Assessment 1

Q1. Short questions:

i. What is meant by Exim Policy?

- The Exim policy are export and import policies for each country and is aiming at increasing export and decreasing import. These policies potentially improve economic growth and prosperity of the nation.

ii. Identify the types of non-economic environment in the following cases:

a) Demand for new clothes increases during festive session.

<u>Social Environment</u>

- Seasonal changes in consumer behaviour affects the demand for certain goods or services.
- Consumers are attracted by the discounts campaigns and promotions activities during festive season.
- Wearing new cloth is the tradition for certain group of people during festive seasons.

b) Computer has out dated typewriter.

<u>Technological Environment</u>

- Changes in technology will make product such as the typewriter to become obsolete.

c) Sugar factories are being set up where sugarcane is grown abundantly.

<u>Natural Environment</u>

- Raw material for producing sugar is ready available.
- The freshness of the sugarcane can be preserved.
- Cost savings on logistics and transportation.

d) Availability of skilled labour in a particular region.

<u>Demographic Environment</u>

- Skilled labour will help the company to increase productivity and sustain the growth of the industry.

iii. How does demographic environment of business influence the business activities?

A demographic environment is a segment of a human population identified for marketing and business purposes. The following are some examples on how the composition and characteristics of the human population for a particular region or area affect the business activities of an entity:

Population size

The market size is highly dependent on the population size of a region or nation. In order to capture the desired target group of the population, there is a need for businesses to design suitable marketing campaigns to improve captured market share.

Local taste

The needs and wants of the population vary across different regions. Therefore, businesses are required to alter their products and also tailor their services accordingly to suit the locals.

Average household income

There is a need to improve quality of service for regions with higher standard of living. This also affects pricing as the willingness to pay are likely to be higher if the populous have higher disposable incomes and vice versa.

iv. Describe the importance of business environment towards different groups.

Business depends on society for inputs such as funding labour and also for market where products have to be sold to the customers. The business depends on society for existence, sustenance and encouragement. Being so much dependent on society, business also has a definite responsibility towards different segments of society. Though profit making is one of main objectives of business but it also have to satisfy the needs of employees, consumer, government, community and shareholders.

There is a need to focus on where customers expect to find the product, including what type of store it might be found in. Price is the amount a customer is willing to pay for the product, and promotion is determining the best way to get information about the product to different group of the potential customers.

v. Explain the social responsibility of business towards different groups.

a) <u>Responsibility towards the Shareholders or Owners</u>

- They are the investors in the business. Therefore, should be provided with a fair return on their investment.

b) <u>Responsibility towards the Employees</u>

- Creating new job opportunities for employees.
- Safety and conducive environment.
- Medical and retirement benefits.

c) <u>Responsibility towards the Consumers</u>

- To supply quality products with the reasonable prices.
- Avoid misleading advertisements.
- Provide good after sales service.

d) <u>Responsibility towards the Government</u>

- Business established according to the regulation set by the Government.
- Paying income taxes.

e) <u>Responsibility towards the Community</u>

- Actively contribute towards the public welfare and avoid business activities that compromise the natural environment.
- Promoting tolerance, acceptance and understanding of the local culture.
- Respecting individual beliefs.

Q2. Legal environment is one of the essential areas to concentrate on while starting or working on any business. Discuss

When starting a business, one of the initial decisions is to decide on the legal status of the organisation and must strictly follow the Legislation Act, set by the nation.

For example, some specific types of business will require trading licences, usually granted by the local authority. These businesses include childcares, taxi drivers and retailers. In addition, any venue providing entertainment and or serving alcohol will need to obtain the necessary licences. If your business deals directly with members of the public on the premises, you will need to take out Public Liability Insurance to cover any accidents or injuries concerning members of the public. All businesses, no matter how small, need to be aware of how health and safety legislation affects them. All businesses, regardless of size, must carry out risk assessments.

On top of that, new and flourishing business must also follow law that the government of certain nation pass from time to time. This can affects everything from the packaging of a product, the advertisement and also trademark registration.

A country whose legal system is effective and works smoothly will eventually attracts foreign investors. Whereas one with poor legal system, and one that is faced with corruption can turn away many investors which might cause funding problems for the business owners.

It is essential to keep in mind the above laws of business in every country, and also the laws that the country passes. A business that wishes to work on legal terms must account for every action it takes and every contract it enters. It is also important to keep an eye on the activities of the competition.

Case study

William Simpson opened a news agency as a sole trader in 1998 with the help of his wife. He had previously worked for a super market but wanted a new challenge. It cost him Sterling Pound 7,000 to set up but he was left to work long hours when his wife fell ill. He employed an assistant manager but the shop began to lose money.

1. **Using examples from the case study or from your own knowledge, explain the meaning of**:

a) Limited Liability Company

A limited liability company, commonly called an "LLC, all LLC owners are protected from personal liability for business debts and claims -- a feature known as "limited liability." This means that if the business owes money or faces a lawsuit, only the assets of the business itself are at risk. Creditors usually can't reach the personal assets of the LLC owners, such as a house or car.

b) Partnership

A Partnership is a legal business relationship formed by the agreement between two or more individuals to carry on a business as co-owners and can be in a business with multiple owners. Each of whom have invested in the business. Some partnerships include individuals who work in the business, while other may include partners who have limited participation and also limited liability. A partnership is not a separate entity from the individual owners. The partnership income tax is paid by the partnership, but the profits and losses are divided among the partners, based on their agreement.

2. **Describe the advantages of being a sole trader**

A sole trader or sole proprietor is a business owned and controlled by one person who takes all the decisions, responsibility and profits from the business they run.

The advantages of being a sole trader are immense not least because the owner has full control over the business for daily operations and fast decision making to decides where the business is heading and or not to undertake any work ahead. They are generally closer to their customers and offer a more personalised approach and improved customer service.

A sole trader also minimise the accounting costs. Accountants generally charge less for company accounts and advise because there is less work to undertake.

3. **Point out the reasons why a third of sole traders cease trading within their first year of trading.**

The negative aspects of operating on your own are that everyone else perceives you as "small" which in turn has other consequences, such as:

i. Full personal liability for failure.
ii. It may be difficult to bid and accept larger contracts.
iii. No staff to fall back on as the result of an accident or sickness.
iv. Full financial liability if things go wrong.
v. The business stops if you are unable to work
vi. Not able to offer shares in the business to raise capital, so you would need to seek financing from lenders such as banks.
vii. Legally and financially responsible for all aspects of the business, so your personal assets are at risk if there is debt or liability.
viii. Miss the idea sharing and collegiality which often goes with running a business with others.

In summary, operating as a sole trader can be an attractive business structure because of the flexibility, freedom, minimal administration efforts and low set up costs. However, disadvantages in particularly difficulty in raising finance and the risk of personal liability for debts of the business.