***Chapter 1 Summary Question Solutions***

1. A mission statement outlines the purpose of a business, or its reason for existing. A vision statement outlines the goals or aspirations and the values of a business.
2. Key errors:
	1. Fails the SMART test. Mary’s objective to establish a grocery chain with 80% market share by 2019 is not achievable or realistic.
	2. Fails the SMART test. Sam’s objective (‘a big profit’) is not specific enough to measure.
	3. Fails the SMART test. Connie’s plan to retire at 25 after running her business for 2 years is not achievable or realistic.
3. A clear set of objectives provides a business with a purpose to work towards. This is helpful for employees, who can then focus on working towards achieving common goals. Businesses often set objectives to do with financial performance, growth and market share, and contribution to the community (social objectives). Once a business has established a set of clear objectives, it can generate strategies for achieving those objectives, and measure its progress against the objectives. The outcome of evaluation helps a business to determine where it is doing well, and where it needs to focus its efforts to help it improve performance over time.
4. Profit based businesses look at ways to increase efficiency and productivity because their goal is to maximize income and minimize expenses. Efficiency is all about getting the most out of the resources used in the production process. Productivity is a quantitative measure of efficiency. It is the amount of inputs required to produce a particular amount of output. Increasing efficiency and productivity can be done by reducing waste. If a business decreases waste, it can get more out of the resources purchased for the production process, which decreases expenses and increases profit.
5. Definitions:
	1. Sole trader: A sole trader is a person who owns and operates a business. He or she is responsible for managing the business and is entitled to all of the profits generated, and liable for any losses incurred. Sam is the sole trader, the owner and operator of Sam’s Shoe Store.
	2. Social enterprise: A social enterprise is an organisation that has a primary objective other than profit. A social enterprise exists to contribute to community development or environment improvement. A soup kitchen is a social enterprise whose objective is to provide food for those in need in the community.
	3. Incorporation: The incorporation process establishes a legal entity (called a company) that exists separately from its owners. For example, Alison, Jeremy and Rebecca established the law firm ‘Legal Matters’, through the process of incorporation.
6. A structure that offers ‘limited liability’ restricts the losses an individual owner is personally responsible for. Limited liability partnerships and companies both offer limited liability. In a limited partnership agreement, each partner invests a certain amount at commencement of the partnership. Their liability (the maximum amount of loss they are responsible for) is limited to the amount they originally invested.
7. Similarities and differences between private listed company and social enterprise.

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|  | **Private listed company****For profit** | **Social enterprise** |
| **Similarities** | * Provide provide goods and / or services to the marketplace.
* Both wish to maximise revenue and minimise expenses.
* Both set financial, market and social objectives.
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| **Differences**  | * Main objective is profit maximisation.
* Profit is redistributed to the owners / shareholders of the business of the business.
 | * Main objective is to provide a product or service that benefits the community and / or the environment.
* Any profit that is made is reinvested into growing the business to further benefit the community and / or the environment.
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1. Student answers will vary. Question requires students to conduct research.

1. Operations
2. Finance, Human Resources, Sales and Marketing, Technology support.