

# BUSINESS STUDIES NOTES - ALL TOPICS

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**1. MARKETING**

**2. HUMAN RESOURCES**

**3. FINANCE**

**4. OPERATIONS**

**exaggerated claims, vague statements.** **The Advertising Federation of Australia** is the peak body representing companies in advertising and marketing communications.

#### GOOD TASTE IN ADVERTISING:

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Marketing must not go against modern ethical or moral standards. Some consumers may find an advertisement offensive while others may not

**e.g. NT tourism – slogan "CU in the NT" deemed offensive banned in Darwin**

**e.g. being sexist, racist, violent...**

#### PRODUCTS THAT MAY DAMAGE HEALTH:

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**The Competition and Consumer Act** prohibits a corporation from **supplying consumer goods that do not comply with prescribed product safety standards**, so the state and federal government put restrictions onto the products, such as:

- **Tobacco:** sponsorship in sporting events/casinos, not displayed openly, health warnings, not sold to under 18s
- **Alcohol:** staff serving must complete Responsible Service of Alcohol course, not sold to under 18s
- **Casino/Gaming:** support for those who are addicted, restrictions on opening hours in leagues and RSL clubs

#### ENGAGING IN FAIR COMPETITION:

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**The ACCC tries to ensure fair competition in the market. Unfair competitive behaviour includes:**

## 2. HUMAN RESOURCES

## SOCIAL INFLUENCES

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### CHANGING WORK PATTERNS:

- Shift towards part-time and casual work
- Greater career flexibility and job mobility with only 44% of full-time employees having been with their current employer for 5 or more years
- Recent improvements in parental and carers leave benefits have increased female participation in the workforce
- The casualization of the workforce has seen many more female, younger and older workers struggle to gain access to employment. There is a labour shortage looming due to the ageing population
- Greater outsourcing and contract employment

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### LIVING STANDARDS

Standard of living can be defined as **the level of material wellbeing as measured by the amount of goods and services that are available to an individual**. Key influence on HR: a desire to improve living standards will motivate people to join the workforce and to achieve promotion or an increase in money wages.

## ETHICS AND CSR

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### ETHICS:

# 3. FINANCE

## FINANCE

### ROLE OF FINANCIAL MANAGEMENT

Financial management refers to the **planning, organising and monitoring/controlling of the financial or monetary resources to achieve the goals, objectives and plans of the business**

The financial stability of the business is shown in the BS.

## FINANCIAL RATIOS

RATIO	FORMULA	OBJECTIVE	COMMENTS
Current/Liquidity/ Working Capital Ratio	Current Assets / Current Liabilities	Liquidity	Analyses short-term stability Generally accepted that 2:1 is sound HIGHER is better
Debt to equity ratio or Gearing	(Total Liabilities / Owners' Equity) x 100	Solvency (Gearing)	Shows extent to which the business is relying on debt LOWER is better (about 70% or less)
Gross profit ratio	(Gross Profit / Sales) x 100	Profitability	Usually compared to previous years Indicates effectiveness of policies regarding pricing, discounts, sales and supply chain. HIGHER is better
Net profit ratio	(Net Profit (or Retained profits) / Sales) x 100	Profitability	Represents final % of sales received by owners HIGHER is better Can identify COGS or expenses as problem when compared to gross profit ratio
Return on equity ratio	(Net profit / Total equity) x100	Profitability	Shows how effective equity has been in generating profit HIGHER is better
Expense ratio	(Total Expenses / Sales) x 100 GPR - NPR	Efficiency	Can be used on individual expense categories or expenses as a whole LOWER is better
Accounts receivable turnover ratio	Sales revenue (or credit sales if given) / accounts receivables (or debtors) → in a year Divide 365 by answer → average turnover period	Efficiency	Measures effectiveness of credit policies and debt collection ARTR of 30 days or lower is acceptable- should compare with industry standards and yearly trends.

### COMPARATIVE RATIO ANALYSIS

Ratio results are more useful if used to compare with other data. This is done in a number of ways:

- Over different time periods: ratio results from this year/period will be compared to previous years results to highlight trends (positive or negative) e.g. gearing ratio has risen from 65% in 2015 to 95% in 2017 → raises management concerns and calls for better strategies
- Against standards: comparing to 'benchmarks' will be useful to managers
- With similar businesses: comparing ratios to businesses in the same industry and of similar size gives information about business performance. Called Industry Averages.

# 4. OPERATIONS

## OPERATIONS

### ROLE OF OPERATIONS MANAGEMENT

### STRATEGIC ROLE OF OPERATIONS MANAGEMENT

Operations management refers to the management of the process of **turning raw materials into finished goods**. Operations management can be described as the **allocation and maintenance of machinery and resources**. Strategic management of operations refers to making long term decisions about management issues.

Strategic issues include:

- Determining size and location of manufacturing plants
- Deciding the structure of service or telecommunications networks
- Designing technology and supply chains

Operations management includes:

sites. Stock levels must be managed well so that accurate stock levels can be presented to prospective customers.

### *Global Sourcing:*

Businesses can purchase supplies or services from wherever the suppliers are that meet the best sourcing requirements; however, processes would become more complex due to exchange rate fluctuations, language, time. Bulk supply from an overseas source might be more convenient as sourcing from overseas is often cheaper.

**CASE STUDY: Apple uses global sourcing to source the components required for the iPhone. Apples supply chain management is further complicated as they produce different models of iPhones with different specifications at the same time which requires having more suppliers.**

**2020: The Covid 19 pandemic has resulted in a massive disruption to global supply chains. This has been most evident in retail stores like Target and K Mart having empty shelves. The disruption to manufacturing around the world has been significant, disrupting operations functions of businesses around the world.**

## OUTSOURCING

Outsourcing involves the use of external providers to perform business activities. Businesses outsource their work in order to access the best talent available and reduce costs.

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>- Access to specialist knowledge and expertise</li> <li>- More efficient methods of production</li> <li>- Access to skills/resources lacking within the business</li> <li>- Better access to IT, technology and the most suitable equipment</li> <li>- Experienced at solving complex problems</li> <li>- Increased speed and quality of outputs</li> <li>- Lower costs of production</li> <li>- Technical expertise of outsourcing partners</li> <li>- Business is able to focus on activities such as the design and development of new products</li> </ul> <p>Access and proximity to various market in the distribution of iPhones</p>	<ul style="list-style-type: none"> <li>- Issues with language and communication</li> <li>- Loss of quality control</li> <li>- Unable to control delivery times</li> <li>- Possibility of a competitor outsourcing to the same business</li> <li>- Loss of quality control</li> <li>- Security risks of competitors copying its design specifications</li> <li>- Business is dependent on outsourcing partners to meet deadlines</li> <li>- Communication and cultural barriers</li> </ul> <p>The reputation of Apple is affected by the actions of its outsourcing partners</p>

## TECHNOLOGY

Technology can help a business create a competitive advantage by performing functions more quickly and at a lower cost. Two broad classifications of technology include: