Business Management Units 1 & 2

Chapter 9 — Legal requirements and external professionals

Aboriginal and Torres Strait Islander content has been excluded as accuracy cannot be guaranteed, and it is better to be respectful than cover the entire curriculum inaccurately.

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Contents

Chapter 9 Legal requirements and external professionals — 9A Key legal requirements for establishing a business

Theory

To **establish** a business is to actually **set it up and begin trading** — the point at which a plan becomes a real, operating business. Before it can lawfully open its doors, a new business must complete a set of **legal requirements**. In Unit 1 you looked *outward* at how legal and government regulations **shape the plan**; now, in Unit 2, the focus shifts to *doing* — the specific registrations, compliance obligations and insurances an owner must **put in place to set the business up** and start trading legally. Most of these requirements are not optional paperwork to be sorted out "later": where the law imposes one — registering a trading name, complying with consumer law, meeting tax obligations, insuring employees — trading without meeting it is an **offence**, and the penalties include fines, legal action, being ordered to stop trading and lasting damage to the new business's reputation.

The study design identifies **five key legal requirements** for establishing a business and requires an **overview** of each. They are set and enforced by **different authorities** — some federal, some state — so a new owner typically has to deal with several bodies at once:

- **registering the business name** — with **ASIC** (the Australian Securities and Investments Commission);
- **registering a website domain** — through **auDA** (.au Domain Administration) and an accredited registrar;
- **trade practices legislation** — the **Australian Consumer Law**, enforced by the **ACCC** (the Australian Competition and Consumer Commission);
- **business tax compliance** — an **ABN, GST, PAYG** and **business (income) tax**, administered by the **ATO** (the Australian Taxation Office); and
- **WorkSafe / workers-compensation insurance** — in Victoria, **WorkCover** insurance registered through **WorkSafe Victoria**.

Each requirement is explained below: **what it is**, and **why a new business must deal with it**.

1. Registering the business name. A **business name** (or trading name) is the name a business **trades under** — the name customers see on the shopfront, the website, invoices and advertising. It is distinct from the owner's own name and, for a company, from the company's registered legal name. In Australia a business name is registered **nationally with ASIC** through the Business Names Register.

- **When it is required.** An owner must register a business name whenever they trade under a name that is **not their own personal name** (for a sole trader or partnership) or not the company's registered name. If Ava Nguyen trades simply as "Ava Nguyen" she need not register; if she trades as **"Sunrise Studio"** she **must**. Before registering, the name must be **checked for availability** (it cannot be identical to an existing registered name) and should be checked against the trademarks register.
- **Why a new business must meet it.** Registration is a **legal condition of trading** under that name — operating under an unregistered business name is an offence. It also gives the public a way to identify **who is behind the business** (transparency and accountability), and it lets the business lawfully use the name on its signage, contracts, marketing and bank account. *(Note: registering a business name is **not** the same as owning it — it does not give exclusive legal rights to the name; that requires a registered **trademark**.)*

2. Registering a website domain. A **domain name** is the business's address on the internet — for example, `sunrisestudio.com.au`. In Australia, **.au** domains are administered by **auDA**, and a business registers its chosen domain through an **accredited registrar** for a set period, after which it must be renewed. A commercial **.com.au** domain generally requires an **Australian presence**, such as an **ABN** or a registered business name — which ties the domain requirement to the other registrations.

- **When it is needed.** Unlike the other four, a domain is **not compelled by law** — no business commits an offence by trading without one. It is nevertheless a standard part of setting up, because almost every new business needs an online presence. The domain should **match the business name** and be registered **early**, before someone else takes it.

- **Why a new business needs it.** A domain gives the business a **professional online identity** — the address for its website and email — which is how modern customers **find, research and often buy from** it. Registering it **secures the name online** so a competitor (or an opportunist) cannot take it, and it underpins the business's marketing, e-commerce and credibility. Failing to secure a matching domain can force a business to trade online under an awkward or confusing address.

3. Trade practices legislation (the Australian Consumer Law). "Trade practices legislation" is the body of law governing **how businesses deal with consumers and compete with one another**. Today it is contained in the **Australian Consumer Law (ACL)**, part of the *Competition and Consumer Act*, and is enforced by the **ACCC** together with state consumer-affairs regulators. It applies to a business from the moment it starts dealing with customers.

- **What it requires.** Among other things, the ACL **prohibits misleading or deceptive conduct** and **false or misleading claims** (for example about price, quality or origin); bans **unconscionable conduct** and **unfair contract terms**; sets **product-safety** standards; and gives consumers **consumer guarantees** — goods and services must be of acceptable quality, fit for their purpose and match their description, backed by rights to a **repair, replacement or refund**.
- **Why a new business must meet it.** Compliance is **compulsory** and cannot be contracted out of. A new business must design its **advertising, pricing, contracts, refund policy and product safety** to comply from day one. Breaches expose it to **ACCC enforcement, substantial fines, court orders and reputational harm** — serious risks for a business still building trust. Meeting the ACL also **protects the business**, because every competitor must trade on the same fair terms.

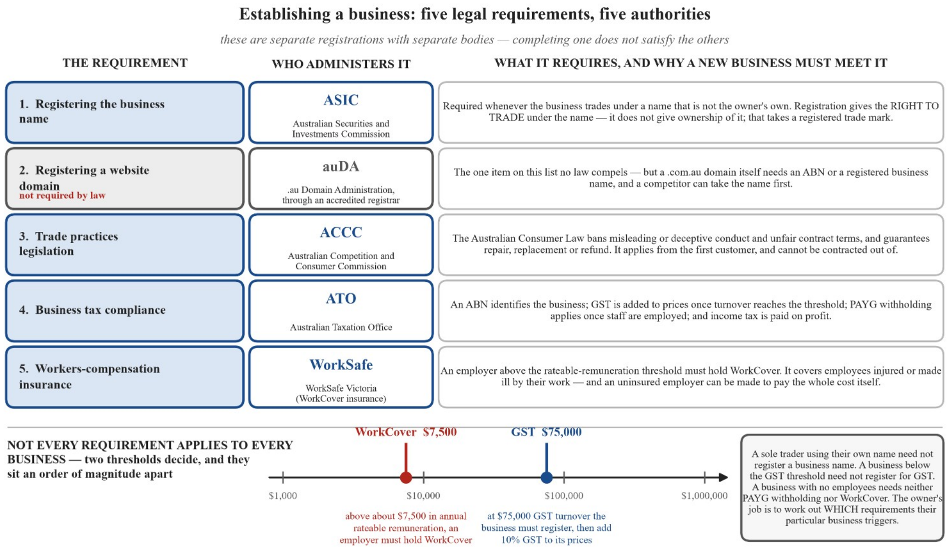
4. Business tax compliance (ABN, GST, PAYG, business tax). A new business must meet a set of **tax obligations** administered by the **ATO**. Getting these in place is part of establishing the business.

- **ABN (Australian Business Number).** An **11-digit number** that identifies the business to the ATO, to other businesses and to government. It is needed to **register for GST**, to **issue proper tax invoices**, and often to **register a .com.au domain**. Without an ABN, other businesses paying the new business must withhold **47%** of the payment, so having one is effectively essential.
- **GST (Goods and Services Tax).** A **10%** tax on most goods and services. A business **must register for GST** once its annual turnover is (or is expected to be) **$75,000 or more**. Once registered, it **adds 10% GST** to its prices, **collects** it from customers, **remits** it to the ATO (through a Business Activity Statement) and can claim **GST credits** on its own purchases. GST therefore affects the business's **pricing**.
- **PAYG (Pay As You Go).** Has two parts: **PAYG withholding** — if the business **employs staff**, it must **withhold income tax from employees' wages** and send it to the ATO; and **PAYG instalments** — the business pre-pays its **own** income tax in instalments across the year.
- **Business (income) tax.** The business must pay **income tax on its profit** and lodge tax returns. A **company** pays **company tax** at a flat rate (a lower rate for base-rate entities), while a **sole trader or partnership's** profit is taxed at the **owner's personal marginal rates**.
- **Why a new business must meet it.** Tax compliance is a **legal obligation**; failing to register, withhold or remit correctly brings **penalties, interest and legal action**. It also shapes practical set-up decisions — the business must build tax into its **prices** (GST), **set aside** money for tax, and keep the **records** needed to lodge accurately.

5. WorkSafe / workers-compensation insurance. A business that **employs staff** has a legal duty to provide a **safe workplace** and to **insure its workers against work-related injury and illness**. In Victoria both are overseen by **WorkSafe Victoria**, and the insurance is called **WorkCover**.

- **What it requires.** An employer must **register for and hold WorkCover insurance** if it employs workers and its expected annual wages (rateable remuneration) exceed a set threshold (currently around **$7,500** in Victoria), or if it employs apprentices or trainees. The insurance covers employees who are **injured or made ill by their work**, providing **weekly payments, medical costs and return-to-work support**. Premiums depend on the **wages paid and the industry's risk**.
- **Why a new business must meet it.** It is **legally required** — employing staff without the required WorkCover insurance is an offence, and an uninsured employer can be made to **pay the full cost** of a worker's injury

itself. The insurance **protects employees** (income and medical support if hurt) and **protects the business** by limiting its liability. It reflects the wider legal duty of care a new employer takes on when it hires people.



Why meeting these requirements matters. Getting the legal requirements right is not merely "red tape". First, the legal ones are **compulsory** — a business that skips a requirement the law imposes on it risks **fines, legal action, forced closure and reputational damage** that can sink a start-up before it establishes itself. Second, they give the business a **lawful, credible footing** that builds the trust of customers, suppliers, lenders and staff. Third, they **protect others** — consumers (through the ACL), employees (through WorkCover) and the wider public (through transparent registration). A well-run set-up therefore treats these requirements as a **foundation** to be laid before trading begins, not an afterthought.

Keep these straight.

- **Establishment view vs the Unit 1 planning overview.** In **Unit 1** you considered legal and government regulations as an *overview* — factors that **shape the plan**. In **Unit 2** you consider the actual legal **requirements of setting the business up** — the registrations, tax obligations and insurances that must be **completed to trade lawfully**. The lens here is *doing*, not planning.
- **Registering a business name is not the same as owning it.** Registration gives the **right to trade** under the name and identifies who runs the business; it does **not** give exclusive legal ownership. Exclusive rights come from a registered **trademark**.
- **These are separate registrations with separate bodies.** A **business name** (ASIC), a **domain** (auDA/registrar), an **ABN and tax** (ATO), **consumer-law compliance** (ACCC) and **WorkCover** (WorkSafe) are distinct requirements — completing one does not satisfy the others.
- **Not every requirement applies to every business.** A sole trader using their **own name** need not register a business name; a business under the **$75,000** turnover threshold need not register for GST; a business with **no employees** may not need PAYG withholding or WorkCover. The owner must work out **which** requirements their particular business triggers.
- **A domain is a commercial necessity, not a legal one.** Registering a business name, complying with the ACL, meeting tax obligations and insuring employees are **required by law**, and trading without one that applies to the business is an **offence**. Registering a **domain** is not: **no law forces a business to have one**. It belongs on the list because a new business realistically **needs** an online address — and because a **.com.au** domain itself requires an **ABN or registered business name**.
- **Know who does what. ASIC** = business names and companies; **auDA** = .au domains; **ACCC** = consumer and competition law; **ATO** = ABN, GST, PAYG and income tax; **WorkSafe Victoria** = workplace safety and WorkCover insurance.

Contemporary example — Avenue Bank, March 2024

Avenue Bank Limited is a Sydney-based Australian bank that provides bank guarantees to business customers.

On **4 March 2024**, **APRA** (the Australian Prudential Regulation Authority) amended Avenue Bank's licence to **remove its restrictions**, allowing it to operate as an **authorised deposit-taking institution (ADI) without restrictions** under the *Banking Act 1959*. APRA had first licensed the business as a **restricted** ADI on **7 September 2021**, so for about two and a half years it could not conduct banking business free of the limits APRA had set.

The event shows a **key legal requirement** in its starkest form. Under the *Banking Act 1959* it is an **offence** to carry on banking business in Australia without an authority from APRA — so no amount of planning, funding or marketing could let this business trade as a full bank until the regulator acted. It also reinforces two points from this subtopic. Requirements are set by **different authorities**: alongside the bodies you have studied — **ASIC** (business name), the **ATO** (ABN, GST, PAYG), the **ACCC** (the Australian Consumer Law) and **WorkSafe** (WorkCover) — a bank must also satisfy **APRA**. And **not every requirement applies to every business**: this licence was triggered by the **industry** the owners chose. The legal requirements really are a **foundation to be laid before trading begins**.

Source: APRA, APRA amends authorised deposit-taking institution licence for Avenue Bank to remove restrictions, 4 March 2024 — https://www.apra.gov.au/news-and-publications/apra-amends-authorised-deposit-taking-institution-licence-for-avenue-bank-to. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Pedal & Post is a bicycle-courier service that Yusuf Karim is establishing in Melbourne. He will trade under the name "Pedal & Post" (not his own name) and employ two riders. Explain **two** key legal requirements Yusuf must meet when establishing the business.

Working	Comment
Registering the business name: because Yusuf will trade as "Pedal & Post" rather than under his own name, he must register that business name with **ASIC** before he can lawfully trade under it.	Identify the first requirement and the body responsible.
This gives the business a **lawful identity** the public can trace to Yusuf and lets him use the name on signage, invoices and marketing.	State **why** the requirement must be met.
WorkCover insurance: because he will **employ two riders**, Yusuf must register for and hold **WorkCover** insurance through WorkSafe Victoria (his wage bill will exceed the threshold).	Identify a second requirement triggered by employing staff.
This covers the riders if they are injured at work — a real risk in courier work — and **protects Yusuf** from having to pay injury costs himself; trading uninsured would be an offence.	State **why** this requirement must be met.
∴ before Pedal & Post can trade, Yusuf must register the business name with ASIC and hold WorkCover insurance, giving the business a lawful footing and protecting his employees.	State the conclusion in establishment terms.

Example 2 — scaffolded

Loyal Paws is a new dog-grooming and pet-supply business. Its owner expects annual turnover of about $120,000 and will employ one part-time groomer. Explain the **business tax** and **insurance** requirements Loyal Paws must meet when establishing.

Working	Comment
Turnover is expected to be **$120,000**, which is above the **$75,000** GST threshold, so Loyal Paws **must register for GST** (and first obtain an **ABN**).	Test the tax facts against the GST threshold.

Working	Comment
It must therefore **add 10% GST** to its prices, collect it and remit it to the **ATO**, and — because it employs a groomer — withhold **PAYG** tax from the groomer's wages.	Explain what the tax requirement means in practice.
Because it **employs staff**, Loyal Paws must also register for and hold **WorkCover** insurance through WorkSafe Victoria to cover the groomer against work-related injury.	Identify the insurance requirement triggered by employing staff.
Meeting these obligations is **compulsory**: failing to register for GST, withhold PAYG or hold WorkCover would expose the business to ATO penalties and prosecution.	Note **why** compliance is not optional.

Example 3 — unscaffolded

Distinguish between **registering a business name** and **registering a website domain** as requirements for establishing a business.

Registering a business name means recording, with **ASIC**, the name a business will **trade under** when it is not the owner's own name; it is a legal condition of trading under that name and identifies who is behind the business. **Registering a website domain** means securing the business's **address on the internet** (such as `name.com.au`) through **auDA** and an accredited registrar, so the business has an online identity for its website and email. The two are **different requirements handled by different bodies**: the business name is a **legal registration of a trading identity** (ASIC), while the domain is the **registration of an online address** (auDA/registrar), and holding one does **not** provide the other. They are related, however, in that a business usually wants the domain to **match** its registered name, and a commercial .au domain generally requires an **Australian presence** (such as an ABN or business name). ∴ both secure the business's identity when it is established — one its legal trading name, the other its online address — but through separate processes and authorities.

Example 4 — unscaffolded

Analyse how complying with **trade practices legislation (the Australian Consumer Law)** can affect a newly established business.

Complying with the **Australian Consumer Law** shapes the way a new business behaves and, through that, its results. Because the ACL **prohibits misleading or deceptive conduct and false claims**, the business *must* design its **advertising and pricing** to be truthful — which **causes** it to make accurate, verifiable claims rather than exaggerated ones. Because the ACL provides **consumer guarantees**, the business *must* build a fair **refund, repair and replacement** policy and ensure its products are of acceptable quality and safe — which **causes** it to invest in quality and clear after-sales processes. These compliance behaviours then flow through to outcomes: honest dealing and reliable guarantees **build customer trust and repeat business**, which is especially valuable for a business still establishing its reputation, while a breach would **cause** ACCC action, fines and reputational damage that a young business can ill afford. The direction of the effect therefore runs **from the legal requirement, to the business's conduct, to its reputation and viability**. ∴ the ACL does more than sit in the background: complying with it actively shapes a new business's marketing, products and customer relations, and getting this right helps it win the trust on which its establishment depends.

Practice questions

Scaffolded

Q1. Define the term *business name*.

Q2. List the **five** key legal requirements for establishing a business identified in the study design.

Q3. Name the body responsible for each of the following: (a) registering a business name; (b) enforcing the Australian Consumer Law; (c) the ABN, GST and PAYG (business tax); (d) WorkCover insurance in Victoria.

Q4. Identify the **four** components of *business tax compliance* a new business must consider.

Q5. A new business will trade under the name "Coastline Ceramics" and expects annual turnover of $90,000. (a) Identify **one** legal requirement this business must meet when establishing. (b) Explain **why** it must meet this requirement.

Q6. Explain the difference between **registering a business name** and **holding a registered trademark**.

Unscaffolded

Q7. Describe what is meant by *registering a business name*. *(2 marks)*

Q8. Distinguish between an **ABN** and **registering a business name**. *(4 marks)*

Q9. Explain why a newly established business must comply with **trade practices legislation (the Australian Consumer Law)**. *(4 marks)*

Q10. Outline the **GST** registration requirement and explain **one** effect it has on a new business. *(4 marks)*

Q11. Explain the purpose of **WorkCover (workers-compensation) insurance** for a business being established with employees. *(3 marks)*

Q12. Explain why **registering a website domain** is important when establishing a business. *(3 marks)*

Q13. Compare the requirement to **register a business name** with the requirement to **hold WorkCover insurance**. *(4 marks)*

Q14. Discuss the requirement for a new business to meet its **business tax obligations** (ABN, GST, PAYG and business tax). *(6 marks)*

Q15. *Case study.* **Rolling Roast** is a mobile coffee van that Tomas Beqiri is establishing. He will trade under the name "Rolling Roast" (not his own name), expects annual turnover of about $140,000, and will employ two casual baristas. He wants the web address `rollingroast.com.au` and will sell coffee and food directly to the public. (a) Identify **one** legal requirement Tomas must meet and the body responsible for it. *(2 marks)* (b) Explain **two** further key legal requirements Tomas must meet when establishing Rolling Roast. *(4 marks)* (c) Analyse how meeting the key legal requirements could affect the establishment and success of Rolling Roast. *(6 marks)*

Q16. Justify why a new business should meet **all** its key legal requirements **before** it begins trading. *(4 marks)*

Q17. Evaluate the view that **registering the business name** is the most important legal requirement a business must meet when it is being established. *(6 marks)*

Q18. Explain how **failing** to meet two key legal requirements could affect a newly established business. *(4 marks)*

Q19. *Extended response.* "Establishing a business lawfully means meeting a range of key legal requirements before trading begins." Analyse how the key legal requirements for establishing a business affect a new business, and evaluate the view that meeting these requirements does more to help than to hinder a business as it is established. *(10 marks)*

Q20. *Contemporary example.* On **4 March 2024**, APRA amended Avenue Bank's licence to remove its restrictions, allowing it to operate as an authorised deposit-taking institution without restrictions under the *Banking Act 1959*. Analyse what this event shows about the **key legal requirements for establishing a business**. *(6 marks)*

Answers

Q1. The name a business *trades under* — the name it presents to customers on its shopfront, website, invoices and advertising — as distinct from the owner's own name or a company's registered legal name. **Q2.** Registering the business name; registering a website domain; trade practices legislation (the Australian Consumer Law); business tax compliance (ABN, GST, PAYG, business tax); WorkSafe / workers-compensation (WorkCover) insurance. **Q3.** (a) ASIC; (b) the ACCC; (c) the ATO; (d) WorkSafe Victoria. **Q4.** ABN; GST; PAYG (withholding and instalments); business (income) tax. **Q5.** (a) Any one of: register the business name "Coastline Ceramics" with ASIC; obtain an ABN and register for GST (turnover above $75,000); comply with the Australian Consumer Law. (b) e.g. it must register the name because it is trading under a name other than the owner's own, which is a legal condition of trading and identifies who is behind the business. **Q6.** Registering a business name = recording a trading name with ASIC (a legal condition of trading under that name); it does **not** give ownership. A registered **trademark** gives **exclusive legal rights** to use a name/logo and to stop others using it. **Q7.** Recording, with ASIC, the name a business will trade under when it is not the owner's own name. See solutions. **Q8.** ABN = an 11-digit ATO identifier for tax and dealings; business-name registration = recording a trading name with ASIC. Different purposes and bodies. See solutions. **Q9.** Compliance is compulsory (misleading conduct, consumer guarantees, product safety); breaches bring ACCC action, fines and reputational harm; it also protects the business through a fair market. See solutions. **Q10.** Must register for GST once turnover is (or is expected to be) $75,000+; effect: must add 10% GST to prices, collect and remit it to the ATO (affects pricing/cash flow). See solutions. **Q11.** Covers employees injured or made ill by work (weekly payments, medical costs, return to work); legally required when employing staff; protects employees and limits the employer's liability. See solutions. **Q12.** Secures a professional online identity/address that customers use to find and buy from the business, matches the business name, and stops others taking it. See solutions. **Q13.** Similarity: both are compulsory legal requirements of establishing (and both give a lawful footing). Difference: business-name registration (ASIC) creates a trading identity and applies whenever trading under a non-own name; WorkCover (WorkSafe) insures employees and applies only when staff are employed. See solutions. **Q14.** Advantages (lawful footing, ability to invoice/claim GST credits, orderly system) vs disadvantages (cost, time, complexity, cash-flow discipline) — no judgement required. See solutions. **Q15.** (a) e.g. register the business name "Rolling Roast" with ASIC / obtain an ABN and register for GST with the ATO / hold WorkCover with WorkSafe. (b) e.g. GST registration (turnover above $75,000) + WorkCover (employs baristas), each explained. (c) meeting the requirements gives a lawful, credible footing and protects customers/staff but adds cost and time — analysed causally. See solutions. **Q16.** So the business can trade **legally** from day one, avoid fines/closure, and start with the trust of customers, staff and lenders; leaving them undone risks penalties and a forced stop. See solutions. **Q17.** For: it is a precondition of trading under the chosen name and creates the public identity the business builds on. Against: it applies only when trading under a name other than the owner's own, whereas ACL and tax obligations apply to every business and WorkCover carries far graver consequences. Judgement: foundational but not automatically the most important — it depends which requirements the business triggers. See solutions. **Q18.** e.g. trading under an unregistered name or without WorkCover → offences, fines, liability for injury costs, and reputational damage that can stop a new business establishing. See solutions. **Q19.** Model response in solutions. **Q20.** A legal requirement can be an absolute **precondition of establishment** — carrying on banking business without an APRA authority is an offence, so the business could not trade as a full bank until 4 March 2024, about two and a half years after its restricted licence. Also shows requirements set by **different authorities** (APRA alongside ASIC, ATO, ACCC, WorkSafe) and that **not every requirement applies to every business** — this one was triggered by the industry chosen. See solutions.

Fully-worked solutions

Q7. *Registering a business name* means recording with **ASIC** the name that a business will **trade under** when that name is **not the owner's own name** (or, for a company, not its registered legal name). It is a legal condition of lawfully trading under that name and allows the public to identify who is behind the business.

Q8. An **ABN (Australian Business Number)** is an **11-digit number issued by the ATO** that identifies a business for **tax and dealings** with other businesses and government — it is needed to register for GST and to issue tax invoices. **Registering a business name** is recording, with **ASIC**, the **name a business trades under**. The two therefore differ in **purpose** (a tax/identity number versus a trading name), in the **body** responsible (ATO versus ASIC), and in what they enable (dealing with the tax system versus lawfully trading under a chosen name). A single business will usually need **both**.

Q9. A newly established business must comply with **trade practices legislation (the Australian Consumer Law)** because compliance is **compulsory** and cannot be avoided. The ACL, enforced by the **ACCC**, **prohibits misleading or deceptive conduct and false claims**, requires products to be **safe and of acceptable quality**, and gives customers **consumer guarantees** (rights to a refund, repair or replacement). A new business must therefore shape its **advertising, pricing, contracts and after-sales service** to comply. If it does not, it risks **ACCC enforcement, substantial fines, court orders and reputational damage** — serious threats to a business still building its name. Complying also **protects the business**, because every competitor must trade on the same fair terms.

Q10. The **GST registration requirement** is that a business **must register for GST** once its annual turnover **is, or is expected to be, $75,000 or more** (below that it may register voluntarily). **One effect** on a new business is on its **pricing and cash flow**: once registered it must **add 10% GST** to the prices it charges, **collect** that GST from customers and **remit** it to the ATO through a Business Activity Statement (while being able to claim GST credits on its own purchases). This means the business must set its prices and manage its cash with the GST it collects in mind, since that money is owed to the ATO rather than being the business's own.

Q11. The purpose of **WorkCover (workers-compensation) insurance** is to **cover employees who are injured or become ill because of their work** — providing them with **weekly payments, medical and rehabilitation costs and support to return to work**. For a business being established with employees, holding this insurance is **legally required** once its wage bill exceeds the threshold, and it serves two purposes: it **protects employees** by guaranteeing support if they are hurt, and it **protects the business** by covering those costs rather than leaving the employer to pay them directly. Employing staff without the required cover is an offence.

Q12. Registering a website domain is important when establishing a business because a domain is the business's **address on the internet** — the home of its **website and email** — and a modern business relies on an online presence to be found and used by customers. Securing a domain (ideally one that **matches the business name**) gives the business a **professional, credible online identity**, supports its **marketing and e-commerce**, and **stops a competitor or opportunist from taking the name** online. Without a suitable domain, a new business can be hard to find or forced to trade under a confusing web address, weakening its ability to attract customers from the start.

Q13. Both **registering a business name** and **holding WorkCover insurance** are **compulsory legal requirements** that a business must meet when establishing, and **both give it a lawful footing** — so in that respect they are **similar**. **However**, they differ in several ways. The **body** differs: business names are registered with **ASIC**, while WorkCover is arranged through **WorkSafe Victoria**. Their **purpose** differs: registering a name creates a **lawful trading identity** the public can trace, whereas WorkCover **insures employees against work injury**. And their **trigger** differs: a business name must be registered whenever a business **trades under a name other than the owner's own**, while WorkCover is only required once the business **employs staff** above the wage threshold — so a solo owner using their own name may need neither, one, or both depending on their situation. They are therefore alike as compulsory set-up requirements but different in purpose, administering body and what makes them apply.

Q14. Meeting **business tax obligations** (ABN, GST, PAYG and business tax) has both benefits and drawbacks for a new business. *Advantages:* obtaining an **ABN** lets the business **issue proper tax invoices** and avoid having 47% withheld from payments, and lets it **register for GST** and **claim GST credits** on its purchases; complying overall gives the business an **orderly, lawful footing** and keeps it clear of penalties. *Disadvantages:* compliance adds **cost and time** — registering, lodging Business Activity Statements, withholding PAYG from wages and setting money aside for tax all take effort and **discipline over cash flow**, and GST effectively **raises the prices** customers pay; for a first-time owner the **complexity** of dealing with the ATO can be daunting. *Overall,* tax compliance imposes a genuine administrative and cash-flow burden on a new business, but it is unavoidable and gives the business a legitimate, penalty-free footing. *(Discuss requires both advantages and disadvantages; avoid double-dipping by turning one point into both sides.)*

Q15. (a) One requirement is to **register the business name "Rolling Roast" with ASIC** (accept also: obtain an **ABN**/register for **GST** with the **ATO**; hold **WorkCover** insurance with **WorkSafe Victoria**). The body must correctly match the requirement named. (b) *Requirement 1 — GST registration:* Rolling Roast expects turnover of **$140,000**, above the **$75,000** threshold, so Tomas **must obtain an ABN and register for GST**, adding 10% GST to prices and remitting it to the ATO. *Requirement 2 — WorkCover insurance:* because he will **employ two baristas**, Tomas must **register for and hold WorkCover** insurance through WorkSafe Victoria to cover them against work-related injury, which would otherwise be an offence and leave him personally liable. (Accept also: registering the business name with ASIC; complying with the ACL on its coffee/food sales.) Each requirement must be explained, not just named. (c) Meeting the key legal requirements would shape both the **establishment** and the **success** of Rolling Roast. Registering the **business name** and securing the **domain** give the van a **lawful, recognisable identity** on its signage and online, which *causes* customers to find and trust it — helping it build a base quickly. Registering for **GST and an ABN** *causes* Tomas to build tax into his **prices and cash flow** and lets him invoice and claim credits properly, keeping the business orderly and penalty-free. Complying with the **Australian Consumer Law** on the coffee and food he sells *causes* him to advertise honestly and sell safe, acceptable-quality products, protecting the reputation a new van depends on. Holding **WorkCover** *causes* his baristas to be protected and *protects Tomas* from having to meet injury costs himself. Each requirement adds some **cost and time** at set-up, which could strain a small start-up's resources; but the direction of the overall effect runs **from meeting the requirement, to a lawful and trusted operation, to a stronger chance of establishing successfully**. ∴ meeting the requirements is not merely a hurdle — it gives Rolling Roast the lawful footing, protection and credibility it needs to establish itself. *(A full-mark answer shows causal links from the requirements to establishment/success and applies directly to Rolling Roast.)*

Q16. A new business **should** meet all its key legal requirements **before** it begins trading because doing so is what allows it to operate **lawfully and securely from the outset**. First, several requirements are **preconditions of trading**: it cannot lawfully trade under an unregistered business name, employ staff without WorkCover, or collect GST without registering — so meeting them first is the only way to open **legally**. Second, doing it beforehand **avoids penalties and disruption**: a business caught trading without the right registrations or insurance faces **fines, legal action and even a forced stop**, which is far more damaging once customers and commitments exist. Third, a compliant set-up gives the business **credibility and trust** with customers, suppliers, lenders and staff from day one, and lets the owner **budget the cost and time** of compliance into the plan rather than being caught out. Leaving requirements until "later" risks operating illegally, incurring penalties and undermining the very reputation the business is trying to build — so meeting them first is clearly the sounder course. *(Justify requires arguing* why* it is worthwhile, with reasons, not merely describing the requirements.)*

Q17. The view that **registering the business name** is the most important legal requirement when establishing a business has a real basis, but it does not hold up as a general claim. *Supporting the view:* registration is a **precondition of trading** — a business that trades under a name that is not the owner's own without registering it with **ASIC** commits an **offence**, so it cannot lawfully trade under that name until the registration is complete. It also creates the **public identity** everything else is built on: the signage, invoices, marketing and bank account all carry the registered name, a **.com.au** domain requires an ABN or registered business name behind it, and the register lets customers see **who is behind the business**. *Against the view:* the requirement is **conditional** — an owner trading under their **own name** does not need it at all — whereas compliance with the **Australian Consumer Law** binds every business that deals with customers and **tax obligations** bind every business that earns income. The consequences of breaching those are also graver: ACCC enforcement brings substantial fines and court orders, and employing staff without **WorkCover** can leave an owner personally liable for the **full cost of a worker's injury** — a liability that can end a start-up outright. Registration, by comparison, is cheap, quick and easily put right. **On balance**, registering the business name is better described as **foundational** than as **most important**: it comes first in time and anchors the business's identity, but the requirements that apply universally and carry the heaviest consequences — the ACL, tax compliance, and WorkCover once staff are hired — do more to determine whether the business survives. The most defensible judgement is that **no single requirement ranks above the rest for every business**; which matters most depends on **which ones that particular business triggers**. *(Evaluate requires weighing both sides and reaching an evidence-based judgement, not a bare "advantages outweigh disadvantages".)*

Q18. Failing to meet key legal requirements can seriously harm a newly established business. *Failure 1 — trading under an unregistered business name:* trading as, say, "Bloom Room" without registering the name with ASIC is an **offence**, so the business could face **penalties** and be **forced to stop** using the name it has advertised under — wasting its early marketing and confusing customers. *Failure 2 — employing staff without WorkCover insurance:* if the business hires workers without the required cover and one is injured, the employer can be **prosecuted** and made to **pay the full cost of the injury** itself, a liability that could be **financially crippling** for a start-up. In both cases the consequences — fines, legal action, unexpected costs and **reputational damage** — fall hardest on a business that is still trying to establish itself, and can undermine or even end it before it becomes viable. Meeting the requirements from the start avoids these avoidable risks.

Q19. *Model response (10 marks).* To **establish** a business is to set it up and begin trading lawfully, and the study design identifies several **key legal requirements** an owner must meet to do so: **registering the business name** (with ASIC) when trading under a name other than the owner's own; **registering a website domain** (through auDA and a registrar) to secure an online identity; complying with **trade practices legislation — the Australian Consumer Law** (enforced by the ACCC); meeting **business tax obligations** — an **ABN, GST** (once turnover reaches $75,000), **PAYG** and **business tax** (administered by the ATO); and holding **WorkSafe / WorkCover insurance** (through WorkSafe Victoria) once staff are employed. Because these are set by different authorities and most of them are compulsory, a new owner must work out **which apply** and put them in place before trading.

Each requirement **causes** the new business to behave in particular ways and produces particular effects. Registering the **name** and **domain** *causes* the business to have a **lawful, recognisable identity** on its shopfront and online, which helps customers find and trust it. Complying with the **ACL** *causes* it to advertise honestly, sell safe and acceptable-quality products and offer fair refunds — which builds the **customer trust** a young business depends on and avoids ACCC penalties. Meeting **tax obligations** *causes* it to build GST into its **prices**, withhold PAYG from wages and keep the records to lodge correctly, giving it an **orderly, penalty-free footing**. Holding **WorkCover** *causes* its employees to be protected and *protects the business* from bearing injury costs itself. The requirements also add **cost and time** at set-up. The direction of influence therefore runs **from the legal requirement, to the business's conduct, to its lawfulness, protection and reputation**.

The view that meeting these requirements does **more to help than to hinder** a business as it establishes is **largely defensible, though not one-sided**. On the **hinder** side, the requirements impose genuine **costs, time and complexity** — fees, premiums, tax lodgements and dealing with several bodies — that burden a start-up's limited resources and can slow its launch. On the **help** side, they give the business a **lawful, credible footing**, **protect** consumers and employees, and shield the business from **fines, lawsuits, liability and forced closure** — outcomes that can destroy a new business outright. A business that meets its requirements can trade **securely and be trusted** from day one, while one that does not risks being **stopped before it establishes**. **On balance**, although meeting the requirements is a real burden of cost and time, the lawful footing, protection and trust they provide are worth far more to a fragile new business than the effort of compliance; the requirements therefore do **more to help than to hinder** — provided the owner identifies which apply and builds their cost and time into the plan. *(Full marks require: accurate coverage of the key legal requirements; a genuine, causal analysis of how they affect a new business; direct application to a business context; and a sustained, two-sided evaluation of the "help versus hinder" claim reaching a justified judgement.)*

Q20. The Avenue Bank event shows a **key legal requirement** acting as an absolute **precondition of establishment**. Because it is an **offence** under the *Banking Act 1959* to carry on banking business in Australia without an authority from **APRA**, the requirement *caused* the business to operate under a **restricted** licence — granted on **7 September 2021** — for about two and a half years, until APRA amended the licence on **4 March 2024** so that it could operate **without restrictions**. The direction of the effect therefore runs **from the legal requirement, to when and how the business could trade**: no amount of planning, funding or marketing could bring it forward, because only the regulator could remove the restriction. The event also illustrates two further ideas from this subtopic. First, legal requirements are set and enforced by **different authorities**, so an owner may have to deal with several bodies at once: Avenue Bank still had to meet the requirements every business faces — **ASIC** for its business name, the **ATO** for its **ABN, GST and PAYG**, the **ACCC** under the **Australian Consumer Law**, and workers-compensation cover as an employer — and satisfy a federal prudential regulator on top of them. Second, **not every requirement applies to every business**: this licence was triggered by the **industry** the owners chose, which is why an owner must work out **which** requirements their particular business triggers. ∴ the case demonstrates that the legal requirements are a **foundation to be laid before trading begins** rather than paperwork to be sorted out later — meeting them delayed and shaped this business's establishment, but it was also the only thing that gave it a **lawful footing** to trade. *(A full-mark answer draws causal links from the legal requirement to the business's establishment, uses the subtopic's terminology, and applies the dated event rather than merely repeating it.)*

Chapter 9 Legal requirements and external professionals — 9B The role of external professionals when establishing a business

Theory

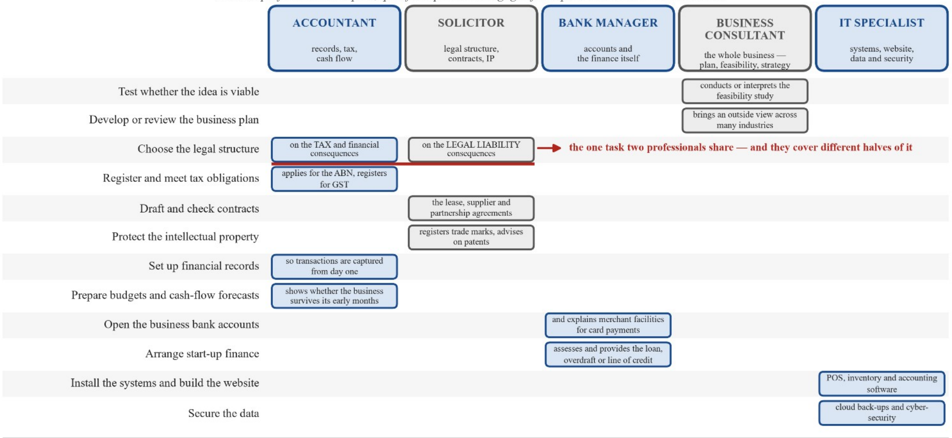
When a person moves from **planning** a business to **establishing** it — actually setting the business up so it can open its doors — they face a long list of specialist tasks: choosing and registering a legal structure, drawing up contracts, setting up financial records and tax, arranging finance, opening bank accounts, building the systems and website the business will run on, and checking that the whole venture will work. Almost no one who starts a business has professional-level skill across **all** of these areas at once. To fill these gaps, a person establishing a business engages **external professionals — qualified, paid specialists from outside the business who provide the expert advice and services the owner does not have the expertise, qualifications or time to provide themselves.** Using them means the business is **set up correctly, legally and efficiently from the start**, which reduces the risk of costly early mistakes and gives the new business a solid foundation on which to trade. This subtopic gives an **overview** of five key professionals — **accountants, solicitors, bank managers, business consultants and IT specialists** — and the role each plays in getting a business established.

- **Accountants.** An accountant is a financial specialist who helps a new business **manage its money and meet its tax and reporting obligations**. When establishing a business, an accountant advises on which **business structure** — sole trader, partnership or company — is most **tax-effective** for the owner, explaining how each option is taxed and what it means for the owner's income. They help the owner **register for the tax obligations** a new business must meet (for example applying for an Australian Business Number and, where required, registering for GST), and set up a **system for keeping financial records** so transactions are captured accurately from day one. An accountant also prepares **budgets and cash-flow forecasts**, which show whether the business will have enough money to survive its early months — which matters because **running short of cash** is one of the most frequent reasons new businesses fail early on. By getting the financial foundations right, an accountant helps the business establish itself on a **financially sound and tax-compliant** footing.
- **Solicitors (lawyers).** A solicitor is a legal specialist who helps a new business **get its legal affairs right**. When establishing a business, a solicitor advises on the most appropriate **legal structure** and its **legal consequences** — in particular the owner's **liability** for the business's debts. They **draft and check the contracts** a new business relies on, such as a lease for premises, supplier agreements, a partnership agreement between co-owners, employment contracts and the terms and conditions offered to customers. A solicitor also helps the business **comply with the law** that applies to it — the licences, permits and registrations it needs before it can trade — and protects the owner's **intellectual property (IP)** by registering **trademarks** (such as the business name and logo), advising on **patents** for inventions, and explaining **copyright**. By settling these legal matters before the business opens, a solicitor protects the owner from **penalties, disputes and expensive legal trouble** down the track.
- **Bank managers.** A bank manager (or business banker) is the point of contact at a bank who helps a new business **arrange its banking and finance**. When establishing a business, a bank manager helps the owner **open the business bank accounts** it needs and explains the accounts and services available — such as **merchant facilities** for accepting card payments. Crucially, the bank manager is the person who **assesses and arranges finance**: a start-up loan, an **overdraft** or a **line of credit** to fund the costs of getting established, such as equipment, a fit-out or initial stock. The bank manager explains the **interest rates, fees and repayment terms** so the owner can choose finance they can afford, and may refer the owner to related products such as business insurance. By providing access to **accounts and finance**, a bank manager helps supply the **money and banking infrastructure** a business needs to get up and running.
- **Business consultants (advisers).** A business consultant is a general business specialist who gives a new owner **objective, expert advice on the business as a whole**. When establishing a business, a consultant helps the owner **develop or review the business plan**, conduct or interpret a **feasibility study** to test whether the idea is genuinely viable before money is committed, and shape the business's **strategy** — how it will position itself, price its offering, reach customers and grow. Because consultants have worked across **many businesses and industries**, they bring an **outside perspective** that can spot risks and opportunities the owner, close to their own idea, may miss. By strengthening the plan and testing the idea before launch, a business consultant helps the owner establish the business on a **well-considered and realistic** basis rather than by guesswork.

- **IT specialists.** An IT (information technology) specialist helps a new business **set up the technology it needs to operate**. When establishing a business, an IT specialist installs the **hardware and software systems** the business will run on — computers, networks and **point-of-sale, inventory or accounting software** — and builds the business's **website or online store** and sets up its domain. They also organise the business's **data**: setting up **customer databases**, arranging **cloud storage and back-ups**, and putting in place **cyber-security** to protect the business's and its customers' information. Good IT support lets a new business **trade online and run its day-to-day systems smoothly from opening day**, without having to hire permanent IT staff of its own.

Who does what when a business is being established

external professionals are paid, qualified specialists engaged for expertise the owner does not have



Each professional is valued for the specific establishment task they perform and the risk they reduce — setting the business up correctly, legally, affordably and efficiently — not merely for being available.

Distinguishing the professionals — who does what. Several of these professionals deal with money or advice, so it is important to keep their roles apart. An **accountant** *advises on and manages the business's finances* — records, tax, cash flow and the financial side of structure — but does **not** lend money or hold the accounts. A **bank manager** *provides the banking products and the finance itself* — the accounts and the loan — but does **not** prepare the business's records or tax. Both an **accountant** and a **solicitor** may advise on **business structure**, but from **different angles**: the accountant looks at the **tax and financial** consequences, while the solicitor looks at the **legal liability and legal** consequences. A **business consultant** advises on the **whole business** — its plan, feasibility and strategy — rather than on a single specialist area, whereas the accountant, solicitor and IT specialist each cover one specialist field.

Key ideas to keep straight.

- External professionals are **paid, qualified specialists from outside the business** engaged for their **expertise**. They differ from an owner's own informal networks or a mentor: their role is to perform or advise on **specific establishment tasks** the owner cannot do as well themselves.
- **An accountant is not a bank manager.** The accountant *advises on and manages finances* (records, tax, cash flow, structure); the bank manager *provides the accounts and lends the finance*.
- **An accountant and a solicitor both advise on structure, but differently** — the accountant on the **tax/financial** implications, the solicitor on the **legal liability** implications.
- **A business consultant looks at the whole business** (planning, feasibility, strategy); the accountant, solicitor and IT specialist each cover **one specialist field**.
- Each professional is valued for the **specific establishment task they perform and the risk they reduce** — setting the business up correctly, legally, affordably and efficiently — not merely for being available. Keep the **establishment framing**: these professionals help turn a *business plan* into a **legally compliant, financially sound and operational business**.

Contemporary example — Sigma Healthcare, December 2024

Sigma Healthcare was, in 2024, an ASX-listed pharmaceutical wholesaler and retail pharmacy franchisor with its registered office at Clayton in Victoria.

On 18 December 2024 Sigma issued its shareholders a *Notice of Extraordinary General Meeting and Explanatory Memorandum* on a proposed merger with Chemist Warehouse. Much of that document was the work of **external professionals** the business had engaged. Appendix 2 was an **independent expert's report** by Grant Thornton Corporate Finance, giving an opinion on whether certain arrangements with related parties were fair and reasonable to shareholders not associated with them; Appendix 3 was an **investigating accountant's report** by PricewaterhouseCoopers Securities on the financial information in the document. The memorandum also listed Sigma's legal adviser (Gilbert + Tobin), tax adviser (KPMG) and auditor (Deloitte Touche Tohmatsu). Sigma announced that the **Federal Court of Australia** approved the scheme of arrangement on 3 February 2025, and that the scheme was implemented on 12 February 2025.

The principle is the one this subtopic teaches, at a much larger scale. Each of these firms is a **qualified, paid specialist from outside the business**: the accounting firms supplied the **financial and tax** expertise, the law firm the **legal** work. Note also *why* the expert had to be external: an opinion on fairness carries weight only if it comes from someone **independent of the business**, so Sigma could not supply it in-house however skilled its own staff. The same logic applies to a person establishing a small business: the professional is engaged for **expertise, qualifications and objectivity the owner does not have**.

Source: Sigma Healthcare Limited, Notice of Extraordinary General Meeting and Explanatory Memorandum, 18 December 2024 — https://announcements.asx.com.au/asxpdf/20241218/pdf/06ctgx1qrfj3c0.pdf. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Nomi is establishing **Copperline Plumbing** as a sole trader and has never kept business records or dealt with business tax. Explain how an **accountant** could assist Nomi when establishing the business.

Working	Comment
Identify the professional: an accountant is a financial specialist who helps a new business manage its money and meet its tax obligations.	Start by naming the professional in the context.
Nomi lacks financial and tax experience, so an accountant could advise her on the tax implications of operating as a sole trader, register her for an ABN and GST, and set up a system to record her income and expenses.	Link the accountant's specific tasks to Nomi's establishment needs.
The accountant could also prepare a cash-flow forecast so Nomi knows Copperline will have enough money to cover its early costs.	Add a second establishment task and its purpose.
∴ an accountant helps Nomi establish Copperline Plumbing on a financially sound and tax-compliant footing, reducing the risk of early financial or tax errors.	State the conclusion.

Example 2 — scaffolded

Elias has an idea for a **meal-kit delivery service**, but he has never run a business, is not sure whether enough people in his area would buy it, and does not know how to turn the idea into a workable plan. Propose and justify an **external professional** he could engage.

Working	Comment
Elias's gap is not one technical task but the **business as a whole** — whether the idea will work and how it should be planned — so a **business consultant** is the professional who addresses it.	Match the need to the right professional.
A business consultant would help Elias **develop and**	Set out what the professional would actually do —

Working	Comment
review a business plan, carry out a **feasibility study** to test whether there is genuine demand for meal kits in his area, and shape the **strategy** — how the service will be positioned, priced and marketed.	proposing means more than naming it.
This matters because Elias is about to commit his own money to an untested idea. A consultant who has worked across many businesses will see weaknesses in the idea that Elias, invested in it himself, cannot — and if the venture is not viable, he learns that **before** he spends.	Justify by arguing the benefits for Elias.
∴ a business consultant is appropriate because Elias's gap is whole-business judgement rather than a specialist task, and testing the plan before launch protects the money and time he is about to commit.	State the justified conclusion.

Example 3 — unscaffolded

Distinguish between an **accountant** and a **bank manager** as external professionals used when establishing a business.

An **accountant** is a financial specialist who **advises on and manages a new business's finances** — recommending a suitable structure for **tax** purposes, registering the business for its **tax obligations**, setting up its **record-keeping**, and preparing **budgets and cash-flow forecasts**. A **bank manager** is the bank contact who **provides the business's banking and finance** — helping **open the business accounts**, arranging **merchant facilities**, and **assessing and approving loans, overdrafts or lines of credit** to fund establishment costs. The key difference is **what each provides**: an accountant *gives financial advice and manages the numbers* but does not lend money or hold the accounts, whereas a bank manager *supplies the accounts and the finance itself* but does not prepare the business's records or tax. ∴ both deal with the money side of a new business, but the accountant manages and advises on the finances while the bank manager provides the banking and the finance.

Example 4 — unscaffolded

Analyse how engaging a range of external professionals could affect the successful establishment of a new business.

Establishing a business well depends on a chain of specialist jobs being done properly, and external professionals are what allow that chain to hold. A founder is usually expert in their trade, not in company law, taxation, banking, strategy and information technology as well; engaging a solicitor, accountant, bank manager, consultant and IT specialist therefore means **each of those jobs is done to a professional standard** rather than attempted by an amateur. The immediate effect is that the business is **set up correctly** — valid contracts, compliant tax, adequate finance, a tested plan and working systems. The knock-on effect is that the **specific failures that most often sink new businesses are avoided**: a contract that will not hold up, an unnoticed tax liability, running out of money, launching an unviable idea, or a breach of customer data. Avoiding these keeps the business **solvent, lawful and operational** through the fragile opening period, while the professionals' input also sharpens the **owner's own decisions**, since these are now made on expert advice rather than guesswork. ∴ external professionals lift the standard of every establishment task, and this in turn strips out the common causes of early failure — so the more competently these specialists set the business up, the more successfully it becomes established.

Practice questions

Scaffolded

Q1. Define the term *external professional*.

Q2. List **five** external professionals whose services a person could use when establishing a business.

Q3. For each of the following, name the external professional being described: (a) drafts a partnership agreement and advises on the legal liability of each owner; (b) assesses a loan application and arranges an overdraft to fund a fit-out; (c) builds the business a website and sets up secure customer databases.

Q4. Identify **two** ways an **accountant** could help a person establishing a business.

Q5. Priya is establishing a café and needs to borrow money to pay for the fit-out and equipment. (a) Identify the most appropriate external professional for Priya. (b) Explain why this professional suits Priya's situation.

Q6. Explain the difference between an **accountant** and a **bank manager**.

Unscaffolded

Q7. Outline the role of an **accountant** when establishing a business. *(2 marks)*

Q8. Outline how an **IT specialist** could assist a business being established. *(2 marks)*

Q9. Describe how a **solicitor** could help a person establishing a business. *(3 marks)*

Q10. Explain how a **bank manager** could assist a person establishing a business. *(3 marks)*

Q11. Distinguish between a **business consultant** and an **IT specialist**. *(4 marks)*

Q12. Discuss engaging a **business consultant** to help establish a business. *(6 marks)*

Q13. Compare an **accountant** and a **solicitor** as external professionals used when establishing a business. *(4 marks)*

Q14. Propose and justify **one** external professional a person could engage to help establish an online retail business. *(4 marks)*

Q15. Analyse how engaging an **accountant** could affect the financial position of a business as it is being established. *(6 marks)*

Q16. Justify why a person establishing a business should engage a **solicitor**. *(4 marks)*

Q17. *Case study.* **Marlow & Reed Joinery** is being established by two skilled cabinetmakers, Sana Marlow and Tom Reed, who plan to make custom furniture and fitted kitchens together as a **partnership**. Neither has run a business before. They need to set the partnership up correctly and agree how profits and responsibilities will be shared, they need about $80,000 to lease and fit out a workshop, they want a professional website to showcase their work and take enquiries, and they are not sure whether there is enough demand to make the business viable. (a) Identify **two** external professionals Marlow & Reed could use when establishing the business. *(2 marks)* (b) Explain how a **solicitor** could help Sana and Tom establish the partnership. *(3 marks)* (c) Analyse how engaging a **bank manager** could affect Marlow & Reed's ability to establish its workshop. *(4 marks)*

Q18. Evaluate the view that the external professionals a person needs when establishing a business depend entirely on the **type of business** being established. *(6 marks)*

Q19. *Extended response.* Setting up a business calls on the services of a range of external professionals — accountants, solicitors, bank managers, business consultants and IT specialists. Analyse how these professionals can assist a person establishing a business, and evaluate the view that a new business should always engage professionals rather than the owner attempting the tasks themselves. *(10 marks)*

Q20. *Contemporary example.* On 18 December 2024, **Sigma Healthcare** issued its shareholders an explanatory memorandum on a proposed merger that included an **independent expert's report** prepared by an outside corporate finance firm and an **investigating accountant's report** prepared by an outside accounting firm. Analyse how Sigma's use of these professionals reflects the reasons a person establishing a business engages **external professionals**. *(5 marks)*

Answers

Q1. A qualified, paid specialist from outside the business who is engaged to provide expert advice or services the owner does not have the expertise, qualifications or time to provide themselves. **Q2.** Any five, e.g.: accountant; solicitor (lawyer); bank manager; business consultant (adviser); IT specialist. **Q3.** (a) solicitor; (b) bank manager; (c) IT specialist. **Q4.** Any two, e.g.: advise on structure for tax purposes; register the business for tax (ABN/GST); set up a record-keeping system; prepare budgets and cash-flow forecasts. **Q5.** (a) A bank manager. (b) The bank manager can assess and arrange the loan or finance Priya needs to pay for the café's fit-out and equipment, and explain the interest and repayment terms so she can afford it. **Q6.** An accountant advises on and manages the business's finances (structure for tax, tax registration, records, cash flow); a bank manager provides the banking and the finance itself (accounts, loans, overdrafts). **Q7.** Advises on financial/tax matters — structure, tax registration, record-keeping and cash-flow — so the business is established on a financially sound, tax-compliant footing. See solutions. **Q8.** Sets up systems, builds the website/online store and organises secure data so the business can run and sell online from opening day. See solutions. **Q9.** Advises on legal structure and liability, drafts/checks contracts, ensures legal compliance and protects IP, reducing legal risk. See solutions. **Q10.** Helps open business accounts and assesses/arranges finance (loan, overdraft) to fund establishment costs, explaining affordable terms. See solutions. **Q11.** Business consultant = objective advice on the whole business (plan, feasibility, strategy); IT specialist = builds the technology in one specialist field (systems, website, data security); differ in breadth and in advice vs working systems. See solutions. **Q12.** Advantages (objective expertise, stronger plan, feasibility tested, spots risks) vs disadvantages (cost, generic advice, owner may over-rely). See solutions. **Q13.** Both are paid specialists advising a new business, and both may advise on structure (similarity); accountant covers finances/tax, solicitor covers legal matters/liability (difference). See solutions. **Q14.** e.g. an IT specialist to build the online store and secure data; justified because online retail depends on a working, secure website the owner cannot build alone. See solutions. **Q15.** Structure chosen for tax + registered for tax (ABN/GST) → no unexpected liability or penalty; records set up → accurate figures behind spending decisions; budget and cash-flow forecast → shortfalls seen in advance and covered → the business does not run out of cash. See solutions. **Q16.** A solicitor gets structure, contracts, compliance and IP right, avoiding costly disputes/fines that would outweigh the fee — so engaging one is worthwhile. See solutions. **Q17.** (a) Any two, e.g. solicitor, accountant, bank manager, business consultant, IT specialist. (b) & (c) See solutions. **Q18.** Evaluation — the type of business does shape which professional matters most (an online business needs an IT specialist, a partnership a solicitor, a capital-hungry one a bank manager), but choosing a structure, tax, records and banking are common to every business, and complexity, funds and the owner's own expertise also count; judgement: type sets the priorities, not whether professionals are needed. See solutions. **Q19.** Model response in solutions. **Q20.** The same principle at a larger scale — paid specialists engaged from outside for expertise (and, for the independent expert, independence) the business cannot supply itself → the specialist task is done to a professional standard → the risk of an unsound or non-compliant decision falls. See solutions.

Fully-worked solutions

Q7. An **accountant** is a **financial specialist** whose role when establishing a business is to help the owner **manage its money and meet its tax obligations**. In establishing a business this includes **advising on the financial and tax implications of the business structure**, **registering the business for tax** (for example an ABN and GST), setting up a **system to record its transactions**, and preparing **budgets and cash-flow forecasts**. This helps the business begin trading on a **financially sound and tax-compliant** footing.

Q8. An **IT specialist** could assist a business being established by **setting up the technology it needs to operate**. For example, they could **build the business's website or online store** and install its **point-of-sale, inventory or accounting software**, and set up **secure data storage, back-ups and cyber-security** for customer information. This lets the new business **run its systems and sell online from opening day**, without having to take on its own IT employee.

Q9. A **solicitor** could help a person establishing a business by **handling its legal set-up**. The solicitor can **recommend a legal structure to suit the owner** and explain the **liability** that comes with it, **prepare and review the contracts** the business will depend on — a lease, supplier deals or a partnership agreement — and make sure it **meets the legal requirements** for trading, including registering a **trademark** to secure the business name and logo. Settling these legal matters before opening protects the owner from **disputes, penalties and expensive legal trouble** once the business is running.

Q10. A **bank manager** could assist a person establishing a business by **arranging its banking and finance**. The bank manager helps the owner **open the business bank accounts** it needs and set up services such as **card-payment (merchant) facilities**, and — most importantly — **assesses and arranges the finance** the business needs to get established, such as a **start-up loan, an overdraft or a line of credit** to pay for equipment, a fit-out or initial stock. By explaining the **interest, fees and repayment terms**, the bank manager also helps the owner choose finance they can **afford**, supplying the money and banking infrastructure the business needs to begin operating.

Q11. A **business consultant** is a general business adviser who gives a new owner **objective advice on the business as a whole**: helping **develop or review the business plan**, running a **feasibility study** to test whether the idea is viable before money is committed, and shaping its **strategy** — the market it will aim at, what it will charge and how it will win customers. An **IT specialist** is a technical specialist who **sets up the technology the business will operate on**: installing its **hardware and software systems**, building its **website or online store**, and arranging its **data storage, back-ups and cyber-security**. The two therefore differ in **breadth** and in **what each delivers**: the consultant covers **every part of the business** but delivers **advice and judgement** the owner must then act on, whereas the IT specialist covers **one specialist field** but delivers **working systems** the business uses directly. In short, the consultant helps decide **what the business will do**, while the IT specialist builds **part of the machinery it will do it with**.

Q12. Engaging a **business consultant** to help establish a business has both advantages and disadvantages.
Advantages: a consultant brings **objective, expert advice on the whole business** — helping the owner **develop and strengthen the business plan**, **test the idea's feasibility** before money is committed, and shape a sound **strategy**. Because consultants have worked across **many businesses**, they can **spot risks and opportunities** the owner, close to their own idea, may miss, so the business is established on a **more realistic and better-considered** basis.
Disadvantages: consultants can be **expensive**, which is a burden for a start-up with limited funds; their advice may be **generic** rather than tailored, or may not suit the owner's particular vision; and an owner who leans too heavily on a consultant may **fail to develop their own understanding** of the business or **lose ownership** of key decisions.
Overall, a business consultant is most worthwhile when the owner is inexperienced or the venture is complex or high-risk, and less so for a simple, low-cost business the owner already understands well. *(Discuss requires advantages and disadvantages, without double-dipping a single point as both.)*

Q13. A similarity is that both an **accountant** and a **solicitor** are **paid, qualified external specialists** engaged to help a new business be **set up correctly**, and both may advise the owner on the **choice of business structure**. **A difference is** the **field each covers**: an **accountant** deals with the business's **finances** — advising on the **tax** implications of the structure, registering it for tax, setting up record-keeping and preparing cash-flow forecasts — whereas a **solicitor** deals with its **legal** matters — advising on the **legal liability** of the structure, drafting and checking **contracts**, ensuring **legal compliance** and protecting **intellectual property**. So even where their advice overlaps (structure), the accountant approaches it from a **financial/tax** angle and the solicitor from a **legal** angle. In short, both are specialists who help establish the business, but one manages its **money and tax** and the other its **legal affairs**.

Q14. *(Propose and justify.)* For an **online retail business**, an appropriate professional to engage is an **IT specialist**. In practice this means the owner engages the IT specialist to **build a professional online store**, set up the **online-payment and inventory systems**, and put in place **secure data storage, back-ups and cyber-security** to protect customer details. *Justification:* an online retailer's ability to trade depends **almost entirely on a website that works and is secure** — something a non-technical owner usually **cannot build to a professional standard themselves**. A poorly built site would **lose sales** through crashes or a clumsy checkout, and a **data breach** of customer payment details would cause serious **reputational and legal harm** to a new brand. Engaging an IT specialist means the online store is **functional, professional and secure from launch**, so the cost of the specialist is **small compared with the sales and trust that a failed or insecure site would lose**. ∴ an IT specialist is justified because a working, secure online store is essential to an online retailer and beyond what the owner can build alone. *(Propose = show what the professional would do; justify = argue why it is worthwhile.)*

Q15. Engaging an **accountant** affects the financial position of a business being established because it changes **who makes and records its financial decisions** — a qualified specialist rather than an inexperienced owner — and each of those decisions carries a financial consequence. First, the accountant advises on the structure that is **most tax-effective** and registers the business for the **tax obligations** it must meet, such as an **ABN** and, where required, **GST**. The effect is that the business is taxed on the most suitable basis and meets its obligations from the outset, so it is **not struck later by a tax liability or penalty it has set no money aside for**. Second, the accountant sets up a **system for recording transactions**, which gives the owner **accurate figures** on what the business earns, spends and owes;

because pricing, stock and spending decisions are then made on real numbers instead of guesswork, the business is far less likely to **commit to costs its income cannot carry**. Third — and most significantly during establishment — the accountant prepares **budgets and cash-flow forecasts** that show **in advance** the months in which money going out will exceed money coming in. Seeing a shortfall before it arrives lets the owner **arrange finance, delay a purchase or adjust prices while there is still time to act**, whereas an owner without a forecast discovers the problem only when a supplier cannot be paid — and **running short of cash is one of the most frequent reasons new businesses fail early**. ∴ the accountant's involvement works through compliance, accurate records and forward planning to leave the new business **solvent, tax-compliant and able to see its own financial position**, rather than trading blind. *(Analyse requires showing causal effects, not a list of advantages and disadvantages.)*

Q16. Engaging a **solicitor** when establishing a business is **justified** because the legal tasks of setting up a business carry **serious risks the owner is not equipped to manage alone**. A solicitor ensures the business is set up under the **right structure**, with the owner aware of their **liability**; **drafts and checks the contracts** the business depends on — a lease, supplier agreements, a partnership agreement — so they are **valid and enforceable**; ensures the business **complies with the law** before it trades; and **protects the owner's intellectual property**, for example by registering a **trademark** so the business name and logo cannot be taken by others. The **benefit** of getting these right is that the owner **avoids expensive consequences** — an unenforceable contract, a partnership dispute, a fine for non-compliance, or losing the brand to a competitor — each of which would cost **far more** to fix after the business has opened than the solicitor's fee costs now. ∴ because the legal risks of establishing a business are high and beyond the owner's expertise, paying a solicitor to remove them is a **sound and worthwhile decision**, which justifies engaging one. *(Justify = argue why it is worthwhile, with the benefits, not merely describe what a solicitor does.)*

Q17. (a) Any **two** of: a **solicitor** (partnership agreement and structure); an **accountant** (structure for tax, records, cash flow); a **bank manager** (finance for the workshop); a **business consultant** (testing whether there is enough demand); an **IT specialist** (the website). *(1 mark each.)* (b) A **solicitor** could help Sana and Tom establish the partnership by **getting its legal foundations right**. Because Marlow & Reed will operate as a **partnership**, a solicitor could draft a **partnership agreement** setting out **how profits, responsibilities and decisions are shared** and what happens if a partner leaves — protecting both owners and preventing later disputes. The solicitor could also advise Sana and Tom on their **legal liability** as partners and **draft or check** the **workshop lease** and customer contracts. Because neither has run a business before, this legal expertise ensures the partnership is **set up correctly and lawfully** from the start. *(Concept + genuine link to Marlow & Reed's partnership.)* (c) Engaging a **bank manager** could **directly affect** Marlow & Reed's ability to establish its workshop, because the workshop cannot be set up without the **$80,000** the partners need to **lease and fit it out**. The bank manager would **assess Sana and Tom's loan application** and, if approved, **arrange the finance** — a business loan or line of credit — that **provides the money to secure and fit out the workshop**, which is the physical base the business needs to make its furniture. By explaining the **interest and repayment terms**, the bank manager also helps the partners take on finance they can **afford to repay** from early sales, so the business is not established on unsustainable debt. If, however, the bank manager **assessed the venture as too risky and declined finance**, Marlow & Reed might be **unable to establish the workshop at all**, or forced to scale back their plans. ∴ the bank manager's decision and finance are a **decisive influence** on whether — and how well — Marlow & Reed can establish its workshop. *(Analyse = causal links between the bank manager and the workshop's establishment, applied to Marlow & Reed.)*

Q18. This view is **largely sound, but the word "entirely" pushes it too far**. There is strong support for it, because the professional a new business most needs plainly **follows from what that business will be**. A business that trades **online** depends on its website, payment systems and the security of its customer data, so an **IT specialist** is its most pressing engagement. A business being set up as a **partnership** must have profit-sharing, decision-making and each partner's **liability** settled in a partnership agreement, which puts a **solicitor** first. A business that needs **premises, a fit-out or equipment** it cannot pay for upfront depends on a **bank manager** to assess and arrange the finance. An owner with an **untested idea** gains most from a **business consultant** who can run a feasibility study before money is committed. On this evidence, which professional matters most genuinely varies from one business to the next. **However**, the claim that the need depends *entirely* on type overlooks the tasks **every** business being established must complete: whatever it sells, it must **choose a legal structure, register for tax, set up records and open a bank account**, so **accounting and banking input is close to universal**. Other things also drive the need — the **complexity and risk** of the particular venture, the **funds available to pay fees**, and the **expertise the owner already holds**, since an owner who has kept business records before needs less of an accountant than one who has never kept any, whatever the type of business. **Weighing this up**, the type of business is the **strongest single influence** on which professionals are engaged and in what order, but it is not the only influence, and no type of business can sensibly do without professional input altogether. The view is therefore **sound as a general guide but overstated**: the type of business sets the **priorities**, not **whether** external professionals are needed. *(Full marks: a two-sided treatment plus a clear, evidence-based judgement — not a simple "advantages outweigh disadvantages".)*

Q19. *Model response (10 marks).* Turning a business plan into a working business involves many specialist tasks that a founder is unlikely to be equipped to do alone, so they can bring in **external professionals** — qualified, paid specialists from outside the business. Five of these are central to getting a business established, and each assists in a different way.

How the professionals assist. An **accountant** helps establish the business's **financial foundations** — advising on the **tax implications of the structure**, registering it for **tax**, setting up **record-keeping**, and preparing **cash-flow forecasts** — so it opens **financially sound and compliant**. A **solicitor** gets the **legal side** right — advising on **structure and liability**, drafting and checking **contracts**, ensuring **legal compliance** and protecting **intellectual property** — reducing the risk of fines and disputes. A **bank manager** arranges the **banking and finance** — helping **open accounts** and **assessing and approving the loan or overdraft** that funds establishment costs such as equipment and a fit-out — supplying the money the business needs to start. A **business consultant** strengthens the **plan as a whole** — reviewing the business plan, **testing feasibility** and shaping **strategy** — bringing an outside perspective that spots risks the owner may miss. An **IT specialist** builds the **systems and online presence** — the website, software and **secure data management** — so the business can run and sell online from the day it opens. Together these professionals **supply the specialist skill the owner is missing, cut the risk of early errors and sharpen the owner's decisions**, so the business is established **correctly, legally, affordably and efficiently**.

Evaluating the "always engage professionals" view. The view has clear force. External professionals hold **qualifications and experience the owner cannot quickly acquire**, and they operate exactly where establishment mistakes hurt most — **legal set-up, tax, finance and data security** — so relying on them **shields a vulnerable new business from expensive errors**, and can prove economical once the cost of those errors is counted. **Yet the word "always" overreaches.** Their fees are a **heavy charge on a start-up's thin cash reserves**, and not every task demands a specialist: **routine records, background research and ordinary decisions** are within a careful owner's competence, and doing them **deepens the owner's command of the business** rather than leaving them **dependent on outsiders**. Whether a professional is warranted really turns on the **risk and difficulty of the task** — a partnership agreement plainly does, a simple spreadsheet may not. **Taking both sides together**, the better-judged position is that a new business should **buy in professional help selectively, for the risky or technical tasks, and keep the straightforward ones with the owner** — so *always* is the wrong rule; **fitting the professional to the task** is the right one. *(Full marks require: accurate coverage of the external professionals and how each assists; explicit, causal analysis linking them to establishing a business; and a sustained, two-sided evaluation reaching a justified judgement on the "always engage professionals" claim.)*

Q20. Sigma's use of outside firms in December 2024 works in the same way as a new owner's use of **external professionals**: the business **bought in expertise it could not supply from within**, and that changed both the quality and the standing of what it produced. First, the two reports were **specialist financial work** — an opinion on whether the related-party arrangements were fair and reasonable, and a review of the financial information shareholders were being asked to rely on. This is the same **type of task an accountant performs for a new business** when advising on the tax implications of a structure or setting up its records: it demands **qualifications the owner does not hold**, so the effect of buying it in is that the financial side is done to a **professional standard** rather than attempted by an amateur. Second, and more sharply, the **independent expert had to be external**. An opinion on fairness carries weight **only because the person giving it is independent of the business**; the same opinion written in-house could not have served that purpose, however skilled the staff writing it. Engaging the expert therefore gave shareholders a basis for their decision that the business **could not have created for itself** — the clearest possible case of the **objectivity** an external professional supplies. Third, this specialist input fed into a **legal process** the business also could not run itself: Sigma announced the Federal Court's approval of the scheme on **3 February 2025** and its implementation on **12 February 2025**, much as a **solicitor's** work lets a new business satisfy the legal requirements it must meet before it trades. ∴ external professionals affected Sigma in exactly the way they affect a business being established — supplying **expertise, qualifications and objectivity the business itself lacks**, so each specialist task is **completed properly** and the risk of a **costly or non-compliant decision** is reduced. *(Analyse = causal links between engaging the professionals and the outcome, applied to the example — not a list of what each professional does.)*