVITIES

1. Undertake a quick survey of your class to see how many people have parents who work for a living. List the type of work they do and present this information in a table. **Questioning and evaluating**
2. Conduct a survey of your family and friends on the hours they work. Present your information in a table and discuss your conclusions with the class. **Questioning and evaluating**
3. The Australian Bureau of Statistics has a graph that plots the changes in the proportion of people participating in the labour market from 1966 to 2013. Go to the **ABS labour statistics** weblink in the Resources tab to view this graph and then describe the changes in the labour market that it illustrates. **Examining, analysing, interpreting**

1.9 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

1.9 Exercise 1: Check your understanding

1. **ES1** Distinguish between paid and unpaid work.
2. **ES1** How many hours a week must an employee work to be considered working full time?
3. **ES1** List three examples of volunteer work.
4. **ES1** Match the following terms to the statements listed.

Term	Statement
Part time	Thirty-five hours a week are worked.
Full time	Working two hours each day from Monday to Friday.
Casual	The hours of work change each week.

5. **ES2** Explain the difference between:
(a) casual work and part time work
(b) paid and unpaid work.

1.9 Exercise 2: Apply your understanding

1. **ES2** Tom stays home and looks after the house and children all week, and Janet works as a doctor. Who is working? Explain your answer.
2. **ES5** Why do you think the role of women in the workforce has changed since the 1970s?
3. **ES5** Why do the greatest majority of people who work full time happen to be men, while the greatest proportion of part-time or casual workers are usually women? Discuss.

4. **ES3** There has been an increase in the number of people looking for and accepting part-time work. Analyse why this may be occurring.
5. **ES3** Use **TABLE 4** to answer the following questions:
- Which country has the greatest number of unemployed people?
 - Which country has the highest rate of unemployment?
 - Which country has the greatest number of employed people?
 - Which country has the lowest participation rate for all persons?
 - Which country has the highest male participation rate?
 - Which country has the highest female participation rate?

TABLE 4 International comparisons of employment and unemployment figures in 2010

Selected countries	Economically active population	Participation rate			Employment	Unemployment	Rate %
	Persons '000	Males %	Females %	Persons %	Persons '000	Persons '000	
Australia	11 867.7	72.5	58.7	65.5	11 247.0	620.8	5.2
Canada	18 525.1	71.7	62.4	67.0	17 041.0	1 484.1	8.0
France	28 378.5	62.2	51.9	56.8	25 735.8	2 847.2	9.8
Greece	5 017.4	64.2	44.1	53.9	4 388.6	628.7	12.5
Hong Kong (SAR of China)	3 675.9	na	na	na	3 518.3	157.6	4.3
Indonesia	116 262.8	na	na	67.8	107 806.7	8 456.1	7.3
Italy	24 974.7	59.4	38.2	48.4	22 872.3	2 102.4	8.4
Japan	65 898.3	71.6	48.5	59.6	62 563.3	3 335.0	5.1
Korea, Republic of (South)	24 746.9	73.0	49.4	61.0	23 828.8	918.1	3.7
Malaysia	11 679.1	na	na	62.9	11 291.4	387.7	3.3
New Zealand	2 332.5	74.4	62.1	68.1	2 180.3	152.2	6.5
Singapore	3 128.2	na	na	na	3 063.3	64.8	2.1
Sweden	4 960.6	73.9	67.3	70.7	4 545.3	415.3	8.4
United Kingdom	31 381.8	69.1	56.0	62.4	28 941.5	2 440.2	7.8
United States of America	153 888.7	71.2	58.6	64.7	139 063.9	14 824.8	9.6

Source: ABS 1301.0 — *Year Book Australia, 2012*; International Labour Organization, LABORSTA database.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

1.10 Work, the economy and society

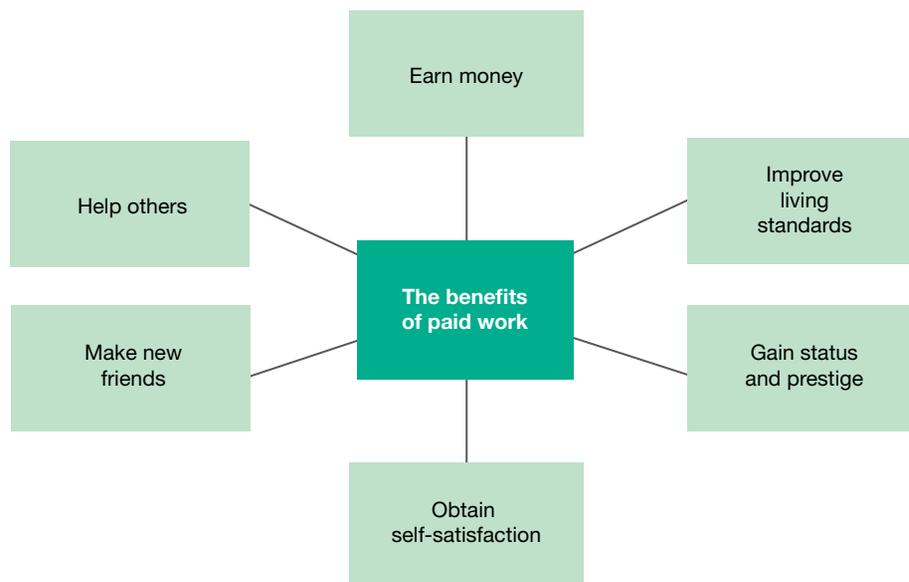
1.10.1 The benefits of work

Much of this topic has focused on the importance of work for individuals. However, work also plays an important role within the Australian economy and wider society. The work that people do is what keeps the Australian economy ticking over.

Work affects the economy in a number of ways such as:

- avoiding poverty
- improving productivity
- generating income.

FIGURE 1 There are many benefits of paid work.



1.10.2 Poverty

When you use the term ‘poverty’ to describe a person’s living conditions, what do you imagine? Do you think that poverty only exists in developing countries? Is it only unemployed people who live in poverty?

For a wide variety of reasons, many people live in poverty, both in Australia and globally. Work is important because it reduces the likelihood of a person living in poverty. In saying this, there are people who work and still struggle to meet their basic needs. Some groups such as single parents, young people and people with a disability face a higher risk of living in poverty (see **TABLE 1**).

It is quite difficult to measure poverty. In particular, it is difficult to compare the experience of people living in poverty in Australia with that of those living overseas. This is because the income of people and the cost of living varies greatly from country to country. When measuring poverty, it is useful to consider both absolute poverty and relative poverty.

FIGURE 2 Having a job usually reduces the likelihood of living in poverty.



- *Absolute poverty* is often referred to as extreme poverty. This condition refers to an individual or family's inability to pay for basic necessities in life such as food and shelter. Australia is a very wealthy country and therefore the number of people living in absolute poverty is much lower than in developing countries such as China and India. Governments and charities (e.g. the Salvation Army) provide assistance to people who cannot afford basic needs.
- *Relative poverty* is a measure of a person or family's income compared to the income of others. It is measured by working out the median (middle) income and then setting a 'poverty line' — usually a proportion of the median income. For example, it may be determined that a person earning less than 50 per cent of the median income is living below the poverty line.

TABLE 1 shows that certain groups in Australia are at a high risk of living in poverty. For example, 36.2 per cent of people with a disability were living in poverty in 2014. They were considered to be living in poverty because they earned less than 50 per cent of the median income.

TABLE 1 Groups in Australia at high risk of poverty, 2014

Specific group	Proportion of each group earning less than 50% of the median income
Unemployed households	59.9%
Single adults over 65 years of age	13.9%
Households whose main income is a welfare payment	36.1%
People with a disability	36.2%
Single parent families	33.2%
All people	13.3%

Source: Adapted from Australian Council of Social Service, *Poverty in Australia 2016*.

A person's employment status (full-time, part-time or unemployed) also greatly affects their likelihood of living in poverty. **TABLE 2** shows that only a small number of full-time workers (4.7 per cent) were living below the poverty line in 2014. However, 59.9 per cent of unemployed people were considered to be living below the poverty line. This shows that working greatly reduces the risk of poverty.

TABLE 2 Risk of poverty based on employment status, 2014

Specific group	Proportion of each group earning less than 50% of the median income
Employed full-time	4.7%
Employed part-time	15.5%
Unemployed	59.9%

Source: Adapted from Australian Council of Social Service, *Poverty in Australia 2016*.

1.10.3 Work and productivity

Productivity is an important indicator in our economy. It tells us how efficiently inputs (such as labour and machinery) are being used to produce outputs (finished products). Businesses are always striving to improve productivity because this will help them be more profitable.

Whether we work at school, at home or in a workplace, we are always looking for ways to improve how we do things. At school, you may use tools such as a diary or a computer to help you work. The aim of these tools is to help you do things more efficiently and to a higher quality. They help you become a more productive student.

One of the most important ways to increase productivity is to improve the education, training and skills of workers. This can be seen in the case study below relating to Stephen. While Stephen was still the same worker after completing a training course, and he was still using the same tools, the extra training allowed him to become a more productive worker. This would also help generate greater profit for the business.

The productivity of workers can also be improved by introducing technology that helps them perform their tasks.

CASE STUDY

Stephen improves his productivity

Stephen is a hairdresser. On average, when Stephen started working, he was able to complete two haircuts per hour. Stephen's boss sent him to a training course to improve his confidence and expertise. At the course, Stephen learned a number of strategies and skills to help him perform his job more effectively. After the course, Stephen was able to complete three haircuts per hour. His level of productivity had increased.

FIGURE 3 Stephen's new skills improved his productivity.



A common way to measure a country's productivity is to calculate how much is produced by the entire workforce per hour worked. This is called labour productivity. In Australia, labour productivity is calculated by the Australian Bureau of Statistics as Gross Domestic Product per hour worked. Generally, the more each worker produces in a given period, the more productive the country.

1.10.4 Generating income

As we discovered earlier in this topic, work is the main way that people earn income. Income is important as it allows people to satisfy their needs and wants. A large proportion of a person's income is spent on goods and services to improve the quality of their life. The productive work of people also helps businesses to generate income in the form of profit.

Governments rely on individuals and businesses to generate income in our economy. When a person earns an income, part of it is paid to the government as taxation (see **TABLE 3**). Similarly, when a business makes a profit, part of its income is taxed. Governments use the money collected from taxation to pay for collective services such as roads, hospitals and education. These services benefit all people in society and therefore improve our standard of living. They also help to reduce poverty.

TABLE 3 Individual income tax rates, 2018–19

Taxable income	Tax on this income
0–\$18 200	Nil
\$18 201–\$37 000	19c for each \$1 over \$18 200
\$37 001–\$90 000	\$3572 plus 32.5c for each \$1 over \$37 000
\$90 001–\$180 000	\$20 797 plus 37c for each \$1 over \$90 000
\$180 001 and over	\$54 097 plus 45c for each \$1 over \$180 000

Source: Australian Taxation Office (ATO) website, *Individual Income Tax Rates*.

FIGURE 4 Governments use taxation to build infrastructure such as roads.



1.10 ACTIVITY

Research an Australian or international business (or industry) that has improved its level of productivity. Use your research to:

- identify the business or industry
- provide statistics or other evidence which prove that productivity levels have increased
- outline some of the strategies that have been used to improve productivity.

Questioning and evaluating

1.10 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

1.10 Exercise 1: Check your understanding

- ES1** Identify some ways that work contributes to the economy and society.
- ES1** Define the term 'productivity'.
- ES2** Explain the difference between absolute poverty and relative poverty.
- ES2** Explain some strategies that a business may use to increase the productivity of its workers.
- ES2** Some employers pay their employees a commission. Explain what this means and how this may improve productivity.

1.10 Exercise 2: Apply your understanding

- ES5** Examine the current rates of income tax in Australia shown in **TABLE 3**. Do you believe that these rates are set at an appropriate level? Justify your answer.

2. **ES3** 'Productivity can only be increased so much — at some point it can be improved upon.' Analyse this statement.
3. **ES6** 'Cutting income tax is one way of reducing poverty in Australia.' Analyse this, either agreeing or disagreeing with the statement.
4. **ES5** Using the information in the income tax table shown in **TABLE 3**, draft a tax table of your own that you think may be more appropriate. Share your tax table with the rest of the class and be prepared to justify your answer.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

1.11 Alternative sources of income

1.11.1 Where does income come from?

Income can come from many sources. The main form of income for most people is the wage or salary they earn from their job. A person who receives a wage is paid an hourly rate for each hour they work and their wage may vary from week to week. A person on a salary receives a set amount of pay regardless of how many hours they work.

As well as wages and salaries, there are a number of alternative forms of income. Some of these alternative sources are outlined in **TABLE 1**.

TABLE 1 Alternative sources of income

Alternative source of income	Description
Superannuation	Superannuation is the money that people save for their own retirement. Money is deducted from a person's weekly income and placed into a superannuation fund. People are able to access their superannuation upon retirement. Given that Australia's population is ageing, superannuation will become an increasingly important form of income.
Commission	People such as real estate agents may earn a commission. This means that for every sale they make, they receive a small percentage of the money made. The more they sell, the larger the commission they receive.
Welfare payments	People may receive a welfare payment for a range of different reasons. Some retired people receive a pension to help them with their living expenses. Other people may receive a welfare payment if they are unemployed or if they are not working for some other reason (such as illness).
Rental income	A large number of people in Australia own an investment property. An investment property is one that the owners do not live in. Instead, they rent it out to tenants. The rent payments received from tenants provide an alternative source of income for the owners of the property.
Dividends	Some people choose to invest in companies. To do this they buy a 'share' in the company. These people will then become part owners of the business and they are known as shareholders. When the company makes a profit, they give some of the profit to the shareholders and this is called a dividend.

FIGURE 1 Various ways money is earned



- A** Many teenagers start earning wages when they are 15 as casual workers at places such as supermarkets and bakeries. If you work more than your allocated hours per week, you may be eligible for overtime payments. You also may earn penalty rates for working on public holidays and weekends. Employees' rights are protected by awards. Taxation is payable on wages.
- B** You may be financially rewarded for performing odd jobs. For example, if you helped your neighbours to build a front fence, they might pay you \$50 for a day's work. Some parents pay their children to mow the lawn, wash the car, weed the garden or walk the dog. Odd jobs require you to complete the task before you are paid. Pocket money is usually freely given to children by parents or carers.
- C** Millions of people in Australia rely on government payments for full or partial support. These include unemployment benefits and sickness benefits.
- D** Salary earners have full- and part-time jobs where the employer provides entitlements such as sick leave, superannuation and long-service leave. There is more certainty in salaried employment than in casual work, where people are paid by the hour and can be dismissed at short notice.
- E** People such as real estate agents and sales assistants in car yards may elect to be paid on commission. This means they are paid according to the volume of sales they generate through their work.
- F** Self-employed people make their own income. Many choose to protect the security of this income by taking out income protection insurance.

TABLE 2 Average weekly earnings of adults in full-time employment, 2008–18

Sex	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Males	\$1232	\$1311	\$1362	\$1420	\$1492	\$1532	\$1588	\$1604	\$1615	\$1640	\$1678
Females	\$1030	\$1081	\$1131	\$1174	\$1230	\$1271	\$1293	\$1328	\$1351	\$1387	\$1433

Source: Adapted from Australian Bureau of Statistics, *Average weekly earnings* (cat. no. 6302.0).

1.11.2 Retirement income — a growing form of income in Australia

Planning for your future

Your parents probably started planning your future from the time they knew a baby was on the way — from how to furnish your bedroom, to what sort of education they would like you to receive and how to fund it. As you get older, you assume the responsibility for planning your life and start to make your own plans — about buying a car, travelling overseas, undertaking further training or education, buying a house, getting married, having children, perhaps helping your children achieve their goals, and finally retiring. Your plans need not be so conventional, of course, but you cannot work all your life and you must expect to retire one day. Although that day seems like it is very far away, retirement is something you should start planning for from the time you begin working and paying taxes.

An ageing population

Australia's population is ageing, and the Baby Boomer generation (those born in the two decades following the end of World War II) have begun reaching retirement age. This trend will have a great impact on the nation's ability to provide support for retirees. In the past, the government has supported retirees by providing them with an income in the form of a government pension. However, by the time the bulk of the Baby Boomers retire, this may no longer be an option because there will be more people in the non-working category than there are in the working category.

The federal government is responsible for developing retirement policies to help ensure that most Australians can live a decent life after they stop working. It has made significant changes to its retirement age policies, prompted mainly by the increased life expectancy of Australians. Advances in medicine — mainly due to technology in the form of new surgical equipment and new drug development resulting in new medicines — have enabled people to live longer. As you can see from **TABLE 3**, by 2016 life expectancy at birth had reached 80.4 years for males and 84.6 years for females. Life expectancy in 1996 was lower at 75.2 years for males and 81.1 years for females.

FIGURE 2 Although it will probably be decades before you retire, you should start planning for retirement as soon as you begin earning money and paying taxes.



FIGURE 3 Improvements in science and technology have decreased infant mortality and increased life expectancy, creating an ageing society.



TABLE 3 Life expectancy (in years) at birth in Australia, 2006–16

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Males	78.7	79.0	79.2	79.3	79.5	79.7	79.9	80.1	80.3	80.4	80.4
Females	83.5	83.7	83.7	83.9	84.0	84.2	84.3	84.3	84.4	84.5	84.6

Source: *Deaths in Australia*, Australian Institute of Health and Welfare, 2018.

If you retire ... where will your income come from?

Having enough income is vital if you want to enjoy your retirement. While working, you receive a regular income that you use to pay bills and buy goods and services to satisfy your needs and wants. You adapt your spending to suit your income pattern. For example, you will probably pay your bills or buy your groceries on pay day. Taxation automatically comes out of your wage and is managed by your employer so you don't have to really worry about it. What happens when you retire — where will your income come from and how much money will you need?

CASE STUDY

How much money will you need in retirement?

The Association of Superannuation Funds of Australia (ASFA) Retirement Standard regularly releases figures showing how much an individual or a couple will need in order to live modestly or comfortably when they retire. For example, in December 2018 it is estimated that a single retiree living a modest lifestyle required \$27 648 per year while a couple needed \$39 775. For a slightly more comfortable lifestyle, a single retiree would require \$43 317 while a couple would need \$60 977. A modest lifestyle is defined as having a lifestyle which is better than the current age pension but still only affording fairly basic activities, while a comfortable retirement lifestyle is defined as a lifestyle that enables:

an older healthy retiree to be involved in a broad range of leisure and recreational activities and to have a good standard of living through the purchase of such things as household goods, private health insurance, a reasonable car, good clothes, a range of electronic equipment, and domestic and occasionally international holiday travel.

Source: Association of Superannuation Funds of Australia.

Sources of retirement income include:

- superannuation
- the age pension
- private savings
- part-time work.

Superannuation

Superannuation is a way of accumulating money for retirement through a combination of employer, employee and government contributions towards a special fund for this purpose. If you earn more than \$500 a month, your employer automatically pays a contribution towards your superannuation. (You can see the amount listed on your pay slip.) In addition, you could start making your own contributions to your superannuation fund as part of a savings plan. When you retire you can then access your superannuation — but not before that time, other than in exceptional circumstances.

Upon retirement you are given a choice as to how you will receive your superannuation income: as a lump sum, or as a regular weekly or fortnightly income.

FIGURE 4 Retirees can access an income from a wide variety of sources.



Age pension

By the time you are old enough to retire, there is a real possibility that the only support for retirees will come from funds such as superannuation. Your grandparents, however, were able to receive the age pension. The age pension consists of income support payments from the government to people needing social security and other related government programs. Other pensions and allowances are currently paid to the unemployed, the disabled, the sick, certain families with children, veterans and their survivors, and some students.

Australian men and women can access the age pension at 65 years of age, but by 2035 this will rise to 70 years of age. Other countries have different rules about when people can access government benefits after they retire. In France, for example, the age at which both men and women can access the pension is 62 years. Sweden has a flexible retirement age, allowing Swedes to retire and claim the state pension as early as 61 years. This is partly due to Sweden's strong economy and steady population.

Private savings

Another source of retirement income is any savings that you have accumulated during your working life and the interest received from banking those savings. You can then use these savings to buy an annuity (a stream of regular payments for a fixed period or for the rest of your life), or be very frugal and dip into your savings to pay your living expenses until your money runs out.

Part-time work

For many retirees, a natural progression towards retirement is to gradually leave the workforce by reducing their working hours. Simply changing from full-time to part-time employment can ease the transition towards retirement. During 2016, 27 per cent of the total population in Australia was aged 55 years and over, and one-third of this age group was part of the labour force. The government has encouraged seniors to remain part of the workforce, and to contribute to the economy, by offering them tax benefits. It has also increased the minimum age at which they become eligible for the pension, thereby forcing many to remain at work.

Older workers — those aged between 45 and 64 years — currently account for nearly a quarter of those who are officially unemployed. In reality, this figure is likely to be even higher, as many older workers become discouraged about finding work, stop looking and 'retire'. Older workers are also much more likely to experience periods of long-term unemployment than younger workers. This is due to several factors:

- Some employers have negative attitudes towards older workers and discriminate on the grounds of age.
- Some employers believe older workers are slower and unable to adjust to new technology.
- Some employers have the attitude that older workers are likely to leave the job earlier as they are closer to retirement.
- Some older workers are reluctant to work under a younger manager.
- Some older workers are inflexible.

More men than women report that they are discriminated against on the basis of their age. The fact is there are laws that protect workers from discrimination at work on the basis of their age. Whatever our age, we all have the right to be treated fairly and to be given the same opportunities.

1.11 ACTIVITY

Undertake research on Australia's superannuation system. Use your research to:

- a. identify when superannuation became compulsory in Australia
- b. determine the minimum amount of a person's income that must be contributed to their superannuation fund
- c. discuss some of the advantages of *compulsory* superannuation.

Describing and explaining

1.11 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

1.11 Exercise 1: Check your understanding

1. **ES1** Identify four reasons why a person may receive a welfare payment.
2. **ES1** Define the term 'commission'.
3. **ES2** Explain how a *wage* is different to a *salary*.
4. **ES2** Explain why dividends are not a reliable source of income.
5. **ES4** Rental income often comes from an investment property. What do you think could be some of the risks involved in owning a rental property?

1.11 Exercise 2: Apply your understanding

1. **ES2** Explain what is meant by superannuation.
2. **ES1** Why are older workers more likely to experience periods of long-term unemployment than younger workers?
3. **ES2** Many employees contribute additional funds to their superannuation account. Explain why they might do this.
4. **ES2** Explain why working on a commission basis can be both a positive and negative form of income arrangement.
5. **ES5** Australia's population is ageing. Describe what this might mean for the current group of employees and future generations.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

1.12 SkillBuilder: Analysing and interpreting graphs

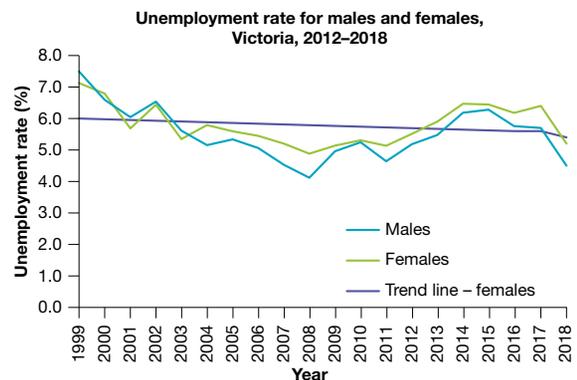
online only

How do we analyse and interpret graphs?

Line graphs are useful for showing trends (patterns of change over time) and comparing data. When reading line graphs, find points on the graph where two variables meet to obtain specific information.

Select your learnON format to access:

- an explanation of the skill (Tell me)
- a step-by-step process to develop the skill, with an example (Show me)
- an activity to allow you to practise the skill (Let me do it).



1.13 Thinking Big research project: How technology gets me to school

online only

SCENARIO

Many jobs are performed that help you with your morning routine, such as bread being baked and delivered to supermarkets so you can have toast for breakfast. Research and prepare a presentation on five of these jobs and explain how they have changed over the years due to technology or societal values.



Select your learnON format to access:

- the full project scenario
- details of the project task
- resources to guide your project work
- an assessment rubric.

on

Resources



projectsPLUS Thinking Big research project: How technology gets me to school (pro-0243)

1.14 Review

online only

1.14.1 Key knowledge summary

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

1.14.2 Reflection

Reflect on your learning using the activities and resources provided.

on

Resources



eWorkbook Reflection (doc-32151)

Crossword (doc-32152)



Interactivity Working for a living — the world of consumers and producers crossword (int-7709)

KEY TERMS

business activities the combined economic activities of buying, selling and investing performed by an organisation

casual describes an employee who works only when needed

consumer a person or group who is the final user of goods and services produced within an economy

employed describes someone working in return for a wage or salary

employees people who work for a wage or salary

employer a person or organisation hiring others to work for them

enterprising behaviours describes a range of skills including adaptability, initiative, communication, management, leadership and problem solving, and associated behaviours such as working productively with others to achieve common goals, planning and organising, using resources effectively, analysing issues and managing risk

entrepreneur a person who takes on a risk by starting a business with an idea, hoping to make a profit through initiative and enterprise

entrepreneurship the ability to demonstrate the skills and risk taking related to the creation, organisation and management of a business or enterprise

full-time describes an employee who works 35 hours or more per week, or who works the minimum number of hours stipulated by the industrial award for that occupation or industry

goods physical items that satisfy needs and wants

income money earned through employment or investment

industry-wide awards legally binding documents that set out the minimum wages and other entitlements for all employees in an industry or occupation

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

labour force people aged 15 and over who are able to work, and are either employed or looking for work

needs goods or services that are essential for life

organisation an entity formed for a specific purpose, usually related to the production or provision of a good or service

part-time describes an employee who works less than 35 hours per week

percentage mark-up a way of determining selling price by adding a fixed percentage to the cost of the product

producer an individual or business involved in the production of goods and services

productivity a measure of how efficiently inputs are used to produce outputs

profit what remains after all business expenses have been deducted from the money that has been collected from selling goods or services

remuneration payment for work or services performed

retail describes a business that sells goods and services to consumers

salary fixed or regular payment for work completed or services performed

seasonal describes an employee who usually works during a season, such as winter or the fruit-picking season

services actions done for you by others to satisfy your needs and wants

standard of living quality of life as measured by the amount of money made by an individual or household (using income per capita or income per household)

wage fixed or regular payment for work completed or services performed

wants non-essential goods and services

wellbeing an overall measure of quality of life

work human labour — whether paid or unpaid, including voluntary labour

work-life balance a balance between working time and leisure/recreation

working conditions refers to all those things an employer has agreed to provide in exchange for the employee's work, ranging from the physical work environment to hours of work, rates of pay and leave entitlements

1.6 SkillBuilder: Communicating information in tables and graphs

1.6.1 Tell me

In subtopic 1.4 we discussed the different methods of determining prices for goods and services, including ‘what the market will bear’. This method of price setting usually involves some interaction between buyers and sellers, where the buyers want to pay as low a price as possible while the sellers would like to charge as high a price as possible. From these two different sets of preferences, the market will usually arrive at a price that is acceptable to both buyers and sellers. We can demonstrate how this works by using simple tables and graphs.



1.6.2 Show me

Imagine a fruit and vegetable market such as the Queen Victoria Market in Melbourne, Paddy’s Markets in Sydney, or the Fremantle Markets in Western Australia. These markets have a number of different businesses all competing against each other, allowing buyers to browse the different stalls and compare prices and quality. All stalls sell potatoes, and most sellers agree on the following:

- If they could charge \$10/kg, they would happily supply 100 kg of potatoes for sale each day.
- If they could only charge \$5/kg, they would only provide 50 kg for sale a day.
- If they could only charge \$2/kg, they would only supply 20 kg of potatoes for sale a day and concentrate on selling other fruit and vegetables that would make a bigger profit.

Buyers have a different point of view: they want to buy at the cheapest price possible. They agree on the following:

- If potatoes cost \$10/kg, only a small number would buy potatoes and then only in small quantities: a total of 20 kg in any given day.
- If the price dropped to \$8/kg, buyers might purchase 30 kg a day.
- If the price fell to \$6/kg, buyers might purchase 40 kg a day.
- If the price fell to \$4/kg, buyers might purchase 60 kg a day.
- If the price fell to \$2/kg, buyers might purchase 80 kg a day.

We can see that as the price rises, suppliers will supply more but consumers will demand less. As the price falls, consumers will demand more but suppliers will supply less. What is the likely price that will be acceptable to both buyers and sellers? We can start to answer this by putting the above data into tables:

Sellers’ preferences

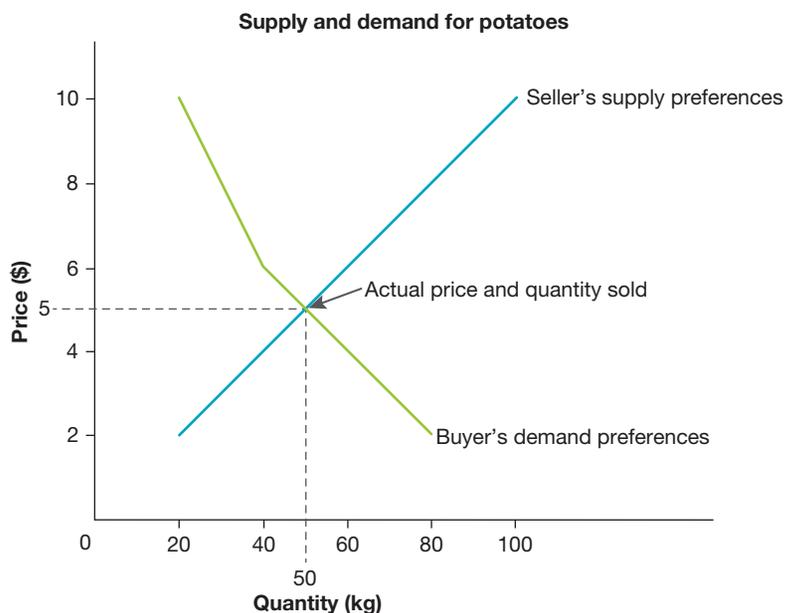
Price	Quantity supplied
\$2	20 kg
\$5	50 kg
\$10	100 kg

Buyers’ preferences

Price	Quantity purchased
\$10	20 kg
\$8	30 kg
\$6	40 kg
\$4	60 kg
\$2	80 kg

The data from these tables can now be entered into a graph (see **FIGURE 1**). If we place the different prices along the vertical axis and the different quantities along the horizontal axis, we can plot the preferences of both buyers and sellers on the graph. The sellers' preferences are shown with the blue line, while the buyers' preferences are shown with the red line. The point at which the two lines intersect will be the price that the market will bear. The market for potatoes will settle at a point where 50 kg of potatoes will be sold each day at a price of \$5/kg. Sellers know that if they have 50 kg of potatoes in stock on any given day, they will be able to sell them all at this price.

FIGURE 1 Supply and demand graph for potatoes



1.6.3 Let me do it

Complete the following activities to practise this skill.

1.6 ACTIVITY

In the same fruit and vegetable market, tomatoes are also subject to similar buyer and seller preferences. Sellers agree on the following:

- If they could charge \$14/kg, they would happily supply 140 kg of tomatoes for sale each day.
- If they could only charge \$7/kg, they would only provide 70 kg for sale a day.
- If they could only charge \$3/kg, they would only supply 30 kg for sale a day.

Buyers generally agree on the following:

- If tomatoes cost \$14/kg, buyers would demand a total of 30 kg in any given day.
- If the price dropped to \$10/kg, buyers might be prepared to purchase 40 kg a day.
- If the price fell to \$8/kg, buyers might purchase 60 kg a day.
- If the price fell to \$6/kg, buyers might purchase 80 kg a day.
- If the price fell to \$4/kg, buyers might purchase 100 kg a day.

- Draw up a table showing the different quantities that sellers would be prepared to supply at each price level
- Draw up a table showing the quantities that consumers would demand at each price level.
- Enter the data from these tables onto a graph that shows both sellers' supply preferences and buyers' demand preferences.
- What is the price per kilogram that the market would bear, and what quantity would be sold at that price?

1.12 SkillBuilder: Analysing and interpreting graphs

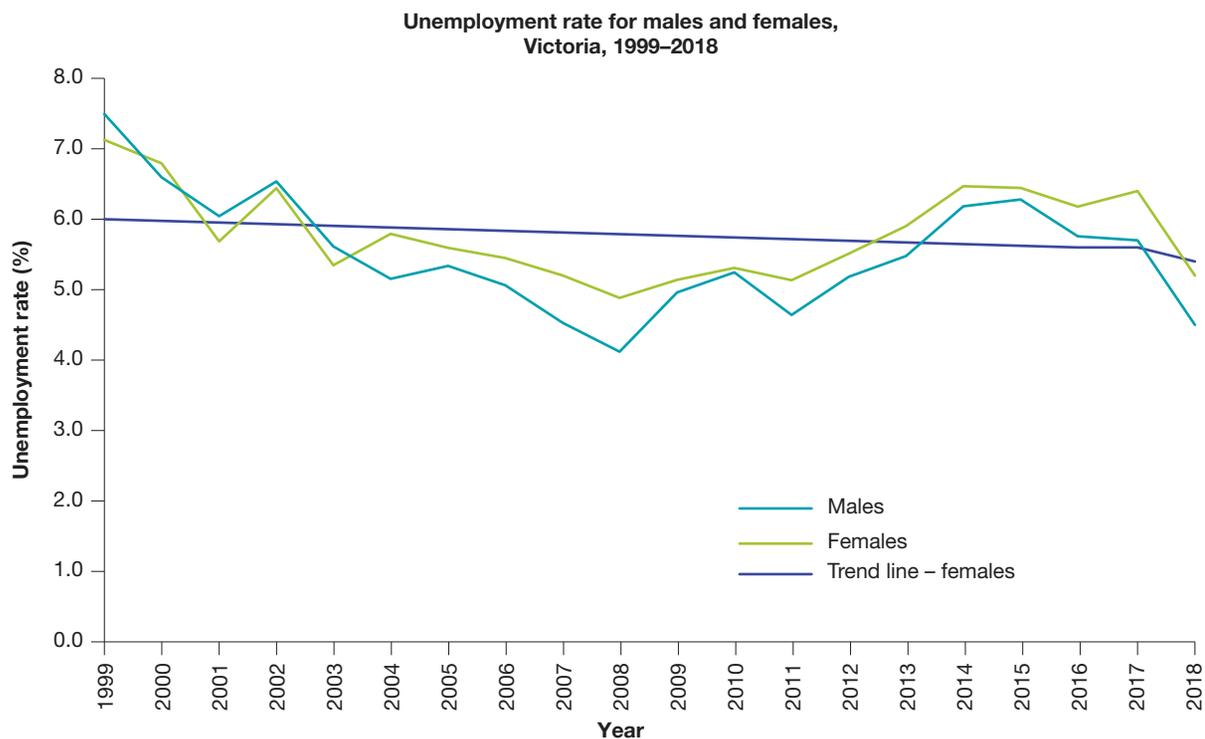
1.12.1 Tell me

Throughout this topic, you have seen different graphs displaying information about various aspects of work and income in Australia. Line graphs are useful for showing trends (patterns of change over time) and comparing data. We will now examine the line graph in greater detail.

1.12.2 Show me

When reading line graphs, find points on the graph where two variables meet to obtain specific information. For example, in **FIGURE 1** the variables being measured are the unemployment rates for men and women. We can see that the two curves cross at various points, indicating that the unemployment rate for men and women was the same at those points in time. We can see from the horizontal axis that the most recent time this occurred was in 2003 and the vertical axis shows that the unemployment rate was about 5.5 per cent, so we know that the unemployment rate for both sexes in 2003 was about 5.5 per cent.

FIGURE 1 Victoria's unemployment rate by gender, 1999–2018



Source: Graph based on data compiled from Australian Bureau of Statistics, *Labour force, Australia, May 2018* (cat. no. 6202.0.).

1.12.3 Let me do it

Complete the following activities to practise this skill.

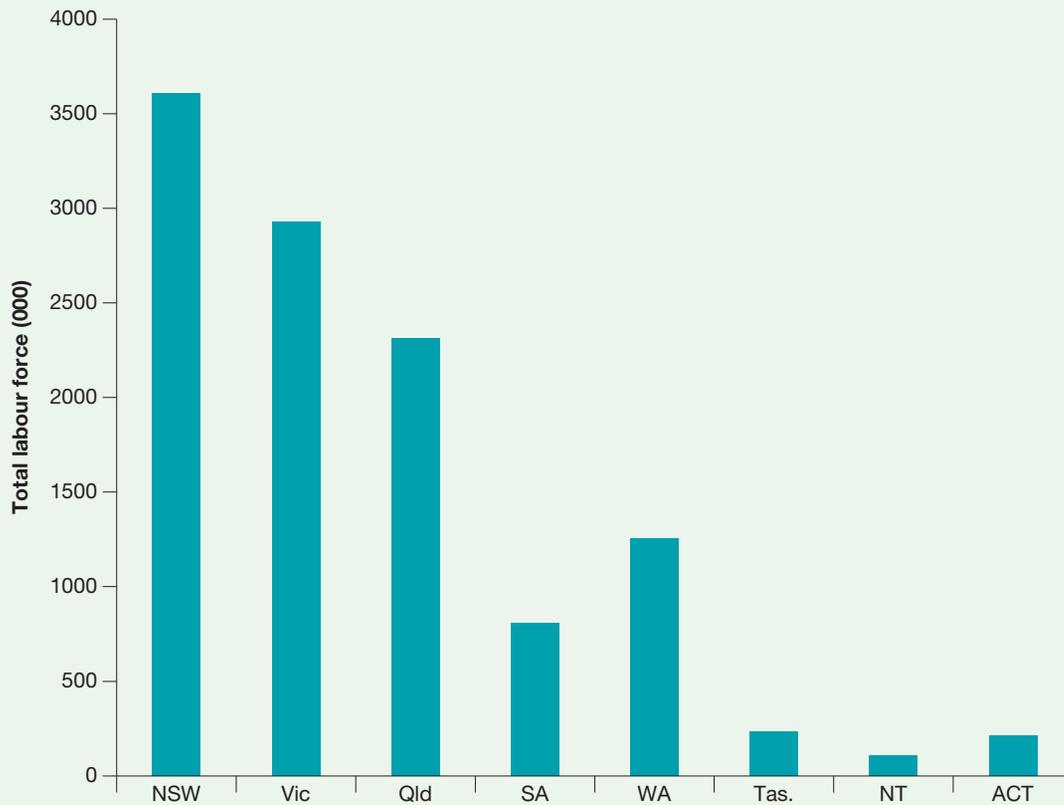
1.12 ACTIVITY

Examine the graphs below and answer the questions which follow. Use what you have learned about graphs (vertical axis, horizontal axis and variables) to analyse what each graph tells you.

a. Examine **FIGURE 2** and answer these questions:

- (i) Which state's labour force has the greatest number of people?
- (ii) Which state's labour force has the least number of people?
- (iii) How many people are in Victoria's labour force?

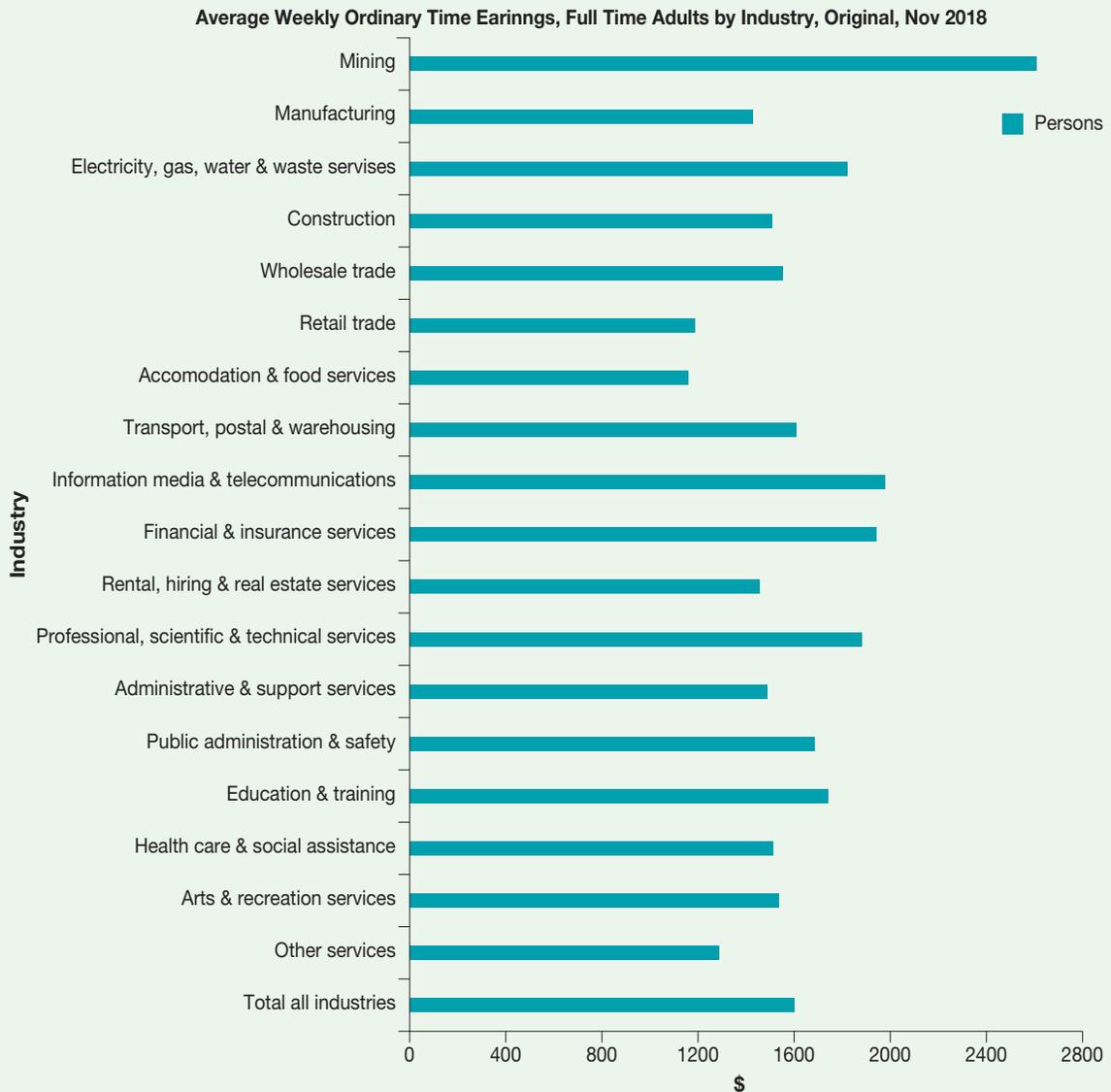
FIGURE 2 Total labour force by state, 2016



b. Examine **FIGURE 3** and answer these questions:

- (i) Which industry offers the highest average weekly earnings?
- (ii) Which industry offers the lowest average weekly earnings?
- (iii) What is the average weekly earnings of a person in the construction industry?
- (iv) In which industry sector would a nurse be included?

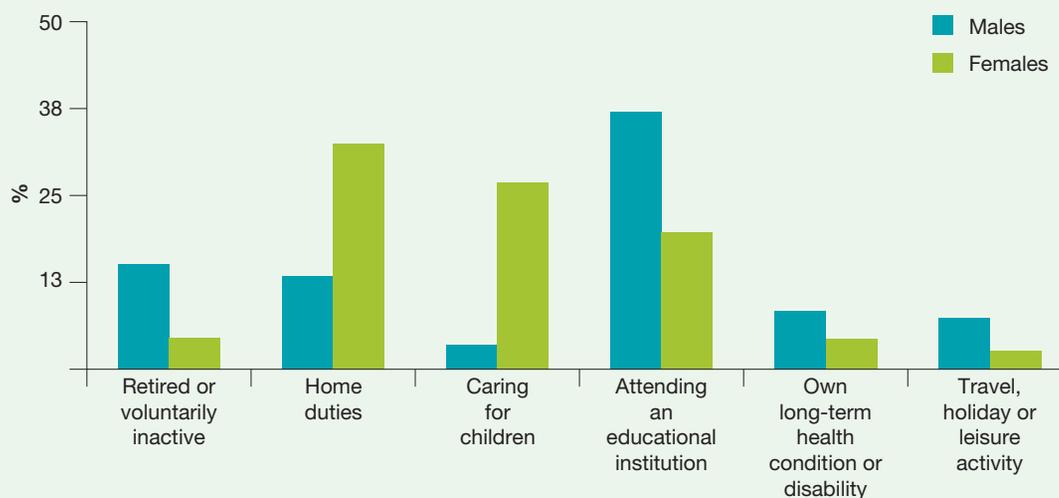
FIGURE 3 Average weekly earnings, 2018



Source: Graph redrawn from ABS 6302.0 *Average weekly earnings, Australia, Nov 2018*

- c. Examine **FIGURE 4** and answer these questions:
- What percentage of men work in home duties?
 - What percentage of women work in home duties?
 - What percentage of men care for children?
 - What percentage of women care for children?

FIGURE 4 Main activity of persons not in the labour force, 2013



Source: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6220.0>

- d. Examine **TABLE 1** and answer these questions:
- What trends do you see in the number of employed people during the period?
 - What trends do you see in the number of unemployed people during the period?
 - To what can you attribute these trends?

TABLE 1 Employed and unemployed persons, 2011–18

	May 2011	May 2012	May 2013	May 2014	May 2015	May 2016	May 2017	May 2018
Employed persons ('000)	11 196.2	11 390.0	11 485.4	11 546.1	11 766.2	11 974.8	12 256.6	12 571.4
Unemployed persons ('000)	589.8	620.4	675.8	717.0	729.9	715.5	704.5	702.4

Source: Data from Australian Bureau of Statistics, *Labour force, Australia, May 2018* (cat. no. 6202.0).

1.13 Thinking Big research project: How technology gets me to school

Scenario

Technology has changed our lives in nearly every area. For some people, Year 7 students, the changes may not seem significant because they have grown up with most of them. For others, your parents, grandparents and teachers, they will have noticed more of these changes.

These changes have affected the way we work, shop and generally conduct our daily lives.



Task

You are to work in pairs and complete two tasks:

1. Make a list of ten jobs that would need to be performed on a daily basis in order for you to attend school. For each one, explain how it affects you (for example, a baker would need to bake bread for you to eat your toast in the morning).
2. Conduct research, either through the internet or through an interview, and prepare a presentation or poster depicting how five of the jobs you included on your list in part 1, have changed due to technology or other societal factors. For example, the baker would most likely now make different varieties of bread that they didn't previously make – sourdough, grain, rye bread, etc.

Follow the steps detailed in the **Process** section to complete this task.



Process

- Open the ProjectsPLUS application for this topic. Click on the **Start new project** button to enter the project due date and set up your project group.
- Work in pairs, this will allow you to share ideas and responsibility for various aspects of the project. Save your settings and the project will be launched.
- Navigate to the **Research forum**, where you will find starter topics loaded to guide your research. You can add further topics to the Research forum if you wish. When you have completed your research, you can print out the **Research report** in the Research forum to easily view all the information you have gathered.
- Each of you should present your list of 10 jobs and then as a pair consider the ones you have in common and refine your list until you come up with 10 between you.
- Determine if you will use a presentation (PowerPoint) or poster to present your information. Your teacher may allow you a choice.
- Allocate jobs for each person to research. Identify the 5 jobs you will conduct further research on – consider likely areas of change, ease of accessing information, etc
- Conduct some research for each job. Include interesting facts about each job that most people won't know about.
- Use the information you have found and some photos to create your presentation/poster.
- Present your findings to the class and submit your completed assignment to your teacher for assessment and feedback.

Resources



ProjectsPLUS Thinking Big research project: How technology gets me to school (pro-0243)

1.14 Review

1.14.1 Key knowledge summary

1.2 The importance of businesses as producers

- The Australian economy is the total of all activities undertaken within Australia for the purpose of producing, distributing and consuming goods and services.
- We purchase goods and services to satisfy our needs and wants.
- Employees provide labour to businesses and receive money in return, enabling them to purchase goods and services from other businesses.

1.3 Responding to consumer demand

- A market is any organised exchange of goods and services for money, with many different markets operating in the economy as a whole.
- Markets in Australia are influenced by what consumers wish to buy, including products that are healthy and environmentally friendly.

1.4 Determining prices

- Businesses can determine their prices by using the recommended retail price, following price leaders, using percentage mark-ups, pricing according to what the market will bear, or offering quotes to customers.

1.5 Influencing overseas producers

- Australia is a major trading nation, with large volumes of exports and imports traded with countries all over the world.

1.7 The importance of work

- Work is an important part of every person's life, necessary to fund the purchase of goods and services to meet needs and wants. Work also has non-financial benefits.

1.8 Why we work

- People work for different reasons: to earn money, to improve living standards, to gain prestige, to obtain self-satisfaction, to make friends, to help others.

1.9 Different types of work

- Work can be paid or unpaid.
- Work can be voluntary, and volunteers make an important contribution to the community.
- There are more men than women in full-time employment. Women tend to have more part-time or casual employment.

1.10 Work, the economy and society

- Work contributes to the Australian economy by helping to reduce poverty, improve productivity and generate income.

1.11 Alternative sources of income

- Alternative forms of income include superannuation, commission, welfare payments, rental income and dividends.
- The population of Australia is ageing as infant mortality falls, life expectancy rises, and new technology and medicines are developed.
- It is a good idea to start planning for your retirement as soon as you start working.
- Retirees still need to have an income.
- Retirement income streams consist of superannuation, pensions and savings.

1.14.2 Reflection

Complete the following to reflect on your learning.

1.12 ACTIVITIES

Revisit the inquiry question posed in the Overview:

Some people work to make money, but are there other reasons to join the world of work?

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

Resources



eWorkbook Reflection (doc-32151)
Crossword (doc-32152)



Interactivity Working for a living — the world of consumers and producers crossword (int-7709)

KEY TERMS

business activities the combined economic activities of buying, selling and investing performed by an organisation

casual describes an employee who works only when needed

consumer a person or group who is the final user of goods and services produced within an economy

employed describes someone working in return for a wage or salary

employees people who work for a wage or salary

employer a person or organisation hiring others to work for them

enterprising behaviours describes a range of skills including adaptability, initiative, communication, management, leadership and problem solving, and associated behaviours such as working productively with others to achieve common goals, planning and organising, using resources effectively, analysing issues and managing risk

entrepreneur a person who takes on a risk by starting a business with an idea, hoping to make a profit through initiative and enterprise

entrepreneurship the ability to demonstrate the skills and risk taking related to the creation, organisation and management of a business or enterprise

full-time describes an employee who works 35 hours or more per week, or who works the minimum number of hours stipulated by the industrial award for that occupation or industry

goods physical items that satisfy needs and wants

income money earned through employment or investment

industry-wide awards legally binding documents that set out the minimum wages and other entitlements for all employees in an industry or occupation

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

labour force people aged 15 and over who are able to work, and are either employed or looking for work

needs goods or services that are essential for life

organisation an entity formed for a specific purpose, usually related to the production or provision of a good or service

part-time describes an employee who works less than 35 hours per week

percentage mark-up a way of determining selling price by adding a fixed percentage to the cost of the product

producer an individual or business involved in the production of goods and services

productivity a measure of how efficiently inputs are used to produce outputs

profit what remains after all business expenses have been deducted from the money that has been collected from selling goods or services

remuneration payment for work or services performed

retail describes a business that sells goods and services to consumers

salary fixed or regular payment for work completed or services performed

seasonal describes an employee who usually works during a season, such as winter or the fruit-picking season

services actions done for you by others to satisfy your needs and wants

standard of living quality of life as measured by the amount of money made by an individual or household (using income per capita or income per household)

wage fixed or regular payment for work completed or services performed

wants non-essential goods and services

wellbeing an overall measure of quality of life

work human labour — whether paid or unpaid, including voluntary labour

work-life balance a balance between working time and leisure/recreation

working conditions refers to all those things an employer has agreed to provide in exchange for the employee's work, ranging from the physical work environment to hours of work, rates of pay and leave entitlements

2 Individual and business success

2.1 Overview

How much money does it take to live a life? Are there different ways to make and manage money?

2.1.1 Managing your money

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

Many people choose to earn money by going into business. If you have particular skills or a good idea for a business, there can be many benefits in choosing to go down this path.

Regardless of whether you start your own business, have a paid job working for someone else or are a teenager with a part-time job, careful planning and management of your money is always going to be important, whether as a teenager or in the future as an adult with family responsibilities.

Resources



eWorkbook Customisable worksheets for this topic



Video eLesson The life and times of money (eles-0140)

LEARNING SEQUENCE

2.1 Overview

2.2 Short-term personal financial goals

2.3 Long-term personal financial goals

2.4 Keeping business financial records

2.5 Business financial planning

2.6 **SkillBuilder:** Conducting a survey



2.7 Being an entrepreneur

2.8 Business owner or entrepreneur?

2.9 Business success: high-quality product and location

2.10 Business success: quality service and sound management practices

2.11 **SkillBuilder:** Writing a business case study



2.12 **Thinking Big research project:** Shopping habits



2.13 Review



To access a pre-test and starter questions and receive immediate, **corrective feedback** and **sample responses** to every question select your learnON format at www.jacplus.com.au.

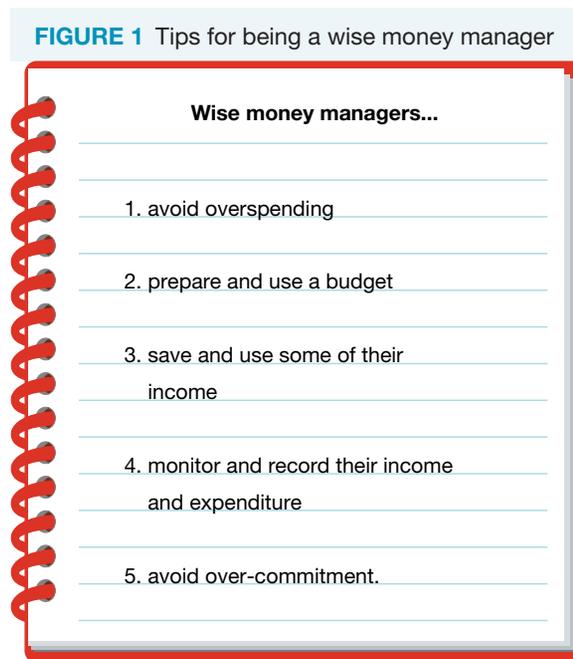
2.2 Short-term personal financial goals

2.2.1 Benefits of saving

Do you wish you could save more money? Are you the type of person who burns through their money fast? Money is great to have but it won't last long unless you make wise choices. If you keep track of your money and spending habits, you can make your money work for you. You may not realise it, but saving money is quite easy. By putting aside even a small amount on a regular basis, you will be amazed at how soon you can build up your wealth. Then you will have more cash available to buy those things you really want!

2.2.2 Managing your money

It is easy to get carried away with spending. There are so many advertisements deliberately targeting young people. Because we all have a limited supply of money, we all need to become wise money users. Look at the tips for being a wise money manager in **FIGURE 1**. Is it an accurate description of the way you use money?



You are never too young to start becoming money wise. During your life you will face many complex **financial** choices. You need the skills and knowledge to ensure you make effective decisions about managing and using your money. If you are money wise, you will be able to make the most of your opportunities and meet your responsibilities throughout your life.

2.2.3 Becoming money wise

With a bit of planning, you can become a smart money user. The first stage is to realistically examine your current financial position:

- What money do you have coming in?
- What are your regular expenses?
- Do you have any money left over after covering your expenses?

You can start your planning by following the steps illustrated in **FIGURE 2**.

FIGURE 2 Four steps to becoming money wise

STEP 1 Calculate your monthly income. This includes income you receive from all sources such as pocket money, odd jobs or a part-time job.

STEP 2 Calculate your total monthly expenses. Expenses include all the money you spend on items such as entertainment and food.

STEP 3 Subtract your monthly expenses from your monthly income.

STEP 4 Assess your cash position by comparing your total income with your total expense.

If you extend these steps to cover several months of income and expenses, you will gain a more complete picture of your spending and saving habits. **TABLE 1** shows the income and expenses of Tiffany, a 13-year-old Year 7 student. Can you see some possible savings? Can you see the possibility of extra income?

TABLE 1 Tiffany's income and expenses

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

2.2.4 Why save?

Wise money managers know that saving money:

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

For most people, the most common reason to save is to be able to buy something they really want. For example, the latest PlayStation 4 controller costs around \$90, and most young people would not have that money lying around. The answer is to save the money you need over a period of time, and the best way of doing this is to set clear financial goals.

on Resources

 **Video eLesson** Compound interest (eles-0139)

DISCUSS

Several studies have shown that, beyond a certain point, having more money does not bring increased happiness. What do you think of these studies? Should we pursue other things in life as well as money?

[Personal and Social Capability]

2.2.5 Setting financial goals

It is easier to save money if you have clear financial goals in mind. You probably have some ideas about the type of things you want now. However, you might find it hard to think far ahead and work out what you will want in the future. The good thing about setting goals is that they give you a purpose for saving. Some of your goals will take longer to reach than others.

Tips for goal setting

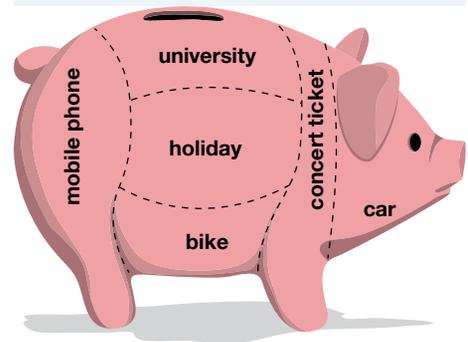
- Goals should be realistic or you will become discouraged.
- Goals should be specific. For example, 'My goal is to save \$200 in six months for a computer game.'
- Avoid vague goals (such as 'My goal is to get rich') because their exact meaning is unclear.

To save the money needed to buy a new playstation, you will need a **budget**. A budget is a plan for the future. It is a way of planning your finances to ensure that you have enough money to meet your future needs. Most people prepare a budget to manage their personal finances. Families, businesses and governments also use budgets. The aim is always the same: planning to ensure that expected income (estimated cash receipts) will match or hopefully exceed expected expenses (estimated cash payments).

2.2.6 The purpose of a cash budget

A cash budget is based on the principle that you must carefully plan your spending so you will always have money to cover your needs and most of your wants. It is an opportunity to reflect on your spending habits

FIGURE 3 Saving can become easier if you have clear goals.



and find the areas where you think you are spending too much. A lot of people prepare a budget so that they have extra cash available for something special, such as a games console or a new car. In most parts of Australia, you can get a part-time job in a supermarket or fast-food restaurant when you turn 15. Other jobs, such as babysitting, may be available at a younger age. If you started saving as soon as you found a part-time job, do you think you could save up enough to buy a car when you turn 18? Many young people have successfully achieved this goal.

2.2.7 How to prepare a cash budget

First, look at your spending habits and carefully consider your needs and wants. Your needs are whatever is essential for survival, so it can be difficult to reduce these expenses. Wants, on the other hand, are things that you desire rather than need. Although it is important that we satisfy some of our wants, this is the area of spending that is first to be cut back because we can live without satisfying all our wants.

Second, consider where your cash is coming from. Are you earning money? Do you have a job, or do your parents give you pocket money? Are there ways you can increase your income? Once you have worked out your receipts of cash (money in) and your payments of cash (money out), you need to put the information together as shown in **FIGURE 5**.

Let us have another look at the typical income and spending patterns of Tiffany, the Year 7 student (see **TABLE 1**). Tiffany has decided she wants to buy a new playstation controller in three months' time, at a cost of \$90. She has offered to do some odd jobs around the house for her parents to maintain her income of \$20 per month from this source. She has also decided she can cut back on some spending by reducing her fast-food purchases, limiting her game purchases to \$20 per month and cancelling the magazine purchase. **TABLE 2** shows what Tiffany's budget for three months might look like.

After three months Tiffany will have saved \$105, so she can not only buy the controller but has \$15 left to put towards her next savings goal. Mission accomplished!

FIGURE 4 Having enough money to buy your first car is not just a dream — you could do it if you start saving as soon as you find a part-time job.



FIGURE 5 Four steps to working out a savings plan

STEP 1: Work out what expenses are essential and how much you have left over that could be saved.

STEP 2: Decide how much you can save each week to reach your goal(s).

STEP 3: Start saving immediately.

STEP 4: Re-evaluate your financial goals as the need arises.

TABLE 2 Tiffany's budgeted income and expenses

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

FIGURE 6 After three months of managing her budget, Tiffany was able to buy a new PS4 controller.



2.2 ACTIVITIES

1. Prepare a cash budget for yourself for the next three months. Copy the format used for Tiffany's budget in **TABLE 2**, but with your own income and expenses inserted.
 - (a) You may wish to start a discussion with your classmates to compare your budgets. How are they similar? How are they different?
 - (b) Does your budget allow you to save money, or do you spend all your income each month?
 - (c) If you wanted to save to buy something special, how could you adjust your budget? Are there any extra sources of income you could access? Can you identify any possible savings within your expenses? Draw up an amended budget to show the changes.

Reasoning, creating, proposing

2. Compile a list of your own financial goals for the next five years. How long will it take you to achieve each goal? Compare your goals with others in your class. Are they similar or different? What can you learn about your goals by comparing them with the goals of others?

Communicating, reflecting

2.2 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

2.2 Exercise 1: Check your understanding

1. **ES1** Identify three characteristics of a money-wise person.
2. **ES1** Define the following terms:
 - (a) financial
 - (b) budget.
3. **ES2** What are the benefits of preparing a cash budget?
4. **ES2** 'My goal is to be a millionaire by the time I'm 30.' What is the problem with this statement as a financial goal?
5. **ES2** Briefly outline the four steps to working out a savings plan.

2.2 Exercise 2: Apply your understanding

1. **ES4** Think about how you manage payments for your mobile phone bills. Do you have a prepaid phone, or are you on a plan? Identify two problems that can arise for young people in managing the costs of a mobile phone.
2. **ES2** Define 'savings' and explain why people save.
3. **ES2** Savings can be planned or discretionary. Explain the difference between the two.
4. **ES4** Identify the next major purchase you expect to make. Do you need a savings plan to make that purchase? Why is it important to develop a savings plan now?
5. **ES2** Preparing budgets is a difficult task. Explain why.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

2.3 Long-term personal financial goals

2.3.1 The benefits of a savings program

If you speak to your parents and teachers, they will tell you that starting a savings program early in life can mean the difference between a good lifestyle in retirement and having to watch every dollar you spend. A large part of your adult life is likely to be spent in paid employment — over 40 years of work is quite possible. At some stage you will want to retire and enjoy a more relaxed lifestyle, so the time will come when you need to prepare financially for retirement. Although you have over 50 years before you will retire and access your **superannuation**, saving for your eventual retirement will become an important goal once you reach adulthood and take on a career.

2.3.2 Saving for retirement

Traditionally the retirement age has been 65 years for men and 60 for women. However, improved health and medical treatment has meant we will live longer than our grandparents and so the retirement age is being incrementally raised to 70 by the year 2035. (Part of the reason for this is that Australia, like many developed countries, has a rapidly ageing population and a declining birth rate.) A person can retire when they choose, but they need to be able to pay for their living expenses once they are no longer earning a wage or salary.

When a person retires, they may be able to access an **age pension** in order to survive. This is an amount provided by the federal government. It does not allow for a luxurious or comfortable lifestyle, and may only be sufficient to pay for basic needs. In the years ahead, as average life expectancy increases, the minimum age at which a person can access the pension will be raised. As noted above, the retirement age is being incrementally increased so that by 2035 a person will only be able to access the aged pension when they are 70 year old.

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 putting aside money now (while you are young and able to work) for when you get older and no longer have a regular income.

What is superannuation?

Superannuation is a compulsory savings scheme whereby employers contribute an additional percentage of an employee's **gross wage** into a **superannuation fund**. Employees can also choose to contribute to this fund, thus increasing the overall amount they will receive on retirement. How much any employee chooses to contribute is up to them. There are laws in place that determine the age at which you are eligible to access your superannuation savings. In general terms, people cannot access their superannuation unless they retire, reach the official retirement age or have an illness/medical condition that prevents them from working again. By the time people retire there may be 40 years of contributions in the individual's fund, so this may be enough to fund retirement. Any extra contributions the person makes during their working life can help achieve this goal.

FIGURE 1 In retirement, people still have to be able to pay for their living expenses.



FIGURE 2 Those who have the financial resources to do so are well advised to plan ahead for retirement.



FIGURE 3 At each stage in a person's life, the amount needed for expenses changes. It is vital to have a financial plan that includes saving for the retirement stage.



2.3.3 Buying a house

For most people, buying a house will be the largest purchase they make in their lifetime. A house is also an investment for the future. Property almost always increases in value over the long term. In many parts of Australia's larger cities, houses that cost less than \$100 000 to buy 25 years ago are now worth over a million dollars. Most people value the security of owning their own home, particularly when raising a family or as they approach retirement age.

Purchasing a house usually involves taking out a **mortgage loan**, with the property itself used as security for the loan. (This means the bank or other lender can take possession of the property if the borrower fails to make the regular payments.) In most cases the loan has to be repaid over 20 years or more, with regular monthly payments. It is a long-term commitment, and you need to make sure that you are earning enough to keep up the monthly payments. Because you are paying **interest** on the loan over a long period, the total amount you eventually pay can be as much as three or four times the amount actually borrowed. Throughout the term of the loan, most people find that their wages increase, so the monthly repayments take up a smaller proportion of their earnings as the years progress. Many people find it worthwhile to pay back more than the required minimum monthly payments. This way they save on interest by paying off the loan early.

FIGURE 4 The purchase of a house can be a great investment for the future.



DISCUSS

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

[Ethical Capability]

2.3.4 Investing in shares

Many Australians choose to invest their money by buying shares. This means that they buy a certain number of units of ownership in a company. Note that when a person starts up a business, they may start small and only put their own money into it. If the business is successful and they want to expand, they can do so by inviting other people to put money into the business. These people will then become part owners of the business, or **shareholders**. When businesses become really large, they can sell shares to the general public to raise funds. Some large businesses today have thousands of shareholders, and because these shares have value, people can buy and sell them just as they would any other goods. As the value of a company's shares goes up or down, so too does the value of the person's investment. Owning shares means you benefit from the company's profits, which can be given to you as **dividends** or as extra shares. You may also benefit from **capital growth** if the value of your shares increases.

Buying and selling shares takes place through the Australian Securities Exchange (ASX). The ASX was formed in 1987 by amalgamating the six capital-city stock exchanges. A stockbroker has direct access to the market for trading shares and, for a small fee, acts as an agent to buy and sell shares on behalf of the general public.

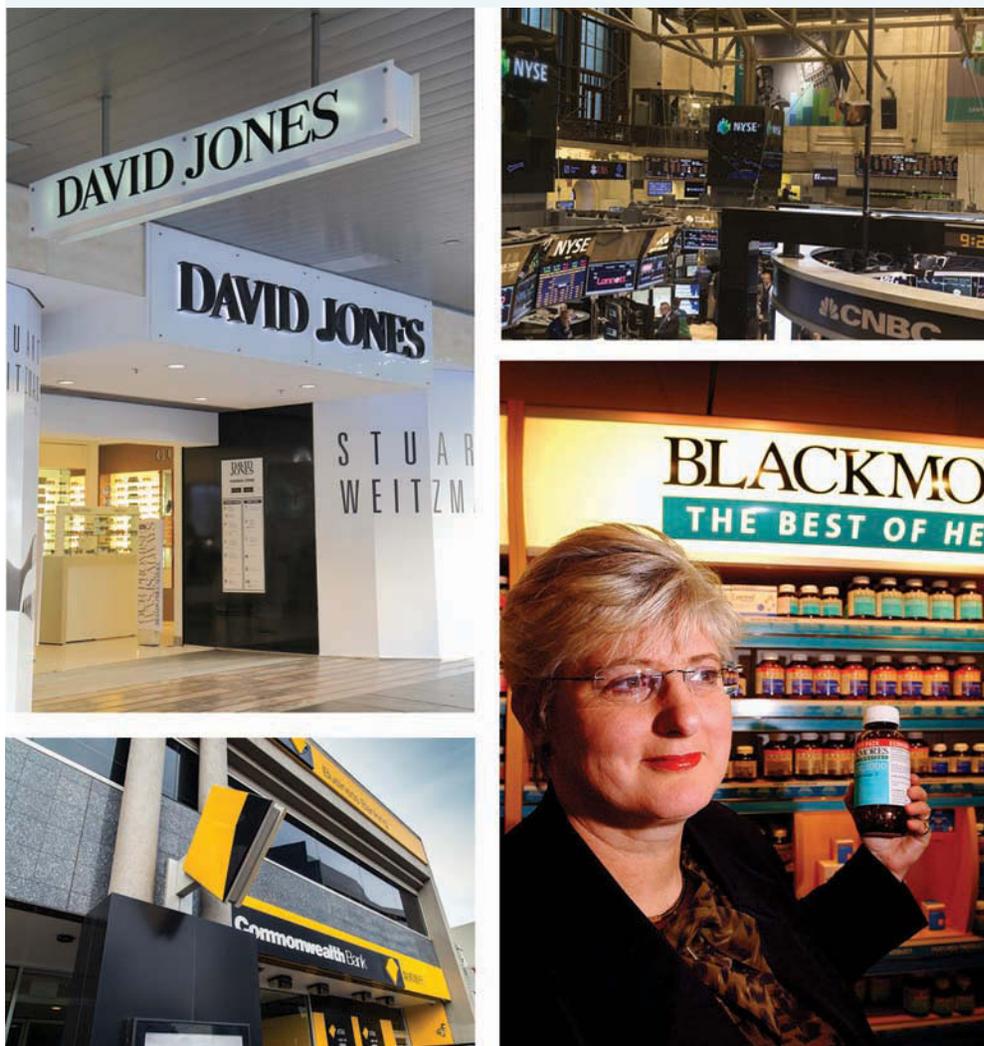
FIGURE 5 Stockbrokers buy and sell shares on behalf of their clients.



Options for your investment

It is an old saying that you should ‘never put all your eggs in one basket’. This applies particularly when investing in shares. If you buy shares in only one company and that company has problems, the value of your shares can drop and you lose money. It is generally advisable to buy shares in a number of different companies as this reduces the risk, and you have a better chance of having some shares that will perform well. There are over 1500 companies listed on the ASX. These companies are involved in a wide range of industries covering most sectors of the economy, such as finance, retailing, ICT and mining, so there are plenty of choices available.

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



Investing in shares gives you flexibility. Shares can be bought and sold quickly: you can sell shares and generally have access to your money in three days or less. Some other investments can take much longer to sell and convert to cash. You can decide exactly how your money is invested, giving you control over your financial future. Most people choose to share this responsibility with a stockbroker who can give advice on what shares to buy and sell.

on Resources

 **Video eLesson** Sharemarket basics (eles-0256)

2.3 ACTIVITY

Examine the stock market report in a newspaper or online and answer the following:

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

Examining, analysing, interpreting

2.3 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

2.3 Exercise 1: Check your understanding

1. **ES1** What will be the legal retirement age when you eventually retire?
2. **ES1** Define each of the following:
 - (a) self-funded retiree
 - (b) dividends
 - (c) capital growth.
3. **ES1** What is the ASX?
4. **ES2** What is superannuation? Explain how superannuation works to provide a person with money for retirement.
5. **ES2** What is a mortgage loan? What would happen if a person was unable to keep up payments on a mortgage loan?
6. **ES2** Explain one benefit and one risk of owning shares.

2.3 Exercise 2: Apply your understanding

1. **ES2** Answer the following questions.
 - (a) What are you buying when you buy shares?
 - (b) What would be the situation if you owned 100 per cent of the shares in a company?
2. **ES2** What is the role of a stockbroker?
3. **ES1** When is the stockmarket report published?
4. **ES3** As a Year 7 student, the concept of retirement will seem a long way off. Analyse the statement 'you are never too young to start saving'.
5. **ES2** Some shares are referred to as 'blue chip' shares. Explain what this means and why some shares have this title.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

2.4 Keeping business financial records

2.4.1 Measuring business success

Katie is very excited. After working in restaurants and other areas of the food industry, she has finally managed to open her own café. She intends to make this her full-time job, so she wants to be able to make a reasonable living from running her own business. This means that she will want the business to make a **profit**. For this to happen, she must make sure that money received from selling goods and services is greater than what she has to pay in expenses to run the business. A business may make a profit one day, but may make a loss the next day. As long as her business is making a profit over a longer period of time, it could be successful. In order to measure whether this is happening, Katie needs to keep reliable **financial records**.

2.4.2 Financial transactions

All business activity involves sets of **financial transactions**. Take the example of Katie's Café. Every time the café sells a cup of coffee, a sandwich or a piece of cake, it receives money. Every time it buys milk, bread or other ingredients from other businesses, it must pay them. If Katie employs any additional staff, they have to be paid wages. A café also has regular electricity, gas and telephone bills to pay. All of these money-based activities are financial transactions. Katie has to keep a record of them all because she will need information to help her track how well her business is performing.

2.4.3 Receipts and payments

All of Katie's financial transactions can be classified as either *receipts* or *payments*. Receipts occur when Katie receives money, usually when a customer buys food or a drink from her café. Payments occur when her business pays out money — to one of Katie's suppliers or staff, or to pay the gas, electricity or phone bill. Remember that in order to make a profit, Katie will usually need her business receipts to be greater than her payments, so it is important that she keeps an accurate record of both. In the past, business owners had to do this manually by writing up their records in books called **journals**. Journals are still important, but they are usually not handwritten records any more.

These days we have technology to help us. By using some simple computer programs, online banking, and business machines such as a cash register and an **EFTPOS** terminal, Katie can record her transactions quickly and accurately. The process of entering and maintaining financial records is called *bookkeeping*, and Katie can buy a program such as MYOB or QuickBooks to help her with this process. These programs set up electronic journals that allow Katie to enter details of all her transactions each day. They are based on spreadsheets and, with all the necessary formulae already entered, Katie simply has to enter her figures and the program performs the necessary calculations.

FIGURE 1 As well as making the best coffee, Katie needs to keep track of her business finances.



FIGURE 2 EFTPOS facilities are essential for any business, and can assist in keeping financial records.



FIGURE 3 Katie will need to update her cash receipts and payments records each day after she has closed the café.



Recording cash receipts

Katie will have a cash register on the counter in her café. Before she opens the café each morning, she will already have some cash in the drawer of the cash register. This is known as a *float*, and it is there so she can give change to customers if necessary. As each customer pays, the sale is recorded on the register and the

cash deposited in the register drawer. The cash register will then print a docket for the customer. She will also have a card reader for EFTPOS and credit card transactions. This reader is linked to the cash register, which also records these transactions. A copy of the EFTPOS docket will be printed for the customer, and a second one for the business. This is usually placed in the register drawer with the cash.

At the end of the day, after she has closed the café, Katie can retrieve a total of her day's receipts from the cash register. She will then add the total of the cash and EFTPOS dockets in the drawer, subtract the amount she had as a float before the first transaction, and it should equal the total amount recorded in the register. She then goes to her computer and enters the figures in the **cash receipts journal** of her bookkeeping software. At some stage she will take the cash to her bank and deposit it in her account.

The cash receipts journal could be set out as shown in **FIGURE 4**.

FIGURE 4 Cash receipts journal of Katie's Café

Date	Details	Receipt no.	Cash sales (\$)	EFTPOS sales (\$)	Other receipts (\$)	Total receipts (\$)
Jan. 3	Sales		460.00	630.00		1090.00
	Refund-A1 Bakery	0003			120.00	120.00
Jan. 4	Sales		340.00	540.00		880.00
	Sales		440.00	590.00		1030.00
Jan. 5	Soft drink machine sales	0004			100.00	100.00
Jan. 6	Sales		450.00	610.00		1060.00
Jan. 7	Sales		430.00	520.00		950.00
Jan. 8	Sales		380.00	580.00		960.00
	Refund-A1 Bakery	0005			90.00	90.00
Jan. 9	Sales		470.00	650.00		1120.00
Jan. 9	Total		2970.00	4120.00	310.00	7400.00

This journal mostly records the money received by Katie's Café for selling food and drinks to its customers. There are three other transactions recorded. She has an arrangement to pay her local bakery a certain amount per week for bread and rolls, but doesn't always collect the exact quantity each day. On 3 and 8 January, she received a refund from the bakery for using less bread than she had paid for. She has a soft drink vending machine that is owned by the soft drink company in her café. Each week a company rep comes and refills the machine with cans of drink and pays her a share of the money collected in the machine. Katie received \$100 on 5 January.

You will notice Katie has set up separate columns in her journal for different types of transactions. This enables her to keep track of the cash she has received, the amount directly credited to her account through EFTPOS payments, as well as other money received that is not part of her normal business activities, such as the refunds from the bakery. At the completion of a week's business the computer software has added up the total in each column, showing Katie her total receipts for the week. She will now need to compare this with her payments for the same period.

Recording cash payments

Katie is able to use online banking, so she can make all her business payments from her computer. Each time she does so, the bank provides a reference number as a means of recording the transaction. Katie's

bookkeeping software enables her to record each payment just as she did with each cash receipt. The software has a **cash payments journal** set up, with columns to record each type of payment.

The cash payments journal could be set out as shown in **FIGURE 5**.

FIGURE 5 Cash payments journal of Katie's Café

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

As you can see, Katie makes regular fixed payments to the bakery. Every few days she has to buy groceries such as milk, flour and other ingredients for her cakes, as well as cold meats and salad vegetables for sandwich fillings. She employs one assistant at a wage of \$600 per week. She also has a column to record the payment of utilities bills, such as the electricity, gas and phone. The bookkeeping software totals up all the columns for her so she can keep a track of each different type of business expense.

2.4.4 Retrieving financial reports

From time to time, Katie will want to find out how her business is performing. Is she making a profit or a loss? Does she have enough cash coming in to ensure that she can pay her expenses on time? Her bookkeeping software can make use of the entries in her journals to provide her with the information she needs in different types of reports. Two of these are the *income statement* and the *cash flow statement*.

Income statement

An income statement can tell Katie whether or not her business has made a profit over a period of time. It does so by using the following information:

- The amount of money earned by selling goods and services, known as the business revenue.
- The cost of the materials used in earning that revenue (such as bread, milk, coffee powder), known as the **cost of goods sold**.
- The operating expenses used to run the business (such as wages, gas, electricity).

The first step is to subtract the cost of materials used from the total sales revenue. This figure will give Katie her **gross profit**. She can then subtract the operating expenses from gross profit to provide a figure for **net profit**.

Gross profit = sales revenue – cost of the materials

Net profit = gross profit – operating expenses

Katie's bookkeeping software would produce an income statement as shown in the interactivity.

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

FIGURE 6 Katie's Café income statement

Katie's Café			
Income statement for the week ended			
9 January 2016			
Revenue	\$	\$	\$
Cash sales		2970.00	
EFTPOS sales		4720.00	
Soft drink sales		<u>100.00</u>	7190.00
Less Cost of goods sold			
Groceries		1220.00	
Bread	1000.00		
Less Bread refunds	<u>210.00</u>	<u>790.00</u>	<u>2010.00</u>
Gross profit			5180.00
Less Expenses			
Wages		600.00	
Utilities		<u>490.00</u>	<u>1090.00</u>
Net profit			<u>4090.00</u>

Cash flow statement

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

This statement would be prepared as shown in **FIGURE 7**.

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

FIGURE 7 Katie's Café cash flow statement

Katie's Café			
Cash flow statement for the week ended			
9 January 2015			
	\$	\$	
Cash inflows			
Total sales revenue	7190.00		
Other cash inflows (bread refunds)	<u>210.00</u>		
Total cash inflows			7400.00
Cash outflows			
Bakery	1000.00		
Groceries	1220.00		
Wages	600.00		
Utilities	<u>490.00</u>		
Total cash outflows			<u>3310.00</u>
Net cash flow			<u>4090.00</u>

2.4 ACTIVITY

Bob's Bakery has the following transactions during the week ending 31 March 2015:

Date	Details	Amount (\$)
March 25	Purchased flour and yeast	250.00
March 25	Takings from sale of bread	300.00
March 26	Paid for advertising leaflets	150.00
March 26	Takings from sale of bread	280.00
March 27	Takings from sale of bread	310.00
March 27	Paid electricity bill	400.00
March 28	Purchased flour and yeast	250.00
March 28	Takings from sale of bread	270.00
March 29	Paid wages	500.00
March 30	Takings from sale of bread	290.00
March 31	Purchased flour and yeast	250.00
March 31	Takings from sale of bread	320.00

- Draw up a cash receipts journal with columns for date, details, receipt no., bread sales, other receipts and total receipts. Record all cash receipts for the week in the appropriate columns and sum the columns.
- Draw up a cash payments journal with columns for date, details, reference no., materials purchases, advertising, utilities, wages and total payments. Record all cash payments for the week in the appropriate columns and sum the columns.
- Use the information from the journals to produce an income statement for the week for Bob's Bakery.
- Use the same information to produce a cash flow statement for this business.
- Consider whether the business has had a successful week.

Examining, analysing, interpreting

2.4 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

2.4 Exercise 1: Check your understanding

- ES1** Define the term 'profit' in your own words.
- ES2** Explain the difference between gross profit and net profit.
- ES1** The cost of the materials used in earning revenue (such as bread, milk, coffee powder) is known as what?
- ES1** What does the abbreviation EFTPOS refer to?
- ES2** Explain the difference between receipts and payments.

2.4 Exercise 2: Apply your understanding

- ES2** What is the difference between cash inflows and cash outflows?
- ES2** Explain the purpose of an income statement for a business owner.
- ES2** Define the term 'revenue' and distinguish between the revenue earned by a bakery and the revenue earned by a hairdresser.
- ES4** Not all payments made by a business are expenses. Explain, with an example, how this occurs.
- ES4** Explain why it is important to keep financial records for a business and how a financial report is different.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

2.5 Business financial planning

2.5.1 Planning to succeed

Anybody who plans to start up their own business needs to spend time planning. This involves setting goals for the business and deciding how to achieve those goals. A lot of time, energy and money can go into setting up and running a business. Therefore, if the owner hopes to make a profit, a good plan is essential.

2.5.2 What is a business plan?

A business plan is a statement of the aims and goals of a business, and all the steps that will be taken to achieve those aims. It is important that the plan be written down so that the business owner can regularly check whether or not all steps are being followed. The business plan will usually include the following:

- an *operations plan* outlining how the business will be set up and the staff needed to run it
- a *financial plan* showing how the business will be financed, together with estimated cash flow, revenue, expenses and profit
- a *marketing plan* detailing how the goods or services provided will be advertised and promoted to potential customers.

Of these, the financial plan is particularly important because the business owner will need to raise money to start the business, and will then need a system in place to monitor receipts and payments and produce regular reports on how well the business is performing.

2.5.3 Financial planning

When starting a business, the owner must be able to answer the following questions:

- How much money do I need to start my business?
- Where will I get the money?
- What is it going to cost me each week (or month, or year) to run the business?
- How much revenue must I generate to cover all my costs and still make a profit?

Let's return to Katie's Café and examine how she might have tried to answer these questions.

Establishment costs

These are the costs associated with starting up the business. Katie found an empty shop in a busy shopping centre, and was able to rent it. The landlord demanded the first two months' rent in advance, so that amount had to be paid first. Then Katie had to fit out the shop so that it could function as a café. First, she bought tables and chairs, refrigerators and a large industrial stove. Then she had fixtures and fittings installed, such as display cabinets, preparation benches and a serving counter. She also had to purchase equipment including all the food preparation utensils, a cash register and cleaning equipment. The telephone and electricity had to be connected, and she needed a broadband internet connection. All of these had to be paid for before the business could earn a single dollar in revenue.

FIGURE 1 A financial plan is essential to measure the success of the business.



Operating costs

As well as her establishment costs, Katie had to estimate what it would cost to run the business once it opened. These are her operating costs. They include the ongoing costs of rent, wages, gas, electricity, water and telephone bills. She also needs to pay insurance and may want to organise advertising, which will also cost money. If she has borrowed money to help her start up the business, she has to repay that loan with regular monthly payments.

Katie must estimate all these costs and be assured that her business will be able to generate enough revenue to cover all the regular expenses. One of the main reasons for business failure is a problem with cash flow, so Katie needs to be realistic by developing a budget for her business as part of her financial plan. The budget can be drawn up using the same layout as an income statement and a cash flow statement, and then entering estimated amounts for all the receipts and payments. Doing this will give Katie an idea of the level of revenue she needs to aim for. If it is likely to take some time to build up a regular customer base, she will need to have money in reserve to cover her expenses during this start-up period.

2.5.4 Sources of business finance

Katie's business plan has to include details of where she will get the money to cover her establishment costs and also meet her operating costs while the business becomes established. She may be able to use some of her own savings but, as this is unlikely to be enough, she will probably need to borrow some of the money needed.

Equity

Equity refers to the money contributed by the business owner to start and build the business. If Katie had some savings, she may have been able to put these into the business to assist with the establishment costs. It is obviously the best form of finance for starting up a business because it does not have to be repaid. In most cases, the amount of equity an owner can contribute is not enough to cover all establishment costs, so borrowing becomes necessary.

Long-term borrowing

Long-term borrowing refers to any loan for a period of more than two years. It is usually used to finance buildings, such as business premises, or expensive equipment needed in a business.

FIGURE 2 Establishment costs for Katie's Café include buying suitable furniture.



FIGURE 3 Operating costs can include marketing and advertising the business.



Secured borrowing

Secured borrowing is a form of long-term borrowing. When a person borrows money to purchase a piece of equipment for a business, they can offer the equipment as security for the loan. This means that the bank or other lender of the money can take the equipment if the borrower fails to keep up repayments on the loan. If Katie had decided to buy a shop rather than rent one for her café, she would have taken out a type of secured loan known as a mortgage (discussed in subtopic 2.3). She could have used a secured loan to buy the equipment she needed, using the equipment as security for the loan.

Leasing

Leasing is another form of long-term borrowing a business can use. Leasing helps businesses access expensive equipment. Under a lease agreement, the business owner effectively rents the equipment for an agreed period, usually around four years. Katie may well have used a leasing agreement to acquire the refrigerators and industrial stove for her café. The owner of the equipment is known as the *lessor*, while Katie would be known as the *lessee*. At the end of the lease period, Katie can either pay an agreed amount to buy the refrigerators and stove outright, or she can return the equipment to the lessor. If the equipment is still in good working order, it may be worthwhile for her to pay to keep it. If the equipment is wearing out, or newer models are available, she may want to take the opportunity to enter a new lease agreement so she can bring in new equipment.

Short-term borrowing

A business may need to borrow smaller amounts of money at various times to finance improvements to the business or to cover temporary cash flow difficulties. Short-term borrowing is normally repaid in less than two years. It can include purchasing supplies and other products on credit, or using a bank overdraft.

Trade credit

Many businesses use trade credit as a form of short-term borrowing. Rather than paying for every delivery of supplies with cash, Katie could establish trade credit arrangements with her suppliers. This would mean that she could have regular supplies of fruit and vegetables, milk, coffee beans or powder, cold meats, and so on delivered several times a week, but would only pay at the end of the month. Many businesses operate in this way, particularly if they deal with each other regularly. It is easier to make one monthly payment to cover a lot of smaller purchases rather than having to make lots of small payments.

Bank overdraft

A **bank overdraft** is one of the most common forms of short-term borrowing. An overdraft is where a bank allows a person or business to draw out more money from their account than they

FIGURE 4 Business owners like Katie often have to take out a loan to finance their businesses.



FIGURE 5 A café can establish credit arrangements with suppliers, so one payment covers a number of deliveries.



have in that account. This is called *overdrawing* the account, and the overdrawn amount is known as an *overdraft*. The bank will usually put a limit on the amount that can be overdrawn. An overdraft can be very helpful in managing cash flow. If Katie has to pay a lot of bills for electricity, telephone, rent, insurance and wages all within a few days of each other, she may not have enough money in the bank to cover them all. An overdraft arrangement allows her to pay all these bills, paying off the overdraft as she deposits the takings in her bank account over the following weeks.

Resources

 **Weblink** Business Grants Australia

2.5 ACTIVITY

Go to the **Business Grants Australia** weblink in the Resources tab and identify one type of funding that is available to business owners in your state. Answer the following:

- What type of business is eligible for this particular type of funding?
- Is the funding provided in the form of a loan, or is it some other type of funding?
- What is the process of applying for the funding?
- What other support is available to assist business owners?
- What conditions are applied to anyone who wishes to take advantage of this type of funding?

Questioning and evaluating

2.5 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

2.5 Exercise 1: Check your understanding

- ES1** What is a lease?
- ES1** How can a lease be used to help equip a business?
- ES1** How can a bank overdraft help a business owner with short-term cash flow problems?
- ES2** Outline a method that a business owner can use to set up a budget when opening a business.
- ES2** Explain the difference between establishment costs and operating costs.
- ES2** What is the difference between a lessor and a lessee?

2.5 Exercise 2: Apply your understanding

- ES5** Joel has set up a gardening business, leasing a vehicle for \$25 000 and borrowing \$6000 for other gardening equipment. He has to pay \$800 per month in lease repayments and \$250 per month on his other loan. He spends \$900 per month on fuel and maintenance of equipment.
 - What were Joel's total establishment costs?
 - What are his monthly operating costs?
 - If he earns \$2500 in his first month, how much profit will he make?
- ES2** Leases can often be long-term agreements. Explain one advantage and one disadvantage of a lease.
- ES2** Describe two benefits of a bakery using trade credit to buy its ingredients.
- ES3** Bank overdrafts can be a useful source of finance for a business, but they also pose dangers for a business. Explain two of the possible dangers of relying on a bank overdraft.
- ES3** Distinguish between secured borrowing and unsecured borrowing.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

2.6 SkillBuilder: Conducting a survey

online only

How do we conduct a survey?

A survey is the process of collecting data to help analyse an issue. It consists of putting a set of questions to a sample group of people. For example, the publishers of a magazine may conduct a survey to find out whether their readers are satisfied with the content of the magazine. Surveys are an efficient way of collecting information from a large number of respondents. The questions can range widely to find out people's attitudes, values, opinions and beliefs. Katie's Café may conduct a survey to gather information about its customers and the types of products they wish to buy.



Select your learnON format to access:

- an explanation of the skill (Tell me)
- a step-by-step process to develop the skill, with an example (Show me)
- an activity to allow you to practise the skill (Let me do it)

2.7 Being an entrepreneur

2.7.1 Turning ideas into a business

Not everyone knows how to turn their ideas into a **business**. A person who is willing to take a risk and has the qualities required to turn an idea into a successful business is called an **entrepreneur**. An entrepreneur's methods are sometimes regarded as groundbreaking and innovative. For these people, the opportunity to explore untapped markets with no guarantee of success can be motivation itself. However, for those whose ideas translate into a successful business venture, the profits are often huge.

2.7.2 What is an entrepreneur?

An entrepreneur is someone who could be just like you. Entrepreneurs:

- have great ideas and do something about them
- hunt for opportunities to promote their ideas
- thrive on the challenge of creating their own successful business
- make money out of solving problems and selling their ideas
- usually start up their own businesses.

How old do you have to be?

Any age! If you have a great idea and the determination to make it happen, you could join this list of young entrepreneurs who enjoy some huge success stories:

FIGURE 1 Could you be an entrepreneur? If you have most of these attributes and skills, your chances of entrepreneurial success look good.



1. Creative
2. Independent
3. High energy
4. Learn from failures
5. Competitive
6. Willing to work long hours
7. An eye for opportunity
8. Self-confident
9. Enjoy being in charge
10. Willing to take risks

- HiSmile was started in 2014 by 20-year-old and 18-year-old friends Alex Tomic and Nik Mirkovic. Their teeth whitening service took off after Kylie Jenner promoted their services
- Founded in 2015 at the age of 17, Blake Garrett's school administration software startup School Bytes was developed after the founder overheard members of his school's office staff complaining about the clunky current system they were using.
- Subway sandwiches were the brainchild of 17-year-old US-based Fred DeLuca.
- Rip Curl, an Australian company, was started up in the Australian backyard of surfers Brian Singer and Doug Warbrick.
- Dell Computers was set up when 18-year-old Michael Dell realised it was a lot cheaper to build computers than to buy them ready made.
- Poppy King founded Poppy Industries Pty Ltd at age 18 after recognising there was a gap in the market for matte lipstick.
- Molly Whiticker-Ferrie was aged 14 when she started her Melbourne-based business, Fairy Friends Forever, which specialises in birthday parties for girls.

2.7.3 Who are some successful entrepreneurs?

There are many examples of youthful entrepreneurs who have gone on to be successful business owners. A famous one is Sir Richard Branson, chief executive officer of the Virgin Group. He started his first business, a student magazine, when he was aged 16 and still at school. Another example is Bill Gates, co-founder of Microsoft. His interest in computers and computer software began when he was 13 years old.

Richard Branson

Richard Branson is the founder of the Virgin group, which comprises hundreds of companies including an airline, a train company and a mobile phone network. He started his first business at the age of 16. You may have seen Richard Branson in the media because he is famous for his publicity stunts whenever Virgin launches a new business or project. One of Richard Branson's current big ideas is commercial space travel.

If you have heard Richard Branson speaking, you will know that he is passionate and enthusiastic. He listens to staff and customers, carrying a notebook with him wherever he goes so that he can write down what he sees and hears. He then follows up on the ideas. He shares Virgin's future plans with his staff, and his vision inspires people to perform at their best.

Mark Zuckerberg

Mark Zuckerberg is a famous American entrepreneur. He is one of the founders of the successful social media site Facebook. Mark Zuckerberg is a computer programmer who began creating websites while he was at university. In 2004, he launched Facebook and it has grown in popularity ever since. As of November 2018 according to hootsuite.com, there were over 1.47 billion daily users of Facebook. His business has been successful because he has specialised skills and was willing to take a risk to develop a unique business idea.

FIGURE 2 Richard Branson with his daughter, Holly



FIGURE 3 Mark Zuckerberg



Mark Zuckerberg believes in the open and free flow of information between people. Facebook has allowed this to occur, but it has also created controversy throughout its years of operation. As a result of Facebook's success, Mark Zuckerberg has been able to donate significant amounts of money to charitable causes.

Carolyn Creswell

Carolyn Creswell is the founder of Carman's Fine Foods. She scraped together \$1000 when she was 18 years old to buy out the homemade muesli business she worked for. Today, Carman's products are sold in supermarkets across Australia and exported to more than 30 countries.

Some people suggest that the business is an overnight success, but Carolyn Creswell responds that she has been successful because of hard work. She learned everything she knows about the business while working on the job, and she believes this makes it easier for her to empathise with staff. Carolyn Creswell is driven by passion rather than the desire to make money. She believes it is vital to have a clear vision of where the business is heading and to consider that when making every decision.

FIGURE 4 Carolyn Creswell



Lorna Jane Clarkson

Lorna Jane Clarkson is the founder of workout fashion business Lorna Jane. She began making leotards while she worked as a dental therapist and realised that there was a demand for fashionable activewear. Lorna Jane Clarkson and her husband, Bill, opened their first store in 1993. There are now more than 150 Lorna Jane stores worldwide.

Together with her husband, Lorna Jane Clarkson has never been afraid to take a risk. While other businesses believed that the market for fitness garments was too small to make a profit, the Clarksons decided to focus on that **niche market** anyway. The success of their business can be traced back to their vision and good management. Lorna Jane is renowned for innovative designs and for listening to customers, particularly through social networking.

FIGURE 5 Lorna Jane Clarkson



on Resources

 **Weblink** Small business entrepreneur

2.7 ACTIVITIES

1. In small groups, come up with an original business idea. Through discussion, develop a strategy for launching your new product. You will need to consider how it will be promoted (e.g. advertising and publicity), distributed (e.g. online or shopfront) and priced (e.g. interest-free loans or 'cheaper than all competitors' promises).

Present your concept to the class using a PowerPoint or Keynote display. Negotiate the tasks that each group member will perform.

Reasoning, creating, proposing

2. Choose an entrepreneur — from this subtopic or one that you know — and investigate the behaviours and skills that they bring to their business. Use the questions below to help you.
 - (a) What business did this entrepreneur start, and at what age?
 - (b) Why did this person become an entrepreneur?
 - (c) What behaviours does this person display that make them an entrepreneur?
 - (d) What skills does this entrepreneur have?

Examining, analysing, interpreting

2.7 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

2.7 Exercise 1: Check your understanding

1. **ES1** In your own words, what is an entrepreneur?
2. **ES1** At what age can you be an entrepreneur?
3. **ES2** Outline the sort of personality and qualities that a successful entrepreneur is likely to have. Suggest why these might be needed.
4. **ES2** In this subtopic you learnt about Mark Zuckerberg.
 - (a) Why is Mark Zuckerberg an entrepreneur? Has he been successful so far? Explain.
 - (b) How did Mark Zuckerberg put his business idea in place?
 - (c) If you were the entrepreneur's business adviser, what three tips would you give Mark Zuckerberg for continued business success?
5. **ES2** What is a niche market?

2.7 Exercise 2: Apply your understanding

1. **ES5** What do you think would happen to Australia's economy if we had no entrepreneurs?
2. **ES5** Do you think you have 'got what it takes' to be an entrepreneur? Explain, drawing attention to what you see as your strengths and weaknesses for such a career.
3. **ES1** Make a list of five innovative products that you use. (*Note: you can't refer to products identified in the topic.*)
4. **ES2** A television show such as *Shark Tank* allows budding entrepreneurs to sell their ideas to a panel of successful entrepreneurs. Explain why this show is needed and why traditional lenders of money often don't lend money to budding entrepreneurs.
5. **ES4** Not all entrepreneurs are successful the first time. What lessons can entrepreneurs learn from failing?

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

2.8 Business owner or entrepreneur?

2.8.1 Are they different?

We have looked at some examples of well-known entrepreneurs. But what is the difference between a business owner and an entrepreneur? Unfortunately, this question has no easy answer. Both business owners and entrepreneurs run businesses. The difference is best seen in the behaviours and skills that entrepreneurs bring to a business that people who simply run businesses do not have.

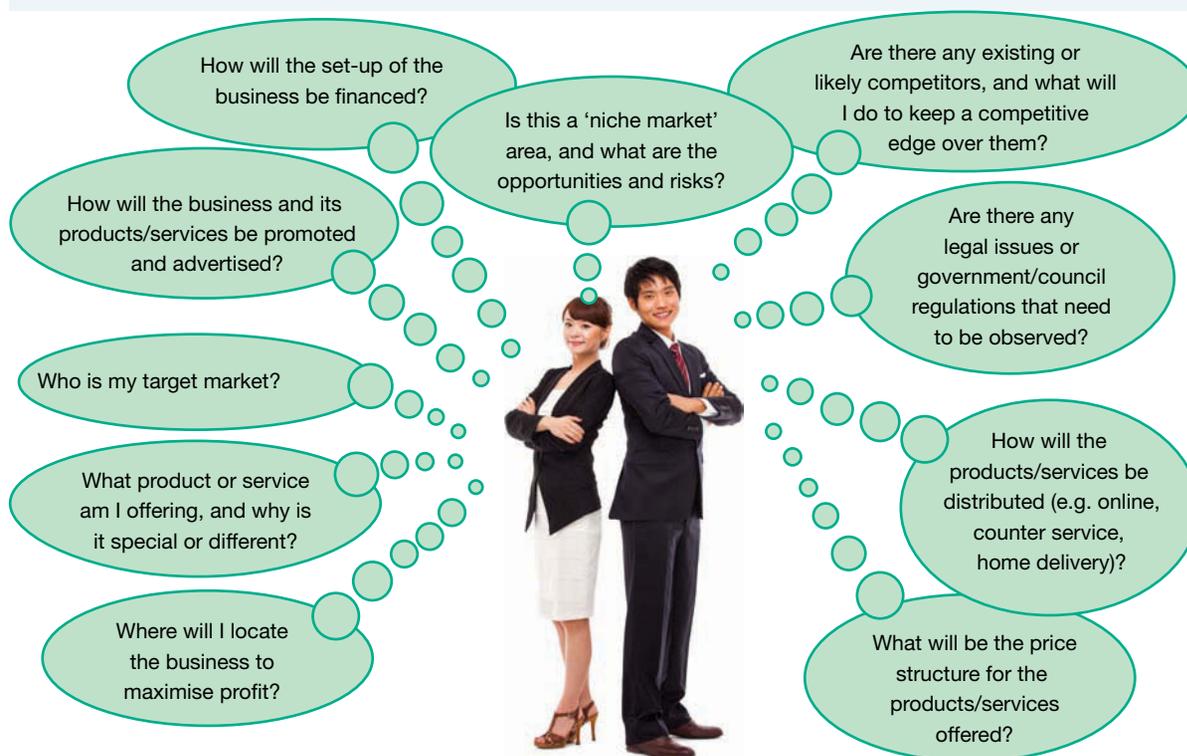
2.8.2 Business owners and entrepreneurs

Business owners play an important role in the economy, just as entrepreneurs do. A business owner might start their own businesses, just as entrepreneurs might. Business owners might purchase an existing business and run that, just as entrepreneurs also run businesses.

However, business owners tend to be content with simply running a business on a day-to-day basis so that it makes a profit. They prefer to minimise risks and make calculated decisions where the outcome is reasonably clear. However, entrepreneurs do much more than that. As we know, entrepreneurs seize opportunities and take risks. Entrepreneurs also establish a shared vision and demonstrate initiative, innovation and enterprise. A business owner might have an idea for solving a problem and meeting that need in order to satisfy a **target market**, whereas an entrepreneur's vision might be to make a big change or have an impact on the world. Entrepreneurs often do not know if their ideas are achievable or not.

The typical questions that need to be considered by both business owners and entrepreneurs when starting a new business are illustrated in the interactivity.

FIGURE 1 Typical questions considered by entrepreneurs and business owners in making a business idea happen



Let us have a closer look at some of the behaviours and skills that entrepreneurs bring to a business.

2.8.3 A shared vision

When an entrepreneur has a **vision**, it means they have an understanding or hope of what the business will be like in the future. This gives the business a clear direction. Having a shared vision means that everyone in the business works together, as a team, to develop and then accomplish a goal. When this happens, it is much more likely that staff will enthusiastically contribute to making sure the vision is achieved.

2.8.4 Initiative

When an entrepreneur demonstrates **initiative**, it means they are taking the first step in a series of actions or in a process. They frequently do this without someone prompting or telling them to take this step; an entrepreneur will usually make this decision independently. However, they might seek the help or advice of other people before they do so.

FIGURE 2 A shared vision is much more likely to be achieved because people who are involved in developing a vision will be more inspired to work towards the goal of achieving it.



Jo Horgan was the 2018 Australian EY Entrepreneur of the Year. EY refers to the global organisation, Ernst & Young Global Limited. Jo Horgan, founder of Mecca, commenced business in 1997 and has grown into one of Australia's leading cosmetics and beauty businesses.

2.8.5 Innovation and enterprise

Innovation is either adding a new product (whether a good or a service) to an existing product line, or significantly improving an existing product or process. This is different from inventing, where a completely new product or process is developed. Innovation could simply involve changing the way a business works so that it delivers better products.

Enterprise is the effort made by someone to creatively or boldly achieve something new. Entrepreneurs exhibit enterprise by taking risks to determine if the market is interested in their new ideas.

FIGURE 3 Jo Horgan, founder of Mecca



FIGURE 4 Holographic communication is widely predicted to be an innovation that will change the way we work and talk to each other over the next few years.



2.8 ACTIVITY

Working in a group of three or four, use the information in this subtopic to plan a video presentation that promotes the need for entrepreneurs. Make it interesting and catchy.

Cover all the behaviours and skills that are typical of an entrepreneur. Use video editing programs and internet research as part of your planning. You may choose to start a discussion with your group using the Discussion panel.

Reasoning, creating, proposing

2.8 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

2.8 Exercise 1: Check your understanding

- ES1** List some of the important questions that need to be considered by a business owner or an entrepreneur in making a business idea happen.
- ES2** What is the difference between a business owner and an entrepreneur?
- ES2** Outline what is meant by the following entrepreneurial behaviours:
 - establishing a shared vision
 - initiative
 - innovation
 - enterprise.
- ES2** Explain what is meant by a target market.
- ES2** Explain why a shared vision is important for a business, particularly at the commencement of a business.

2.8 Exercise 2: Apply your understanding

- ES5** Describe what might happen to an entrepreneur or a business owner if their business fails.
- ES2** Why is being an entrepreneur so important to the success of a business?
- ES2** Explain why business owners often manage their business.
- ES3** Distinguish between innovation and enterprise.
- ES4** Entrepreneurs and business owners take risks. Describe two risks they may take and why it is important that they take these risks.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

2.9 Business success: high-quality product and location

2.9.1 Important choices

How does a small business owner make sure their product is of high quality, and how can they choose the best location to gain exposure for their business? These are important choices that will contribute to the success of the business.

2.9.2 A high-quality product

A business owner should aim to produce a high-quality product — one that meets the expectations of the customer. This means that the product will be reliable, safe and easy to use, durable, well designed and delivered to customers on time. A business owner will need to ensure that quality materials are used in the production of their good or service, and that there are no faults before it is sold to customers.

How to make a high-quality product

Just how do you produce a high-quality product? Attributes that a business owner might attempt to include in their new product before taking it to the marketplace include:

- *premium features* — producing a product that is perceived to be superior to the products of competitors. A business owner can achieve this by making sure that the product will be considered luxurious; for example, by being more accommodating, providing greater comfort, or by tasting better than the competitors' products. For example, companies such as Sony and LG often add premium features to their consumer electronics products.
- *durability and reliability* — creating high-quality products that provide the customer with high value by lasting as long as possible. We live in a society that does not seem to value products that last for a long time, but some businesses distinguish their products from those of their competitors on this very basis. Boral, for example, is renowned for supplying durable building products and construction materials.
- *high performance* — making sure that the product performs better than the products of competitors. A business owner can achieve this by making a product that is faster, more efficient or more powerful; or by making a product that completes a task in a better way than competing products. Samsung and Apple, for example, advertise that their mobile phones offer top performance.

FIGURE 1 A clothing retailer can add a premium feature to its product, thus creating a high-quality product, by providing a tailor to adjust customers' purchases.



DISCUSS

Many people update their mobile phones each year in a desire to have the newest and most powerful model. Do you think that this trend will continue in the future? What are the different motivations for the consumer and the manufacturer to continue this trend? Are there any downsides to this behaviour?

[Ethical Capability]

2.9.3 Location

Many factors must be considered when a business owner chooses a location. These include personal convenience, **zoning regulations**, the suitability of the **premises** for the business and the potential for expanding those premises. Other important factors discussed in detail below are:

- visibility
- accessibility
- competitor location
- cost
- area reputation.

Visibility

Exposing the product and the business to potential customers is essential for a retail business or one providing a service to the public. Businesses such as music stores and hairdressers rely heavily on **passing trade** for sales. That is why these types of businesses typically locate in shopping centres or on shopping strips.

FIGURE 2 Many people today run businesses online from home so there is no physical location for their business.



FIGURE 3 An example of a shopping centre and a shopping strip: Melbourne Central shopping centre (a) and Liverpool Street in Hobart (b)



Accessibility

A business generally needs to locate as close as possible to its customers or suppliers. The importance of each of these considerations depends on the nature of the business. A retail business needs to be close to customers, with convenient parking or access to public transport nearby. For this reason, a clothing store might decide to locate in a shopping centre or a shopping strip. For a business that manufactures goods, being close to suppliers might be more important. A car parts manufacturer would need to be close to transport networks, such as freeways or railway lines, so that it can easily receive raw materials from suppliers and then distribute the finished goods.

Competitor location

For a retail business or service provider, it does not usually make sense to locate close to competitors. If an antique furniture shop is already established in a shopping centre, it might be a bad idea to set up another one there unless there is a huge demand for antique furniture. It would make more sense to locate near other businesses that sell different products, and feed off the customers that are drawn in by the variety of choices or by the attraction of a large brand name. This is why many businesses choose to locate in a large shopping centre with well-known businesses such as Coles, Woolworths, Target and Big W nearby.

However, some businesses choose to locate in an area where there are other businesses selling the same product. They will do this because customers are attracted by the competition and choices offered by the collection of businesses. Examples of this include furniture stores or car yards located together along a busy highway.

FIGURE 4 Many businesses choose to locate in large shopping centres because they can then feed off the large number of customers who are drawn in by the wide variety of products and competitive prices offered in one location.



Cost

When considering the cost of a location, the business owner must decide whether to rent or purchase the premises. In general, the cost of the location will be affected by the location's size, quality, visibility, accessibility and the amount of passing trade. For example, locating in a shopping centre is usually more expensive than locating on a shopping strip. For the business owner, an ideal location would be one where costs are kept to a minimum, taking into account all of the other location factors. A restaurant relying heavily on passing traffic might find that locating in a low-cost site with low visibility is ultimately not a successful strategy.

Area reputation

A location with a low cost might initially seem attractive, but it could be relatively cheap because of its poor reputation. An area with a poor reputation might have a high crime rate and be perceived as an unsafe place. Potential customers may not be prepared to visit a business located in such an area.

Online businesses

Online businesses can be located in any location; they do not even need to be located in the same country as the market that they operate in! Rent may be higher for online businesses in inner-city areas; however, in these areas they may be able to attract higher-skilled workers to work for them. Consideration should be given to the location of the warehouse where goods are shipped from. Increasing numbers of online businesses are also moving to set up in a physical location after establishing their reputations online.

2.9 ACTIVITY

Select a site in your local area that has shops (businesses), houses and perhaps industrial areas and complete the following:

- Draw the site plan, detailing traffic flows and the location of shops and houses.
- Explain the reasons for the location of each business.
- If you were to open a new business here, such as a café, where would you locate your business? Give reasons for your answer.

Reasoning, creating, proposing

2.9 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

2.9 Exercise 1: Check your understanding

1. **ES1** Briefly outline the attributes a business owner might consider when developing a high-quality product.
2. **ES1** What is passing trade?
3. **ES2** Explain the following factors in a high-quality product:
 - (a) premium features
 - (b) durability and reliability
 - (c) high performance.
4. **ES5** What might happen to a business that does not sell a high-quality product?
5. **ES2** Explain what is meant by visibility in terms of a business location.

2.9 Exercise 2: Apply your understanding

1. **ES5** What do you think would happen to a business that chose an unsuitable location? List five possible consequences of choosing the wrong location.
2. **ES3** List the factors that need to be considered when deciding the location of the following businesses:
 - (a) a car manufacturer
 - (b) a restaurant
 - (c) a supermarket
 - (d) a health food store
 - (e) an online T-shirt supplier
 - (f) an importer of exotic plants.
3. **ES2** Why are location and a high-quality product so important to a business's success?
4. **ES3** Distinguish between reliability and durability.
5. **ES3** Explain one advantage and one disadvantage of locating your business close to a competitor.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

2.10 Business success: quality service and sound management practices

2.10.1 Meeting customer expectations

Providing quality service and using sound management practices allow a small business to meet customer expectations.

2.10.2 Quality service

Quality service leads to customers being satisfied with the product of the business. Highly satisfied customers obviously generate profit, but by returning to the business they can also bring other customers with them. This is referred to as **word-of-mouth** business.

A business can make sure that it provides quality customer service by seeking feedback from customers. One way to collect feedback is through a **customer survey**. Many businesses use customer loyalty programs, which allow them to build a database on their customers and stay in contact with them. Discounts and giveaways can be used to reward customers. Another way that businesses can provide quality service is by training staff.

2.10.3 Sound management practices

Sound management practices require that business owners exercise four crucial management roles, manage the finances of the business, and manage the business in an ethical and socially responsible manner.

Management roles

Four crucial management roles must be fulfilled if a business is to be effectively and efficiently managed:

1. *planning* — This is the process of identifying goals for the business as well as the steps to follow to achieve those goals. For example, a manager might set a goal that the business will introduce a new product over the next 12 months.
2. *organising* — This is the process of working out what resources are necessary to complete the tasks that need to be performed so that the goals of the business are achieved. These might be human, physical or financial resources. For example, a manager might assign a particular task or responsibility to a worker in the business.
3. *leading* — This is the process of motivating or inspiring staff in the business to achieve the goals of the business. For example, a manager might explain to staff what the goals of the business are and why it is important to achieve those goals. This might influence staff to work hard to achieve those goals.
4. *controlling* — This is the process of comparing what was expected to be achieved with what was actually achieved. For example, a manager would look at sales figures for the new product to see how the business was progressing towards achieving its goal of introducing a new product over the next 12 months.

FIGURE 1 Quality customer service will make sure that customers keep returning to buy the business's products.



FIGURE 2 The four crucial management roles



Financial management

It is vital that the business owner manages the finances of the business. **Cash flow** needs to be maintained. Cash is one of the most important resources for a business. Without cash, the business would not survive. Only by tightly controlling and monitoring the business's cash position will the business succeed.

The business owner also needs to make sure that the business is making a profit. Regular profit reports should show that a business is earning more revenue than expenses. If the business is not making a profit, or if cash flow is poor, the business owner needs to review what is happening in the business and make changes.

DISCUSS

Some of the largest companies in the world use profit-shifting techniques, where the profit in the different countries they operate in is moved about in order to reduce their overall tax burden. Do you think it is ethical for companies to be able to do this? What impact does it have on the people in the countries where this is happening?

[Ethical Capability]

Ethical and socially responsible management

A modern business cannot just consider its financial position. Today, people expect that businesses will do the right thing when making decisions and show concern for society in their actions. **Ethical management** occurs when a business applies moral standards to decisions made; for example, by being honest in the way they deal with other businesses. **Socially responsible management** occurs when a business shows concern for the social welfare of the community, including customers, staff and the environment. Society expects that a business will treat employees fairly, show respect to customers and look after the environment.

2.10 ACTIVITY

Role play the situation described below in which a customer is receiving poor service. At the very least, you will need someone to play the part of an unhappy, irate or angry customer and someone will need to play the part of an employee or a business owner. However, choose characters to suit your situation. Set the classroom up like a business and see if the business owner or employee can keep the customer satisfied!

'Chris walks in to a clothing store with some friends and starts to browse. The group is laughing while they look through the racks of clothes. A sales assistant, believing that they are making fun of the clothes, asks them to leave while telling them, "You don't belong in a store as expensive as this one!"'

Communicating, reflecting

2.10 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

2.10 Exercise 1: Check your understanding

1. **ES1** What is word-of-mouth business?
2. **ES1** List the four roles of management.
3. **ES2** Describe how a business can develop quality service.
4. **ES2** Explain the difference between financial management and ethical and socially responsible management.
5. **ES2** Explain what is meant by meeting customer expectations.

2.10 Exercise 2: Apply your understanding

1. **ES3** Complete the following table to explain how each sound management practice contributes to a successful business.

Sound management practice	How it contributes to a successful business
Planning	
Organising	
Leading	
Controlling	
Financial management	
Ethical and socially responsible management	

- ES2** Describe a scenario where a business provides poor customer service and predict the possible outcomes of that poor service.
- ES4** What will happen to a business that does not make use of sound management practices?
- ES3** Distinguish between planning and organising.
- ES3** Distinguish between being ethical and socially responsible.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

2.11 SkillBuilder: Writing a business case study

online only

What is a business case study?

A business case study is a description of a real life business requiring you to explore the main issues affecting the business and how the business owner has responded. These issues and responses need to be analysed and related to your economic and business knowledge. Conclusions can then be drawn about why the issue occurred and how to best respond to them, based on what the business owner did.

Select your learnON format to access:

- an explanation of the skill (Tell me)
- a step-by-step process to develop the skill, with an example (Show me)
- an activity to allow you to practise the skill (Let me do it)



2.12 Thinking Big research project: Shopping habits

online only

SCENARIO

Does your family shop at Coles or Woolworths, Kmart or Big W, EB Games or JB Hifi?

Most people develop shopping habits over time — we all develop favourite products, favourite brands, even favourite shopping centres. Why do you think this occurs?

Your task is to investigate the shopping venue choices of a group of people for a specific retail area.

Select your learnON format to access:

- the full project scenario
- details of the project task
- resources to guide your project work
- an assessment rubric.



on Resources



projectsPLUS Thinking Big research project: Shopping habits (pro-0244)

2.13 Review

online only

2.13.1 Key knowledge summary

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

2.13.2 Reflection

Reflect on your learning using the activities and resources provided.

on Resources



eWorkbook Reflection (doc-32153)
Crossword (doc-32154)



Interactivity Individual and business success crossword (int-7710)

KEY TERMS

- age pension** regular payments made by the government to people to support them after retirement
- bank overdraft** an agreement by which a bank allows an individual or business to draw out more than they have in their account as a means of overcoming short-term cash flow problems
- budget** an estimate of future income and expenses used to assist financial planning
- business** an organisation that provides goods and/or services to consumers in order to make a profit
- capital growth** an increase in the value of shares or property over time
- cash flow** the amount of money moving in and out of the business at any given time
- cash payments journal** a summary of all the business cash payments in the order in which they occurred
- cash receipts journal** a summary of all the business cash receipts in the order in which they occurred
- cost of goods sold** the amount paid for goods that were purchased to be resold, or for raw materials used to produce goods for sale
- customer survey** the polling of customers to identify their level of satisfaction with the business's products and quality of service
- dividends** company profits paid to shareholders, either in cash or in more shares
- EFTPOS** Electronic Funds Transfer at Point Of Sale — a means by which money can be transferred instantly from the buyer's bank or credit card account to the seller's bank account
- enterprise** the creative or bold efforts made by someone to achieve something new
- entrepreneur** a person who takes on a risk by starting a business with an idea, hoping to make a profit through initiative and enterprise
- ethical management** the decisions made by the business owner abiding by moral standards
- financial** anything to do with money — particularly income, expenses and savings
- financial records** written records of all the financial activities of a business or individual
- financial transaction** any commercial or business exchange of goods or services for money
- gross profit** the amount of profit gained from selling goods to the public, calculated by subtracting the cost of goods sold from the revenue gained by selling those goods
- gross wage** a person's wage or salary before it is taxed by the government
- initiative** the first step or opening move in a series of actions
- innovation** either adding a new product to an existing product line, or significantly improving an existing product or process
- interest** a charge made for use of money that has been borrowed, usually calculated as a percentage
- journals** lists of transactions recorded in the order in which they occurred
- mortgage loan** a loan advanced to allow a person to buy a house or other property, with the property itself used as security for the loan
- net profit** the final profit figure, calculated by subtracting operating expenses from gross profit
- niche market** a market in which a limited and clearly defined range of products is sold to a specific group
- passing trade** the sales a business makes as a result of customers walking or driving past the store
- premises** the land and buildings occupied by a business
- profit** what remains after all business expenses have been deducted from the money that has been collected from selling goods or services
- self-funded retiree** a person who has saved enough during their working life to be able to support themselves in retirement
- shareholders** the owners of a company
- socially responsible management** the decisions made by the business owner reflecting the business's obligations to the wellbeing of society
- superannuation fund** an account that accepts, invests and eventually pays out superannuation contributions
- superannuation** a proportion of a person's income that is invested for their retirement
- target market** a market at which a product is deliberately aimed
- vision** a statement expressing where a business is going or what it will be like
- word-of-mouth** the passing of information about a business from a satisfied customer to prospective customers
- zoning regulations** the decisions made by local council outlining the purpose for which a building or land can be used. Zones are usually based on land uses such as residential, commercial or industrial in the future.

2.6 SkillBuilder: Conducting a survey

2.6.1 Tell me

A survey is the process of collecting data for the purpose of analysing an issue. It consists of putting a set of questions to a sample group of people. For example, a magazine publisher may conduct a survey to find out whether their readers are satisfied with the content of the magazine. Surveys are an efficient way to collect information from a large number of respondents. The questions can range widely to find out people's attitudes, values, opinions and beliefs. Katie's Café may conduct a survey to gather information about its customers and the types of products they wish to buy.



2.6.2 Show me

How to design a survey

Step 1

Decide what you want to find out. You need to be very clear about the purpose of your survey or you may not gather information that actually tells you anything useful.

Step 2

Decide whom you want to survey. What age groups will you target? How many people will you survey? Generally, the more people you survey the more reliable your results will be.

Step 3

Decide what method you will use to collect the data. Consider factors such as cost, speed and whether sensitive or personal information is involved. Survey methods can include:

- personal interviews
- printed questionnaire forms
- email surveys
- internet/intranet webpage surveys (using tools such as SurveyMonkey).

As a student (or group of students), personal interviews or questionnaires are likely to be the most useful methods available to you. You could distribute questionnaires to particular groups within your school; or you could interview groups of students at school, or members of the public at a nearby shopping centre.

Step 4

Design your survey. Start with a friendly introduction to encourage people to complete the survey. Work out your questions. Try to keep your survey short and your questions simple. Make sure the layout is attractive and easy to follow.

There are two main types of survey questions:

1. closed questions
2. open questions.

Closed questions

These ask the respondent to select an answer from a range of options. They can include the following:

1. A rating scale — where respondents rate a particular product. For example, ‘How would you rate a particular brand of mobile phone?’

Excellent	Good	Fair	Poor
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2. Agreement scale — where respondents agree or disagree with a statement. For example, ‘How much do you agree with the following statements?’

	Strongly agree	Agree	Disagree	Strongly disagree
I am always prepared.				
I am a confident money manager.				

3. Multiple choice — where respondents can choose from alternatives. For example, questions that identify age or gender.

Please circle one response.

Age	12–14	15–16	17–18	over 18
Gender	Male		Female	

Open questions

These allow the respondent to record their own thoughts or ideas about an issue. For example,

‘How much do you spend on fast food each week?’ \$_____

Step 5

Conduct a small trial of your survey to make sure the questions are clear and you can achieve your goals. Make any changes necessary.

Step 6

Conduct your survey and collate the results. These can then be analysed for patterns or anything unusual. When you analyse the results, consider working out percentages. For example: the females aged 12–16 surveyed spend 10 per cent of their money on computer games, while the males aged 12–16 spend 25 per cent.

2.6.3 Let me do it

Complete the following activities to practise this skill.

2.6 ACTIVITIES

1. In a small group, design and conduct a survey. It could be a paper-based survey carried out by personal interview, or you could use an online tool such as SurveyMonkey.
2. In your group, select one of the following topics for your survey:
 - young people and money (e.g. surveying young people of your age group to examine how well they manage their money compared with other age groups)
 - local businesses and financial planning (e.g. interviews with local business owners to examine their decision-making and planning processes).
3. Follow the steps outlined earlier to prepare for and conduct your survey.
4. If you choose to conduct an interview, practise your interview skills in your group. Work out how to introduce yourself to the interviewee and explain the purpose of the interview. Decide whether you will give the

interviewees the survey and a pen to write down their answers, or whether you will read out the questions and record the responses yourself.

5. Carry out your survey. This may involve making prior arrangements with other teachers to visit their classes, or making appointments with local business owners to visit them at a time they are not too busy. You will need to discuss the arrangements with your teacher.
6. Analyse and present your survey results:
 - (a) In your group, collate the completed surveys.
 - (b) Use a software program such as PowerPoint or Keynote to prepare a slideshow of your results. (Some online tools such as SurveyMonkey will collate your answers in a presentation for you.)
 - (c) Arrange a time with your teacher to present your slideshow to your class. Give each class member a copy of your survey at the start of your presentation.
7. Evaluate the survey and its presentation using the following points to evaluate the performance of each group. For each point decide if the group's performance was excellent, very good, good, fair or poor.

For the survey, evaluate the following points:

 - (a) The written introduction to the survey was clear.
 - (b) The questions were clear.
 - (c) The survey was well set out on the page.
 - (d) There was enough room to answer the questions.
 - (e) The survey was of a reasonable length.
 - (f) The analysis of the survey was easy to follow.

For the presentation, evaluate the following points:

 - (a) The content was presented clearly.
 - (b) The use of background colour and images was effective.
 - (c) There were no errors in grammar or spelling.

2.11 SkillBuilder: Writing a business case study

2.11.1 Tell me

What is a business case study?

A business case study is a description of a real-life business requiring you to explore the main issues affecting the business and how the business owner has responded. These issues and responses need to be analysed and related to your economic and business knowledge. Conclusions can then be drawn about why the issue occurred and how to best respond to them, based on what the business owner did.

Why is writing a case study useful in economics and business?

Writing a business case study is a way to apply the theoretical knowledge that you have learned about economics and business to a real-life business. It can develop research skills. Writing a case study requires you to carefully investigate and critically analyse an issue.

CASE STUDY

Boost Juice

What is Boost Juice?

Boost Juice Bars is a global chain of retail stores selling fruit juice and smoothies. Boost Juice also sells snacks, including banana bread, wraps and yoghurt. Janine Allis and her husband Jeff started the business in 2000 when they opened an outlet in South Australia.

Reasons for Boost Juice's success

Janine Allis and her husband Jeff chose the perfect time to launch a great product.

Janine was inspired by a trip to the United States, where juices and smoothies were common. Back in Australia Janine found, 'in shopping centres, there was nowhere to get something healthy'. Using her trip

to the US as research, Janine explains, 'I studied the concept of smoothies and juice and took what I liked to develop a new concept in Australia called Boost'. The business started small with just one shop in Adelaide, giving them the chance to test their products.

Janine has been hands-on in setting up the business — developing the structures, business plan and ethics that were needed to grow the business. But in the early days, it meant getting involved in every aspect: 'I flew to Adelaide to open the first store; I ran it, scrubbed the floors and really learned the business.'

This modest start gave Janine the chance to test the market, using a popular radio station to reach Boost's target market. To reach their goal of expanding their brand, Janine focused on strong branding as a way to lure the best franchisees and to win customers. 'I never had the intention of opening just one store, but you have to open the first one to work out the cost of goods, your wages, expenses and income and work out if you have a viable business.'

Running her own business was a risk, but it gave Janine a way to try to balance her work and home life and the opportunity to work from home in the early days when her children were young. 'When the time came to expand with a building program on 15–18 sites, we sold the house and put the money into the business. We're a company where you don't necessarily have to wear a suit or have a degree to be promoted and you can bring your children in when you have them. It's the sort of company where you can have both.'

FIGURE 1 Janine Allis and her husband Jeff



Other information about Boost Juice

- 2000: Opened first Boost Juice (Adelaide)
- 2002: \$1 million annual turnover
- 2008: 213 stores and on track for \$100 million annual turnover
- 2014: 300 stores in 10 countries and annual turnover of more than \$135 million
- 2016: More than 350 stores in 17 countries
- Highest grossing company stores: Sydney and Melbourne airports
- Highest grossing company franchisees: Chadstone and Pacific Fair Shopping Centres
- Ethical and social responsibility: Boost uses paper cups that are renewable, sustainable and biodegradable and which are printed using non-toxic, food-safe inks that are not harmful to the environment. Boost Juice also has a school fundraising program.

Elements of a good business case study

A good case study:

- includes a profile of the business (the trading name and the products it sells)
- explains some of the history of the business
- gives reasons the business has been successful
- covers any other issues or questions as required
- includes extra information about the business
- is of reasonable length (approximately 300 words)
- is easy to read
- is well presented.

2.11.2 Show me

How to complete a case study

You will need:

- a sheet of lined paper and a pen, or your computer/tablet device
- a team of three or four people.

Procedure

To write a business case study, you will need to gather information about the business. The best way to do this is to interview the owner or someone who works at the business. If you cannot speak to someone who knows about the business, you will need to complete research on the internet or use magazines and newspapers.

Step 1

Form a team of three to four people and establish the goals of your group. (In this case it will be to choose an appropriate business owner to interview.)

Step 2

Work out the interview questions you will need to ask the business owner, manager or employee. Use the questions in the Let me do it section of this SkillBuilder as a guide.

Step 3

Visit the business and interview the owner, the manager or an employee. Be polite. Do not try to interview them if they are busy. You might need to ask them if you can come back at a more convenient time. Explain why you are doing the interview and what will happen to their responses. Remember to thank the person for their time.

Step 4

Complete any further research that may be needed to address all the items listed in the 'Elements of a good business case study' section of this SkillBuilder. You could complete your research on the internet or using magazines and newspapers.

Step 5

Write your report using proper sentences and headings. Present it so that it is easy to read.

2.11.3 Let me do it

Complete the following activities to practise this skill.

2.11 ACTIVITY

- a. Working in your group, use a report format to write a case study on a successful business. Use the following questions and the checklist to guide you:
 - What is the name of the business and what products does it sell?
 - When and why did the owner start the business?
 - Does the owner consider himself or herself to be an entrepreneur?
 - What are the reasons for the success of the business?
- b. Is there any other information or issues that need to be covered? These might include:
 - where the business is located and why it is located there
 - how it develops or developed a high-quality product
 - how it maintains quality service
 - the promotion or advertising it uses
 - the number of staff it employs
 - who gave the business support and advice when the business was getting started
 - whether the business has a business plan (or ever had one)
 - who manages the finances of the business and how they are managed
 - in what ways the business is ethically and/or socially responsible.
- c. How did your group decide on the business you researched and the questions asked of the owner, manager or employee?
- d. Did anyone in your group display entrepreneurial behaviours while researching? Explain your answer.
- e. Reading the Boost Juice case study, would you say that Janine Allis is an entrepreneur? What makes you say this?
- f. Explain how Janine Allis's entrepreneurial behaviour resulted in Boost Juice becoming so successful.

Checklist

I have:

- included a profile of the business (the trading name and the products it sells)
- explained some of the history of the business
- given reasons the business has been successful
- covered any other issues or questions as required
- included extra information about the business
- written a report of reasonable length (approximately 300 words)
- written a report that is easy to read
- written a report that is well presented.

2.12 Thinking Big research project: Shopping habits

Scenario

How often do you go shopping with your parents? Do your parents say ‘we are going shopping’ or do they say ‘we are going to Woolworths’?.

Does your family shop at Coles or Aldi, Kmart or Big W, EB Games or JB Hi Fi?

Most people develop shopping habits over time – we all develop favourite products, favourite brands, even favourite shopping centres. Why do you think this occurs? Have you developed favourite shopping venues?



Task

Your task is to investigate the shopping venue choices of a group of people for a specific retail area.

At the end of the investigation you should be able to prepare an oral report and a PowerPoint presentation for your class, presenting your findings.

Follow the steps detailed in the **Process** section to complete this task.

Process

- Open the ProjectsPLUS application in for this topic. Click on the **Start new project** button to enter the project due date and set up your project. Working by yourself, save your settings and the project will be launched.
- Navigate to the **Research forum**, where you will find ideas loaded to guide your research. You can add further topics to the Research forum if you wish. When you have completed your research, you can print out the **Research report** in the Research forum to easily view all the information you have gathered. In the **Media centre** you will find weblinks and an assessment rubric to guide your research.
- Select two business that sell similar product ranges – stores such as Myer and David Jones, McDonalds or Hungry Jacks.
- Each student must select a different pair of businesses from other students – your teacher will keep a record of which student is investigating which pair of businesses.
- Select a group of approximately 25 people you would like to survey regarding which of the two options they use for their purchases in that particular area:
 - Your survey should contain at least 10 questions
 - Your questions should relate to the types of businesses you are comparing
 - Your choice of survey recipients should be appropriate for the businesses you selected. Some suggestions include:
 - Another Year 7 Humanities class
 - A class at another Year level at your school
 - Friends from any sporting club you are associated with
 - Ask a business if you can survey customers at their shop (ask your parents as well)
 - Family members
 - Show your survey questions to your teacher for approval prior to conducting the survey
- Prepare a speech to give to survey recipients prior to them completing the survey.
- Don't forget to thank people for completing the survey.
- Use the information gathered from your survey to prepare an oral presentation and PowerPoint presentation on shopping preferences by your selected group of people.
- Present you findings to the class.



Resources



ProjectsPLUS Thinking Big research project: Shopping habits (pro-0244)

2.13 Review

2.13.1 Key knowledge summary

2.2 Short-term personal financial goals

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

2.3 Long-term personal financial goals

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

2.4 Keeping business financial records

- Business owners need to keep track of all financial transactions so that they can determine the level of success of the business.

2.5 Business financial planning

- An important part of any business plan is the financial plan, which allows the business owner to create a budget, and keep track of establishment and operating expenses.

2.7 Being an entrepreneur

- An entrepreneur takes on a risk by starting any business with an idea, hoping to make a profit through initiative and enterprise.
- Any person, of any age, can be an entrepreneur as long as they have a great idea and the determination to make it happen.

2.8 Business owner or entrepreneur?

- Business owners run businesses on a day-to-day basis to make a profit. They minimise risks and make calculated decisions where the outcome is reasonably clear. A business owner might have an idea for solving a problem and meeting a need in order to satisfy customers.

2.9 Business success: high-quality product and location

- A high-quality product is one that meets the expectations of the customer: the product is reliable, safe and easy to use, durable, well designed and delivered to customers on time.
- When locating a business, the owner needs to consider personal convenience, zoning regulations, the suitability of the premises for the business and the potential for expanding those premises, as well as visibility, accessibility, location of competitors, cost and reputation of an area.

2.10 Business success: quality service and sound management practices

- Businesses need to provide quality service so that customers will continue to return to the business.
- Business owners need to use sound management practices including the four crucial management roles, financial management, and ethical and socially responsible management to make sure that their business is successful.



Resources



eWorkbook

Reflection (doc-32153)

Crossword (doc-32154)



Interactivity

Individual and business success crossword (int-7710)

2.13.2 Reflection

Complete the following to reflect on your learning.

2.13 ACTIVITIES

Revisit the inquiry question posed in the Overview:

How much money does it take to live a life? Are there different ways to make and manage money?

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

KEY TERMS

age pension regular payments made by the government to people to support them after retirement

bank overdraft an agreement by which a bank allows an individual or business to draw out more than they have in their account as a means of overcoming short-term cash flow problems

budget an estimate of future income and expenses used to assist financial planning

business an organisation that provides goods and/or services to consumers in order to make a profit

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

cash flow the amount of money moving in and out of the business at any given time

cash payments journal a summary of all the business cash payments in the order in which they occurred

cash receipts journal a summary of all the business cash receipts in the order in which they occurred

cost of goods sold the amount paid for goods that were purchased to be resold, or for raw materials used to produce goods for sale

customer survey the polling of customers to identify their level of satisfaction with the business's products and quality of service

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

EFTPOS Electronic Funds Transfer at Point Of Sale — a means by which money can be transferred instantly from the buyer's bank or credit card account to the seller's bank account

enterprise the creative or bold efforts made by someone to achieve something new

entrepreneur a person who takes on a risk by starting a business with an idea, hoping to make a profit through initiative and enterprise

ethical management the decisions made by the business owner abiding by moral standards

financial anything to do with money — particularly income, expenses and savings

financial records written records of all the financial activities of a business or individual

financial transaction any commercial or business exchange of goods or services for money

gross profit the amount of profit gained from selling goods to the public, calculated by subtracting the cost of goods sold from the revenue gained by selling those goods

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

initiative the first step or opening move in a series of actions

innovation either adding a new product to an existing product line, or significantly improving an existing product or process

interest a charge made for use of money that has been borrowed, usually calculated as a percentage

journals lists of transactions recorded in the order in which they occurred

mortgage loan a loan advanced to allow a person to buy a house or other property, with the property itself used as security for the loan

net profit the final profit figure, calculated by subtracting operating expenses from gross profit

niche market a market in which a limited and clearly defined range of products is sold to a specific group

passing trade the sales a business makes as a result of customers walking or driving past the store

premises the land and buildings occupied by a business

profit what remains after all business expenses have been deducted from the money that has been collected from selling goods or services

self-funded retiree a person who has saved enough during their working life to be able to support themselves in retirement

shareholders the owners of a company

socially responsible management the decisions made by the business owner reflecting the business's obligations to the wellbeing of society

superannuation fund an account that accepts, invests and eventually pays out superannuation contributions

superannuation a proportion of a person's income that is invested for their retirement

target market a market at which a product is deliberately aimed

vision a statement expressing where a business is going or what it will be like

word-of-mouth the passing of information about a business from a satisfied customer to prospective customers

zoning regulations the decisions made by local council outlining the purpose for which a building or land can be used. Zones are usually based on land uses such as residential, commercial or industrial in the future.

GLOSSARY

- age pension** regular payments made by the government to people to support them after retirement
- bank overdraft** an agreement by which a bank allows an individual or business to draw out more than they have in their account as a means of overcoming short-term cash flow problems
- budget** an estimate of future income and expenses used to assist financial planning
- business** an organisation that provides goods and/or services to consumers in order to make a profit
- business activities** the combined economic activities of buying, selling and investing performed by an organisation
- capital growth** an increase in the value of shares or property over time
- cash flow** the amount of money moving in and out of the business at any given time
- cash payments journal** a summary of all the business cash payments in the order in which they occurred
- cash receipts journal** a summary of all the business cash receipts in the order in which they occurred
- casual** describes an employee who works only when needed
- consumer** a person or group who is the final user of goods and services produced within an economy
- cost of goods sold** the amount paid for goods that were purchased to be resold, or for raw materials used to produce goods for sale
- customer survey** the polling of customers to identify their level of satisfaction with the business's products and quality of service
- dividends** company profits paid to shareholders, either in cash or in more shares
- EFTPOS** Electronic Funds Transfer at Point Of Sale — a means by which money can be transferred instantly from the buyer's bank or credit card account to the seller's bank account
- employed** describes someone working in return for a wage or salary
- employees** people who work for a wage or salary
- employer** a person or organisation hiring others to work for them
- enterprise** the creative or bold efforts made by someone to achieve something new
- enterprising behaviours** describes a range of skills including adaptability, initiative, communication, management, leadership and problem solving, and associated behaviours such as working productively with others to achieve common goals, planning and organising, using resources effectively, analysing issues and managing risk
- entrepreneur** a person who takes on a risk by starting a business with an idea, hoping to make a profit through initiative and enterprise
- entrepreneurship** the ability to demonstrate the skills and risk taking related to the creation, organisation and management of a business or enterprise
- ethical management** the decisions made by the business owner abiding by moral standards
- financial** anything to do with money — particularly income, expenses and savings
- financial records** written records of all the financial activities of a business or individual
- financial transaction** any commercial or business exchange of goods or services for money
- full-time** describes an employee who works 35 hours or more per week, or who works the minimum number of hours stipulated by the industrial award for that occupation or industry
- goods** physical items that satisfy needs and wants
- gross profit** the amount of profit gained from selling goods to the public, calculated by subtracting the cost of goods sold from the revenue gained by selling those goods
- gross wage** a person's wage or salary before it is taxed by the government
- income** money earned through employment or investment

industry-wide awards legally binding documents that set out the minimum wages and other entitlements for all employees in an industry or occupation

initiative the first step or opening move in a series of actions

innovation either adding a new product to an existing product line, or significantly improving an existing product or process

interest a charge made for use of money that has been borrowed, usually calculated as a percentage

journals lists of transactions recorded in the order in which they occurred

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

labour force people aged 15 and over who are able to work, and are either employed or looking for work

mortgage loan a loan advanced to allow a person to buy a house or other property, with the property itself used as security for the loan

needs goods or services that are essential for life

net profit the final profit figure, calculated by subtracting operating expenses from gross profit

niche market a market in which a limited and clearly defined range of products is sold to a specific group

organisation an entity formed for a specific purpose, usually related to the production or provision of a good or service

part-time describes an employee who works less than 35 hours per week

passing trade the sales a business makes as a result of customers walking or driving past the store

percentage mark-up a way of determining selling price by adding a fixed percentage to the cost of the product

premises the land and buildings occupied by a business

producer an individual or business involved in the production of goods and services

productivity a measure of how efficiently inputs are used to produce outputs

profit what remains after all business expenses have been deducted from the money that has been collected from selling goods or services

remuneration payment for work or services performed

retail describes a business that sells goods and services to consumers

salary fixed or regular payment for work completed or services performed

seasonal describes an employee who usually works during a season, such as winter or the fruit-picking season

self-funded retiree a person who has saved enough during their working life to be able to support themselves in retirement

services actions done for you by others to satisfy your needs and wants

shareholders the owners of a company

socially responsible management the decisions made by the business owner reflecting the business's obligations to the wellbeing of society

standard of living quality of life as measured by the amount of money made by an individual or household (using income per capita or income per household)

superannuation a proportion of a person's income that is invested for their retirement

superannuation fund an account that accepts, invests and eventually pays out superannuation contributions

target market a market at which a product is deliberately aimed

vision a statement expressing where a business is going or what it will be like

wage fixed or regular payment for work completed or services performed

wants non-essential goods and services

wellbeing an overall measure of quality of life

word-of-mouth the passing of information about a business from a satisfied customer to prospective customers

work human labour — whether paid or unpaid, including voluntary labour

working conditions refers to all those things an employer has agreed to provide in exchange for the employee's work, ranging from the physical work environment to hours of work, rates of pay and leave entitlements

work-life balance a balance between working time and leisure/recreation

zoning regulations the decisions made by local council outlining the purpose for which a building or land can be used. Zones are usually based on land uses such as residential, commercial or industrial in the future.

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