

THE BUSINESS ENVIRONMENT



Multiple choice

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|------|-------|-------|-------|
| 1. C | 6. D | 11. D | 16. B |
| 2. B | 7. D | 12. C | 17. B |
| 3. A | 8. B | 13. A | 18. D |
| 4. C | 9. D | 14. C | 19. A |
| 5. A | 10. C | 15. C | 20. A |

Matching terms

The range of factors that can influence the operation and performance of a business, over which the business does not have control	External business environment
The fluctuations in economic activity over time	Business cycle
A slowdown in economic activity defined as two quarters of negative economic growth	Recession
The process by which the Reserve Bank uses interest rates to influence consumer demand and business investment	Monetary policy
The process by which the Commonwealth Government uses spending and taxation powers to influence consumer demand and business investment	Fiscal policy
Changes to specific sectors of the economy with the aim of improving efficiency	Microeconomic reform
A Commonwealth Government agency responsible for regulating companies and investments under the Corporations Law to provide consumer protection and market integrity	ASIC
A Commonwealth Government agency responsible for administering legislation concerning competition, fair trade practices, prices surveillance and consumer protection	ACCC
The organisation responsible for dealing in shares and related securities and ensuring that companies comply with listing rules and regulations concerning share trading	ASX
The national coordinating body for the union movement	ACTU

Short answers

Question 1

(a) The high level of unemployment in Dubbo means low incomes on average and thus a limited ability to spend money on luxuries such as restaurant food. The low business confidence also suggests this situation is unlikely to change in the near future.

(b) Advantage: Felicity could create a competitive advantage for herself by being the only health food restaurant in town – differentiating herself from the competition.

Disadvantage: The fact that many country people still eat a diet high in meat and fat means that she may face a tough competitive situation. Unless she can change town attitudes she may be unable to create sufficient demand.

(c) Felicity needs to create a competitive advantage. One way to do this would be to differentiate herself by ensuring she is the only restaurant in town that sells her particular cuisine. She should then market heavily on this difference so that people view her restaurant as a separate market to the other restaurants, and allow her to further encourage customer loyalty

Question 2

(a) The role of the Business Council of Australia (BCA) is to formulate and promote the views of the Australian business society. It is committed to achieving efficient long term change in Australian business for the good of the country.

(b) The Australian Council of Trade Unions (ACTU) is the peak council and national centre for the Australian workforce. It assists employees by giving directions to unions on policies and objectives to improve worker representation.

(c) Employer associations and trade unions represent opposite sides of the industrial relations fence. Employer associations argue for greater flexibility in the workplace allowing employers to manage their business as desired, and maximise profits. Trade unions often argue against simple profit maximisation in favour of balanced social goals in the workplace that protect employees from being exploited by managers.

(d) The ACCC administers the Trade Practices Act 1974 and the Prices Surveillance Act 1983. In particular the Trade Practices Act 1974 regulates business conduct that is seen as anti-competitive or detrimental to the interests of consumers. The ACCC has the power to take legal action against any business that is in breach of the Act. Consumers can also freely contact the ACCC to report any possible breaches of the Act.

(e) i) Zoning regulations: Local governments can veto any proposed business set-ups. Businesses must apply to local council for approval before the business can even be set up.

- ii) Building codes: Any business must ensure that its premises comply with all relevant building codes. This may mean investing in required safety devices such as external fire stairs and sufficient exit points.
- iii) Local governments will ensure that a business is complying with all relevant health regulations and ensuring there are no adverse impacts on the community.

Question 3

- (a) The proposed price fixing arrangement would be in breach of the Trade Practices Act 1974. Price fixing with competitors is illegal and the business would be open to prosecution by the ACCC.
- (b)
 - i) Current competitors: any new entrant would have to consider that location can be a competitive advantage in this situation. They would have to consider which side of the road to operate on and attempt to be the first station visible in the area.
 - ii) Substitutes: a new business would have to differentiate itself from the other stations by offering new products such as a convenience store. Otherwise the market would be overcrowded if only petrol was on offer, and a consumer could easily substitute one business's products for another.
 - iii) Ease of entry: this is less important in this situation. The market will most likely be close to overcrowded with the arrival of the new station. Combined with the high set-up costs of creating a new petrol station it is unlikely the new station will have to worry about more competitors entering the market.