BSBSMB401

Establish legal and risk management requirements of small business

Learner Workbook

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Candidate Details

Assessment – BSBSMB401: Establish legal and risk management requirements of small business

Please complete the following activities and hand in to your trainer for marking. This forms part of your assessment for BSBSMB401: Establish legal and risk management requirements of small business

Name: Peter Hay

Address: 958 Yandina Bli Bli Rd, Bli Bli QLD 4560

Email: haycrete@gmail.com

Employer: self employed

Declaration

I declare that no part of this assessment has been copied from another person's work with the exception of where I have listed or referenced documents or work and that no part of this assessment has been written for me by another person.

Signed:

Date: 20/11/20

If activities have been completed as part of a small group or in pairs, details of the learners involved should be provided below;

This activity workbook has been completed by the following persons and we acknowledge that it was a fair team effort where everyone contributed equally to the work completed. We declare that no part of this assessment has been copied from another person's work with the exception of where we have listed or referenced documents or work and that no part of this assessment has been written for us by another person.

Learner 1: ____

Signed: ____

Learner 2: ____

Signed: ____

Learner 3: ____

Signed: ____

Competency Record to be completed by Assessor

Learner Name: ____

Date of Assessment: ____

The learner has been assessed as competent in the elements and performance criteria and the evidence has been presented as;

	Assessor Initials
Authentic	
Valid	
Reliable	
Current	
Sufficient	

Learner is deemed: COMPETENT NOT YET COMPETENT (Please circle)

If not yet competent, date for re-assessment: ____________________________________

Comments from Trainer / Assessor:

____
____
____
____
____

Assessor Signature: ____

Observation/Demonstration

Throughout this unit, you will be expected to show your competency of the elements through observations or demonstrations. Your instructor will have a list of demonstrations you must complete or tasks to be observed. The observations and demonstrations will be completed as well as the activities found in this workbook. An explanation of demonstrations and observations:

Demonstration is off-the-job

A demonstration will require:

- Performing a skill or task that is asked of you
- Undertaking a simulation exercise

Observation is on-the-job

The observation will usually require:

- Performing a work based skill or task
- Interaction with colleagues and/or customers

Your instructor will inform you of which one of the above they would like you to do. The demonstration/observation will cover one of the unit's elements.

The observation/demonstration will take place either in the workplace or the training environment, depending on the task to be undertaken and whether it is an observation or demonstration. Your instructor will ensure you are provided with the correct equipment and/or materials to complete the task. They will also inform you of how long you have to complete the task.

You should demonstrate that you can:

1. Identify and implement business legal requirements
2. Comply with legislation, codes and regulatory requirements
3. Negotiate and arrange contracts

You should also demonstrate the following skills:

- Reading
- Writing
- Oral Communication
- Numeracy
- Navigate the world of work
- Interact with others
- Get the work done

Activities

Activity 1A

Estimated Time	**30 minutes**
Objective	**To provide you with an opportunity to identify and research possible options for the business legal structure using appropriate sources**
Activity	**1. Conduct your own research and document advantages and disadvantages in creating the types of legal structure detailed in this table.**

Type	*Advantages*	*Disadvantages*
Cooperative	- A Cooperative helps people come together as a community - A Cooperative uses democratic principles -A Cooperatives work towards the best interest of everyone -Taxation Benefits are possible for some Cooperatives. - Cooperatives may have access to unique funding opportunities - Cooperatives benefit from lower overhead costs, Two membership options available	-Cooperatives have a fewer investment incentives to offer -Under investment is a significant challenge that Cooperatives face - Cooperatives struggle to establish unique branding Slow decisions come out of Cooperative - Cooperatives share pricing with the competition -Cooperative coops don't provide access to real property. -Some Cooperatives may not have any staff
Trust	-Creditor protection -Protection against relationship property claims -Protecting property from or for beneficiaries -Protecting assets for future generations from protentional tax law change -General flexibility to deal with law changes -Confidentiality - family trust are not publicly registered and therefore can be kept confidential	-Loss of ownership of assets -Additional administration -Cost of formation of the trust and transfer assets
Association or not-for-profit legal structure	-Rent an office -Borrow money- Apply for government grants and take out insurance in the name of organisation	- No separative legal existence - Members and management group act as a group of individuals . Group has no separate legal status

Activity 1B

Estimated Time	**20 minutes**
Objective	**To provide you with an opportunity to determine legislation and regulatory requirements affecting operations of the business under its chosen structure.**
Activity	**1. Report on your organisation or in accordance with directions from the instructor, the legislation and regulatory requirements affecting the operations of your business** - A tax file number - ABN - Goods service tax - Fuel card tax credits - Licences-Codes or practice

Activity 1C

Estimated Time	**20 minutes**
Objective	**To provide you with an opportunity to develop and implement procedures to ensure full compliance with relevant legislation and regulatory requirements.**
Activity	**1. What methods are used to implement procedures to ensure full compliance with the relevant legislation and regulatory requirements governing your specific business operations?** **You may make reference to your answers in Question 1B.** - Maintain a register of its members - Keep proper financial records - Prepare and have audited and lodged financial statements and reports after end of financial year.

Activity 2A

Estimated Time	**30 minutes**
Objective	**To provide you with an opportunity to establish systems to ensure legal rights and responsibilities of the business are identified and the business is adequately protected, specifically in relation to work health and safety (WHS), business registration and environmental requirements**
Activity	**1. Detail/report your company's systems to ensure the legal rights and responsibilities of the business are identified and the business is adequately protected.** - Marketing the business in accordance with consumer legislation - Comply with WHS code of practice - (SWMS) - Recording of documents - Accounting - Reporting - Audits

Activity 2B

Estimated Time	**25 minutes**
Objective	**To provide you with an opportunity to identify taxation principles and requirements relevant to the business, and follow procedures to ensure compliance, and identify and carefully maintain legal documents and maintain and update relevant records to ensure their ongoing security and accessibility.**
Activity	**1. Define a sole trader, an incorporated company and a trust.** - Sole trader is the simplest business, you trade on your own terms and pay your own tax as individual and TFN - Company - is a distinct legal entity that pays its own income tax, separate from an individual's income tax. Companies are regulated by ASIC. A Company has to apply for own TFN and ABN - Trust- Is an obligation imposed on a person to hold property or income for benefit of other. A Trust must have its own ABN and TFN, and it depends on what type of trust it is to pay tax **2. What legal documents may you have to maintain?** - Appropriate financial records - Certificate of incorporation - Constitution doc - Franchise agreements - Partnership agreements - Statutory books and companies, such as register of members, register of directors and minute books

Activity 2C

Estimated Time	20 minutes
Objective	**To provide you with an opportunity to monitor provision of products and services of the business to protect legal rights and to comply with legal responsibilities and conduct investigations to identify areas of non-compliance with legal and regulatory requirements, and take corrective action where necessary**
Activity	**1. Suggest three options that could likely cause an error in compliance. For the areas identified, give your recommendations on ways to eliminate future occurrences.** **Encouraging compliance with employees** - Senior management need to recognise that setting the right culture - Financial reporting - Lodge documents - Develop and implement procedure to ensure full compliance - Put reporting procedure in place *Senior management need to recognise that setting the right culture is important-Going through a thorough interview with new employers and listen to feedback from other employers about the work culture.* *Financial reporting-having a good accountant bookkeeper* *Develop and implement procedure to ensure full compliance-Putting the right steps in place to ensure full compliance is always met etc working with the right professionals to get outcome*

Activity 3A

Estimated Time	25 minutes
Objective	**To provide you with an opportunity to seek legal advice on contractual rights and obligations, if required, to clarify business liabilities, investigate and assess potential products or services to determine procurement rights and ensure protection of business interests where applicable**
Activity	**1. In pairs, groups or individually list five contractual rights and obligations that could give cause to potential business liabilities.** - Commercial contracts - Purchase orders - variations - Don't do what's agreed - read the contract - check for clause in contract to deal with disputes

Activity 3B

Estimated Time	30 minutes
Objective	To provide you with an opportunity to seek legal advice on contractual rights and obligations, if required, to clarify business liabilities, Investigate and assess potential products or services to determine procurement rights and ensure protection of business interests where applicable.
Activity	1. List five products or services to determine procurement rights and ensure protection of the business interests where applicable. - Any form of licensing

	- Royalties - Copyright - Trademarks - Franchises

Activity 3C

Estimated Time	**30 minutes**

Objective	To provide you with an opportunity to negotiate and secure contractual procurement rights for goods and services including contracts with relevant people, as required, in accordance with the business plan
Activity	**1. Create a five point plan on negotiating for securing contractual procurement rights for goods and services contracts.** - Prepare effectively - Understand and consider the needs and interests of all parties - Manage the impact of your personal negotiation style. - Generate greater value through creativity - Successfully address all key elements of the negotiation cycle through optimal preparation ,engagement and review

Activity 3D

Estimated Time	25 minutes
Objective	**To provide you with an opportunity to identify options for leasing/ownership of business premises and complete contractual arrangements in accordance with the business plan**
Activity	**1. What would be your choice, to either lease or purchase premises for a small business in your capital city, and why?** I would lease to start off a small business as you are not in a long-term financial commitment and no capital required to start, you can break contract, abandoned with expiry to lease no further commitment. Definitely if business is strong, I would look to buy after 12 months to gain capital.

Activity 4A

Estimated Time	20 minutes
Objective	**To provide you with an opportunity to identify potential internal and external risks to the business**
Activity	**1. Give examples of internal and external risks that may affect your organisation.** - Internal threats - Theft or embezzlement by employees - Cash Flow -union strikes - Loss of data on computer systems - External- - Burglary - Fire or other damage to premises - natural disasters

Activity 4B

Estimated Time	30 minutes
Objective	**To provide you with an opportunity to assess the probability and impact of identified risks**
Activity	**1. For each risk you identified in Activity 4A, assess its probability and impact.** - Theft or embezzlement by employees- Probability is low but will affect profit margins - Cash flow- probability is medium will hold up payments to suppliers and other invoices - Burglary-probability is low but can affect product loss and profit earnings.

Activity 4C

Estimated Time	**25 minutes**
Objective	**To provide you with an opportunity to prioritise risks for treatment**
Activity	**1. Create probability-impact matrix and determine which risk has the highest priority.** Theft and embezzlement- Possible (0.5) Moderate (0.4) = PI rating 0.2 Cash flow- Possible(.5) Major(0.6)=PI rating 0,3 Cash Flow will keep eye on

Activity 4D

Estimated Time	25 minutes
Objective	**To provide you with an opportunity to develop actions to mitigate risks including identifying insurance requirements and adequate cover**
Activity	**1. You are about to take out an insurance policy. Thinking about the likely risks to your business, suggest the approach and cover you would likely use to insure against the following risks.** -Workers compensation work cover -Public liability -Burglary -Contract works

Skills and Knowledge Activity

Estimated Time	60 Minutes
Objective	**To provide you with an opportunity to demonstrate your knowledge of the foundation skills, knowledge evidence and performance evidence.**
Activity	**Complete the following individually and attach your completed work to your workbook.**

	The answers to the following questions will enable you to demonstrate your knowledge of: ➢ Reading ➢ Writing ➢ Oral Communication ➢ Numeracy ➢ Navigate the world of work ➢ Interact with others ➢ Get the work done ➢ Outline business registration and licensing requirements ➢ Identify commonwealth, state/territory and local government legislative requirements relating to business operation ➢ Explain creation and termination of relevant legal contracts ➢ Summarise relevant cultural differences and legal implications ➢ Describe legal rights and obligations of alternative ownership structures ➢ Outline necessary record keeping to meet minimum legal and taxation requirements ➢ Summarise relevant consumer legislation and industry codes of practice ➢ Outline the key steps in the risk management process ➢ Explain relevant insurance requirements and products **1. What texts may you have to read to assess the legal and risk management requirements of the business?** BSBMB401 learner Guide, Swms,material safety data sheets ,bookkeeping. **2. What reports and workplace documentation may you have to write?** Safe work method statements, risk assessment, Risk assessment matrix **3. What skills are needed to communicate effectively during communications?** Oral communication, electronic communication (emails). **4. What information might you need to determine insurance costs?** Personal and Assets, Public liability **5. What are organisational policies which may apply to your ethical behaviour?** Ethical behaviour statement **6. Why may you need to seek legal advice?** Breach of contract, industrial disputes **7. What sort of information may you need to store securely?** All financial documentation, contractual documentation and company documentation **8. What are the benefits of being on the Australian Business Register (ABR)?** For legal advice and company support **9. What local, state/territory, commonwealth and international legislation, regulations and codes of practice may affect business operations?** Health and safety policies **10. What elements must be present for a legally enforceable contract?** Signed detailed documentation **11. How can you manage diversity and cultural differences within a workplace?** Toolbox meetings ethical behaviour statement **12. What alternative ownership structures exist?**

	Sole trader, Company, Trust **13. What records will you need to keep in order to meet taxation regulation?** Financial documentation statements, invoices receipts **14. What is the purpose of the Australian Competition and Consumer Commission?** Ensure fair trading **15. How would you assess risks within an organisation?** Risk matrix **16. What insurance requirements may your organisation have?** Workcover, Public Liability, Plant and equipment insurance

Major Activity

Estimated Time	**60-120 Minutes**
Objective	**To provide you with an opportunity to demonstrate your knowledge of the entire unit.**
Activity	**This is a major activity – your instructor will let you know whether you will complete it during class or in your own time.** **Attach your completed answers to the workbook.** You must individually, answer the following questions in full to show your competency of each element: 1. Identify and implement business legal requirements 2. Comply with legislation, codes and regulatory requirements 3. Negotiate and arrange contracts 4. Identify and treat business risks **1. Which business legal structure do you believe is the most appropriate? Note the positive and negative aspects of your chosen structure in relation to your business needs.** Sole trader would be my preferred at the moment. Positives would be: easy to set up all profits to sole trader to gain capital and independence. Negatives would be few tax concessions and no pay for sickness or holiday. **2. What kind of permissions do you need to secure and maintain for your business?** Any program that will store and keep you records and filling safe from outside threats. Making sure all safety is met to a high standard .First aid kits, PPE is met to standards and sufficient breaks throughout the day. **3. Pick three elements of general reporting on Section 1.3 of the Learner Guide and explain them in the context of your company, describing what you need to do in order to satisfy this requirement.** Maintain a register of its members - keep a record of all directors and members- and record all meeting minutes and resolutions. Toolbox meetings – explaining wat is the goal for the day and any other things going on within the site or company. General meetings – for all necessary staff reporting on the progeress of jobs both positive and negative.

4. **What measures do you have in place regarding WHS policies and procedures? Explain why they are effective. If your company has not yet been opened or established, write about what you may need to implement and why.**
   For WHS policies we have SWMS in place for all work completed onsite which all employees must sign onto before commencing work, Work cover and insurances. Toolbox meetings these are effective because it helps with the job to run smoothly as all risks and hazards are bought to attention of all staff before commencing any work.
5. **Which description in section 2.2 of the Learner Guide applies to your business? Explain how this works in relation to your business.**
   We have an ABN and Tax file number also set up business name with ASIC which is noted on all invoices and quotes
6. **What kind of records do you keep in relation to finance? Explain why each system you use is appropriate for your needs.**
   Xero accounting system and Receipts Invoices – because it is stored and easy to access for accountants, all data is in one place, simple easy to use.
7. **What legislation may affect any contracts associated with the running of your business?**
   Staff disregarding occupational health and safety legislation
8. **What measures could you put in place to detect incidences of non-compliance?**
   Reviewing on a continuous basis Contract Requirement and KPI's
9. **What can you do to ensure legal co-operation with contractual rights and obligations?**
   Signed agreement between both parties with term and conditions
10. **What systems can you implement to ensure you are sourcing the right item, from the right supplier at the right time?**
    Best Purchasing practices
11. **Through the general running of your business, who can you expect to have contracts with? How does each person or company fit into your business plan?**
    Private enterprise, Government departments
    They can fit in Networking for better working practices
12. **Is renting or buying more ideal for your business needs? Explain why and how you made this decision and detail the options that are available to you in this endeavour.**
    Pending on Financial situation and taxation benefits
    Renting - as we are in the position of starting business again and less over heads and not locked in. Easy for cashflow purposes and can claim on tax. If in future business is steady will look at buying.
13. **What is the difference between internal and external threats?**
    Internal is situation you can control external is things you can't control
14. **What are likely or certain risks within your business?**
    -Cash Flow
    -injury to employer
    -Builder or client going bankrupt and not being able to pay for works completed
15. **How can you prioritise risks?**
    Risk matrix, whatever is the highest PI rating

	16. What compulsory insurance must you obtain in order to run your business? What extra or voluntary insurance could you also get, and why? Public liability, Company insurance, work cover.