VCE Business Management Units 1&2 Complete Study Guide

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This guide follows the VCAA **VCE Business Management Study Design**, accredited from 2023 (published as the 2023–2027 study design). It covers Unit 1 Planning a business and Unit 2 Establishing a business, area of study by area of study, with Australian case studies, key terms, exam-style questions and full solutions.

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About this guide

What Units 1&2 are about

Units 1 and 2 follow a business from the very first idea to the day it opens its doors with staff, customers and a bank account. Unit 1 asks where business ideas come from and what the business must think about before it starts, both inside the business (its structure, location, finance and resources) and outside it (the economy, laws, competitors, customers). Unit 2 is about actually establishing the business: meeting legal requirements, setting up financial records, building a customer base through marketing, and hiring and managing the first staff.

The skills you learn here are the base for Units 3&4 (Managing a business and Transforming a business). Terms such as corporate social responsibility, stakeholders, the 7Ps and the macro and operating environments come back in Year 12, so time spent now pays off later.

How the units are structured

Unit	Area of Study	What you must be able to do
Unit 1 Planning a business	AoS 1 The business idea	Describe how business ideas are created and explain how innovation and entrepreneurship contribute to the economy
Unit 1 Planning a business	AoS 2 Internal business environment and planning	Describe the internal environment and analyse how internal factors affect planning
Unit 1 Planning a business	AoS 3 External business environment and planning	Describe the external environment and explain how macro and operating factors affect planning
Unit 2 Establishing a business	AoS 1 Legal requirements and financial considerations	Outline legal requirements and financial record keeping, and explain why compliance policies matter
Unit 2 Establishing a business	AoS 2 Marketing a business	Explain how a customer base and marketing presence

		support business objectives, and analyse marketing strategies
Unit 2 Establishing a business	AoS 3 Staffing a business	Discuss the importance of staff, staffing needs, and evaluate staff management strategies from both employer and employee views

Exam tip: VCAA wording is precise. Learn each area of study's key terms by their exact names (for example "operating environment", not "close environment") and use them in every answer.

How you are assessed

Units 1 and 2 are assessed by your school. Each outcome is assessed with one or more school-assessed tasks, and your school decides the exact format and marks. The study design lists task types such as:

- a case study analysis of a real business
- a business research report or media analysis
- the development of a business plan or feasibility study
- an interview with a business owner and a written report
- a business simulation exercise
- an essay, a structured-question test or an oral presentation

Your results for Units 1 and 2 are reported as S (satisfactory) or N (not satisfactory) for each unit; the graded scores stay with your school. Many schools also run an end-of-semester exam in a similar style to the Year 12 exam, which is why this guide includes exam technique and a full practice exam.

In Year 12, Units 3&4 are assessed through school-assessed coursework in Unit 3 (25%), school-assessed coursework in Unit 4 (25%) and a two-hour end-of-year exam (50%). Practising the exam style now gives you a head start.

Exam tip: Business Management rewards application. A definition alone rarely earns full marks; link it to the business in the case study or to a real Australian business.

How to use this guide

1. Read one section at a time, alongside your class notes.
2. Learn the bold definitions word for word; they are written in the style examiners expect.

3. After each section, answer the "Check your understanding" questions without looking, then mark your answers against the Worked solutions.
4. Before a SAC or exam, use the Glossary and One-page summary for quick revision, then sit the Practice exam under timed conditions.

Six-week revision plan (per semester)

Week	Unit 1 focus	Unit 2 focus	Task
1	Entrepreneurship, sources of opportunity	Legal requirements	Learn definitions, make flashcards
2	Concept development, market research, feasibility	Financial records and controls	Do section questions
3	Business structures and models	Market research, target markets	Write two case study paragraphs
4	Location, resources, finance, support, SWOT	7Ps, product life cycle	Do section questions
5	Macro and operating factors, CSR	Customer relations, PR, staffing	Timed extended responses
6	Full revision	Full revision	Sit the practice exam, then mark it

A note on the study design

The key knowledge dot points in this guide are written in our own words and grouped for learning. Your teacher will give you the official list for your school year; tick off each point against the matching section here. At the time of writing, the 2023 study design is the one in force. Check the VCAA website for any announcement of a new study design: the core ideas of business planning, marketing and staffing have been stable across study designs, so this guide will stay useful if the wording changes.

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8. Practice exam
9. Worked solutions
10. Glossary
11. One-page summary

1. Unit 1 AoS 1 – The business idea

This area of study asks three big questions. Why do people start businesses? Where do good business ideas come from? And why does it matter to Australia that people keep starting businesses?

What a business is and why business ideas matter

A **business** is an organisation that produces goods or services with the aim of meeting the needs of its customers, usually to make a profit. Not every business is profit-driven: a social enterprise puts a social or environmental purpose first, and a government business enterprise serves the public.

Every business starts as an idea. Most ideas never become businesses, and many new businesses close within a few years. The rest of this unit is about turning an idea into a plan that has a realistic chance of working.

Entrepreneurship

Entrepreneurship is the process of identifying a business opportunity and taking on the risk of organising resources to turn it into a business. An **entrepreneur** is a person who does this: they see an opportunity others have missed, accept financial and personal risk, and combine resources (people, money, materials and ideas) to create something new.

Entrepreneurship is not only about starting brand-new businesses. **Intrapreneurship** is entrepreneurial behaviour inside an existing business, where employees are encouraged to develop new products or processes as if they were running their own small business.

Feature	Entrepreneur	Business manager
Main focus	Creating something new from an opportunity	Running an existing business efficiently and effectively
Attitude to risk	Accepts high personal and financial risk	Manages and reduces risk
Typical time	Start-up and growth stages	Established business
Example	Melanie Perkins co-founding Canva	A store manager at a large retailer

Case study: Canva

Canva is an Australian online graphic design platform co-founded by Melanie Perkins, Cliff

Obrecht and Cameron Adams. Perkins first noticed the opportunity while teaching design software to university students in Perth: the programs were expensive and hard to learn. Before Canva, Perkins and Obrecht tested the idea with Fusion Books, a business that let schools design yearbooks online. Canva launched in 2013 and is headquartered in Sydney. It uses a **freemium** model, where basic features are free and premium features are paid. Canva shows entrepreneurship in action: a personal observation of a problem, a small first test of the idea, and persistence in raising finance to grow it.

Personal motivation for starting a business

People start businesses for different reasons, and the reason shapes how the business is planned.

- **Financial independence:** the chance to earn more than a wage and build wealth over time.
- **Personal independence:** being your own boss, choosing your hours and making your own decisions.
- **Making a profit:** a return for the risk and effort involved.
- **Fulfilling a market need:** providing a good or service that customers want but cannot easily get.
- **Fulfilling a social need:** solving a social or environmental problem, often through a social enterprise.
- **Passion or a hobby:** turning an interest or skill into income.
- **Lack of other options:** some people start a business after redundancy or because they cannot find suitable work.

> **Exam tip:** If a question asks you to "explain" a motivation, say what the motivation is, then show how it would affect the owner's decisions. For example, an owner driven by a social need may accept lower profits so more money goes to the cause.

Characteristics of successful managers and entrepreneurs

Successful entrepreneurs and managers share characteristics that help a business survive and grow.

Characteristic	What it means	How it contributes to success
Innovative and creative	Comes up with new ideas and new ways of doing things	Creates products that stand out from competitors

Risk-taker (calculated)	Willing to take risks after weighing them up	Allows the business to seize opportunities
Determined and resilient	Keeps going after setbacks	Helps the business survive early losses
Good communicator	Explains ideas clearly to staff, investors and customers	Wins finance, motivates staff, builds customer trust
Visionary	Can see where the business should be in the future	Gives direction for goals and planning
Organised and good at planning	Sets goals and plans resources	Reduces waste and avoids cash shortages
Leadership	Inspires and guides others	Builds a motivated team
Adaptable	Changes plans when conditions change	Responds to new competitors, technology or customer needs

Common mistake: Listing characteristics without linking them to success. Always add "this contributes to business success because…".

Sources of business opportunity

A **business opportunity** is a favourable set of circumstances that creates a chance to start or expand a business. Common sources are:

- **Innovation:** creating something new or improving an existing product or process.
- **Recognising and taking advantage of market opportunities:** spotting a **gap in the market**, a need that no business is currently meeting well.
- **Changing customer needs:** shifts in what customers want, for example demand for plant-based food, contactless payment or convenience.
- **Research and development (R&D):** systematic investigation to create new products or processes.
- **Technological development:** new technology makes new products, business models or methods possible (for example smartphones made app-based businesses possible).
- **Global markets:** selling to customers overseas, sourcing from overseas suppliers, or bringing an overseas idea to Australia.

Case study: Afterpay

Afterpay was founded in Sydney in 2014 by Nick Molnar and Anthony Eisen. It saw a change in customer needs: younger shoppers who disliked credit cards but wanted to spread payments.

Afterpay let customers pay in four instalments while retailers paid a fee. Its success shows how technological development (online shopping and apps) and changing customer needs together create an opportunity. In 2022 Afterpay was acquired by the US company Block (formerly Square), one of the largest takeovers of an Australian company at the time.

Case study: Atlassian

Atlassian was founded in Sydney in 2002 by Mike Cannon-Brookes and Scott Farquhar, who started the business funded largely by about $10,000 of credit card debt. It makes team collaboration software such as Jira and Confluence. Atlassian is a strong example of an Australian technology business that grew from a small start-up into a global company, listing on the US Nasdaq exchange in 2015.

The importance of goal setting

A **business goal** is a target that a business aims to achieve. **Business objectives** are the specific, measurable targets set to achieve its goals. New businesses need clear goals because they:

- give the owner and staff direction and a shared purpose
- allow the business to measure progress and success
- guide decision-making and the use of limited resources
- help when seeking finance, since lenders and investors want to see clear targets

Goals are often written using the **SMART** framework: Specific, Measurable, Achievable, Relevant and Time-bound. For example, "to sell 500 meals per week by the end of the first six months" is SMART; "to sell lots of food" is not.

Typical goals for a new business include making a profit, increasing market share, surviving the first two years, meeting a social need and fulfilling shareholder expectations.

Business concept development

Business concept development is the process of taking a raw business idea and developing it into a clear description of the product, the customers, how the business will reach them and how it will make money. A **business concept** answers four questions:

1. What will the business sell (the product or service)?
2. Who will buy it (the target market)?
3. How will it reach customers and deliver value (the business model)?
4. Why will customers choose it over competitors (the point of difference)?

Concept development matters because it turns a vague idea into something that can be researched, tested and planned. It also reveals early whether the idea is worth pursuing before large sums of money are committed.

The relationship between opportunities and concept development: an opportunity on its

own is not a business. Concept development is the bridge between spotting an opportunity and planning a business. The stronger the opportunity (a large, unmet need), the more worthwhile it is to develop the concept, and the better the concept is developed, the more likely the opportunity can be turned into profit.

Market research and initial feasibility studies

Market research is the process of gathering, recording and analysing information about customers, competitors and the market. At the idea stage it tests whether customers want the product and what they would pay.

- **Primary research** collects new data first-hand, for example surveys, interviews, focus groups, observation and product testing.
- **Secondary research** uses data that already exists, for example ABS statistics, industry reports, competitors' websites and news articles.

An **initial feasibility study** is an assessment of whether a business idea is practical and likely to succeed before resources are committed. It usually looks at:

Area	Key question
Market feasibility	Is there enough demand, and who are the competitors?
Financial feasibility	What will it cost to start and run, and can it make a profit?
Technical or operational feasibility	Do we have, or can we get, the resources, skills and suppliers?
Legal feasibility	Can it meet laws, licences and regulations?

If the feasibility study is positive, the next step is a full business plan (see Section 2).

> **Exam tip:** Do not confuse a feasibility study with a business plan. A feasibility study asks "should we go ahead?"; a business plan sets out "how we will do it".

Contribution of business to economic and social wellbeing

Businesses contribute to Australia's **economic wellbeing** (material living standards) and **social wellbeing** (quality of life).

- **Employment:** businesses employ most Australian workers, giving them income.

End of free sample

This is 10 of 65 pages.

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