Business Management Units 3 & 4

Chapter 1 — Business foundations

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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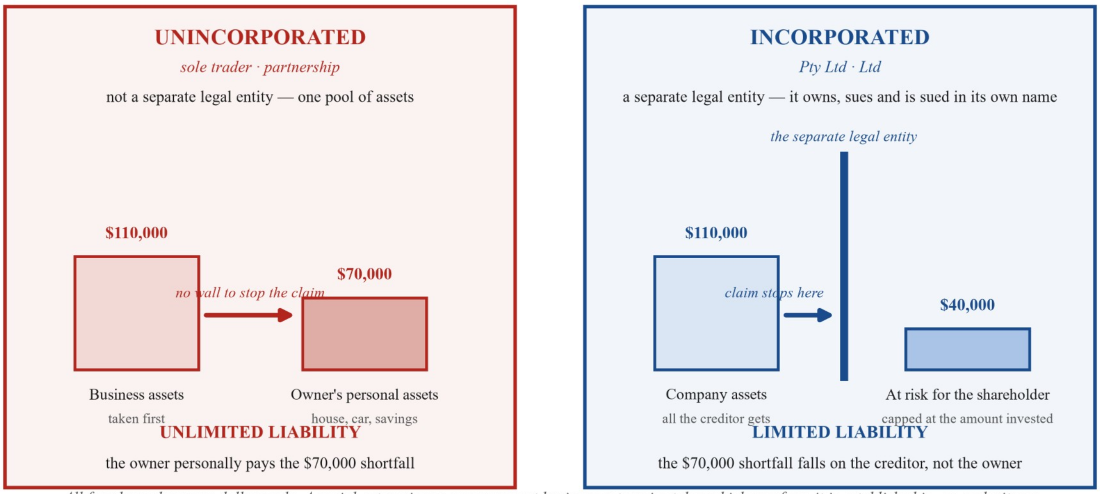
Contents

Theory

A **business** is an organisation that produces or sells goods or services, usually with the aim of making a profit or meeting a social need. One of the first decisions an owner makes is choosing a **type (legal structure)** for the business, because the structure determines **who owns and controls** the business, **who is legally liable** for its debts, how it can **raise money**, and how much **reporting** it must do. The study design prescribes **six** types of businesses.

A useful distinction underpins all six: a business is either **unincorporated** — not a separate legal entity from its owner(s), so the owners are personally liable for its debts (**unlimited liability**) — or **incorporated** — a separate legal entity that can own property, sue and be sued in its own name, and continue regardless of who owns it, with owners enjoying **limited liability** (they can lose at most what they have invested).

The incorporation line: a business debt of $180,000 against business assets of $110,000



All four bars share one dollar scale. A social enterprise or a government business enterprise takes whichever form it is established in, so each sits on the side that matches its own legal structure rather than forming a third category.

- **Sole trader.** A business owned and operated by **one person**. It is **unincorporated**, so the owner has **unlimited liability** — personal assets can be used to pay business debts. The owner keeps all profits, makes all decisions and has full control, but relies on their own funds and skills, and the business has **no continuity** (it ends if the owner dies or stops trading). Cheapest and simplest to establish, with minimal reporting and maximum privacy.
- **Partnership.** A business owned by **two to twenty partners** who share ownership. It is **unincorporated**, so partners generally have **unlimited liability** and are liable for one another’s business actions. Partners pool capital, skills and workload and share the profits according to a **partnership agreement**. More resources than a sole trader, but risk of **disputes** and a **limited life** (the partnership may dissolve if a partner leaves or dies).
- **Private limited company (Pty Ltd).** An **incorporated** business owned by **1–50 non-employee shareholders** whose shares are **not offered to the public** or listed on the ASX. Shareholders have **limited liability**. The company is a separate legal entity with **perpetual succession** (it continues regardless of changes in ownership) and is run by directors. It can raise more capital than an unincorporated business but faces higher set-up costs and reporting obligations to ASIC.
- **Public listed company (Ltd).** An **incorporated** business whose shares are **listed and traded on the Australian Securities Exchange (ASX)**, so it can have an **unlimited number of shareholders** and raise **large amounts of capital**. Shareholders have **limited liability**; a **board of directors** runs the company and is accountable to shareholders. It must meet extensive **disclosure and reporting** requirements, and ownership is separated from control.
- **Social enterprise.** A business that **trades commercially to fulfil a social, cultural or environmental purpose**, reinvesting the majority of its profits back into that purpose rather than distributing them to owners. Unlike a charity, it earns most of its income by **selling goods or services** rather than relying on donations.

- **Government business enterprise (GBE).** A business **owned and operated by the government** that **sells goods or services commercially** (for example, a postal or water corporation). A GBE pursues both **commercial objectives** (covering costs, sometimes profit) and **government/social objectives**, and is accountable to a government minister and ultimately to the public.

Comparison at a glance.

Type	Owners	Incorporated?	Liability	Continuity
Sole trader	1	No	Unlimited	Ends with owner
Partnership	2–20	No	Unlimited	Limited life
Private limited (Pty Ltd)	1–50 (private)	Yes	Limited	Perpetual
Public listed (Ltd)	Unlimited (ASX)	Yes	Limited	Perpetual
Social enterprise	Varies	Varies	Depends on form	Depends on form
Government business enterprise	Government	Usually yes	n/a (govt owned)	Perpetual

Keep these straight.

- **Pty Ltd vs Ltd.** Both are incorporated companies with limited liability. A **Pty Ltd is private** (up to 50 non-employee shareholders, shares **cannot** be sold to the public); a **Ltd is public** (shares **listed on the ASX**, anyone can buy them).
- **Limited vs unlimited liability.** With **unlimited** liability (sole trader, partnership) the owner's **personal assets** are at risk for business debts; with **limited** liability (companies) owners can lose at most the amount they invested.
- **Social enterprise vs charity.** Both have a social purpose, but a **social enterprise earns most of its income by trading** and reinvests profit into the mission; a **charity relies mainly on donations and grants**. A social enterprise is still a business.
- **GBE vs government department.** A **GBE trades** — it sells goods or services and aims to at least cover its costs; a **government department** (e.g. a health or education department) delivers services funded by taxation, not by trading.

Contemporary example — Virgin Australia, June 2025

Virgin Australia is an airline group flying domestic and international routes from Australian bases.

In April 2020 its parent company, Virgin Australia Holdings Limited — then a **public listed company**, traded on the ASX under the code VAH — entered voluntary administration, and administrators from Deloitte were appointed. The administrators announced on 17 November 2020 that the sale of the group to private investment firm Bain Capital was complete, and the airline was privately owned from that point. On 24 June 2025 Virgin Australia shares began trading on the ASX again, under the code VGN, after an initial public offering in which its owners sold 236.2 million existing shares at A$2.90 each — about A$685 million, or 30.2% of the shares on issue. Those pre-existing investors, among them Bain Capital, Qatar Airways Group, Virgin Group and the Queensland Investment Corporation, kept the remaining 69.8% and took the proceeds of the sale; the airline itself issued no new shares.

The 2025 listing is a change of **type** on a date. The airline was **incorporated** on both sides of it, so its shareholders had **limited liability** and it had **perpetual succession** throughout. What changed is that from 24 June 2025 its shares could be bought by an **unlimited number of shareholders** on the ASX, opening access to the **large amounts of capital** a **public listed company (Ltd)** can raise — in exchange for the extensive **disclosure and reporting** obligations that listing brings, and a wider **separation of ownership from control** than a privately owned company faces.

Source: Virgin Australia, "Virgin Australia begins trading on the ASX", 24 June 2025 — https://www.virginaustralia.com/au/en/newsroom/2025/6/virgin-australia-begins-trading-on-the-asx/. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Two experienced chefs, Mia and Tomas, want to open a restaurant together. They will both invest savings, want to share the work and decisions, and prefer a simple, low-cost structure. They are comfortable being personally responsible for the business. Recommend an appropriate business type and justify it.

Working	Comment
There are **two owners** who both want to invest and share work and decisions.	Start with the number of owners and how control is to be shared.
They want a **simple, low-cost** structure and accept **personal responsibility** for debts.	Note their attitude to set-up cost and liability.
Two owners pooling funds and sharing control, willing to accept unlimited liability, points to a **partnership**.	Match the facts to a structure.
∴ a **partnership** suits Mia and Tomas: it is cheap and simple to establish, lets them share capital, skills and decisions, and they have accepted the unlimited liability that comes with it.	State and justify the conclusion.

Example 2 — scaffolded

Distinguish between a private limited company and a public listed company.

Working	Comment
Both are **incorporated** and give shareholders **limited liability**.	Identify the shared features first.
A **private limited company (Pty Ltd)** has **1–50 non-employee shareholders** and **cannot sell shares to the public**.	State the first point of difference (ownership/shares).
A **public listed company (Ltd)** is **listed on the ASX**, can have an **unlimited number of shareholders** and faces **greater disclosure requirements**.	State the contrasting features.

Example 3 — unscaffolded

A sole trader running a fast-growing landscaping business is worried about being personally liable for rising debts and wants to bring in outside investors. Explain why changing to a private limited company might address these concerns.

Incorporating as a **private limited company** would make the business a **separate legal entity**, so the owner would gain **limited liability** — their personal assets would no longer be at risk for the company's debts, addressing the concern about personal liability. It would also allow the owner to issue **shares to up to 50 non-employee shareholders**, providing a way to raise **additional capital** from outside investors that a sole trader cannot access. The company would also have **perpetual succession**, so it could continue and grow beyond the founder. ∴ a private limited company directly addresses both the liability and the investment concerns of the growing business.

Example 4 — unscaffolded

"Because it has a social purpose, a social enterprise is really just a charity." Evaluate this statement.

The statement is **incorrect**. It is true that a social enterprise and a charity **share a social, cultural or environmental purpose**, which gives the claim some surface appeal. **However**, the two are fundamentally different in **how they are funded**: a **social enterprise trades commercially** — it earns most of its income by **selling goods or services** and reinvests the majority of its profits into its mission — whereas a **charity relies mainly on donations and grants**. A social enterprise therefore operates as a genuine **business** that must be financially sustainable through trade, not a donation-dependent charity. ∴ although both pursue a social purpose, a social enterprise is a business that trades for that purpose, so equating it with a charity is wrong.

Practice questions

Scaffolded

Q1. Define the term *business*.

Q2. List the six types of businesses prescribed in the study design.

Q3. For each of the following, name the business type being described: (a) a business owned and operated by one person with unlimited liability; (b) an incorporated business whose shares are traded on the ASX; (c) a government-owned business that sells goods or services commercially.

Q4. Identify whether each of the following has **limited** or **unlimited** liability: (a) a partnership; (b) a private limited company; (c) a sole trader.

Q5. A person wants to start a small business alone, quickly and cheaply, and keep all decision-making to themselves. (a) Identify the most appropriate business type. (b) Explain **one** advantage and **one** disadvantage of this type.

Q6. Explain the difference between an **incorporated** and an **unincorporated** business.

Unscaffolded

Q7. Describe the key features of a sole trader. *(3 marks)*

Q8. Distinguish between a sole trader and a partnership. *(4 marks)*

Q9. Explain **one** advantage and **one** disadvantage of operating as a partnership. *(4 marks)*

Q10. Explain why a public listed company is able to raise more capital than a private limited company. *(3 marks)*

Q11. Outline **two** differences between a social enterprise and a charity. *(4 marks)*

Q12. Compare a sole trader and a public listed company in terms of liability and continuity. *(4 marks)*

Q13. A government business enterprise must balance commercial and social objectives. Explain what this means and why it can create difficulties. *(4 marks)*

Q14. *Case study.* **Brightwave Solar** is a sole trader owned by Ana, who installs home solar systems. Demand has surged; Ana cannot fund the vans and staff she needs, is anxious about being personally liable if a large installation goes wrong, and wants two industry contacts to invest and help run the business without offering shares to the public. (a) Identify Ana's current business type. *(1 mark)* (b) Analyse **one** problem Ana's current structure is creating for Brightwave Solar. *(3 marks)* (c) Propose a more appropriate business type for Brightwave Solar and justify your recommendation. *(4 marks)*

Q15. Discuss the advantages and disadvantages of becoming a public listed company. *(6 marks)*

Q16. Explain why limited liability is often considered the main advantage of incorporating a business. *(3 marks)*

Q17. A group of community members wants to start a business that employs and trains long-term unemployed people, selling handmade furniture and reinvesting its profits into training more workers. Recommend a business type and justify your choice. *(4 marks)*

Q18. Analyse the relationship between a business's **choice of type** and its **ability to raise finance**. *(4 marks)*

Q19. *Extended response.* A founder is deciding whether to run their expanding business as a sole trader, a private limited company or a public listed company. Analyse how liability, access to finance and continuity differ across these three types, and evaluate which type would best suit a business that wants to grow substantially while protecting its owners. *(10 marks)*

Q20. Refer to the contemporary example above. In June 2025, Virgin Australia shares began trading on the ASX, five years after the group entered voluntary administration and was then sold into private ownership. Analyse how this change of type would have altered the airline's ability to raise finance and the obligations it must meet, and identify **one** feature that the change did **not** alter. *(5 marks)*

Answers

Q1. An organisation that produces or sells goods or services, usually to make a profit or meet a social need. **Q2.** Sole trader; partnership; private limited company; public listed company; social enterprise; government business enterprise. **Q3.** (a) sole trader; (b) public listed company; (c) government business enterprise. **Q4.** (a) unlimited; (b) limited; (c) unlimited. **Q5.** (a) Sole trader. (b) Advantage: full control / all profits / cheap and quick to set up. Disadvantage: unlimited liability / limited capital / no continuity. **Q6.** Incorporated = a separate legal entity from its owners (limited liability, perpetual succession); unincorporated = not separate from its owners (owners personally liable). **Q7.** Model response in solutions. **Q8.** Sole trader = one owner; partnership = 2–20 owners sharing capital, control and profits; both unincorporated with unlimited liability. See solutions. **Q9.** Advantage: more capital/skills/shared workload. Disadvantage: unlimited liability / disputes / shared profits. See solutions. **Q10.** It can list shares on the ASX to unlimited public shareholders. See solutions. **Q11.** Funding (trading vs donations); a social enterprise is a business. See solutions. **Q12.** Similarity: in both, the owners have their own money at risk in the business. Differences: sole trader = unlimited liability, ends with owner; public company = limited liability, perpetual succession. See solutions. **Q13.** It must make commercial returns while serving public/social goals; the objectives can conflict. See solutions. **Q14.** (a) Sole trader. (b) e.g. unlimited liability / inability to raise capital. (c) Private limited company. See solutions. **Q15.** Advantages (capital, limited liability, perpetual succession) vs disadvantages (cost, disclosure, loss of control, short-term pressure). See solutions. **Q16.** It protects owners' personal assets, limiting their loss to what they invested. See solutions. **Q17.** Social enterprise. See solutions. **Q18.** More owners/incorporation and ASX listing widen access to finance. See solutions. **Q19.** Model response in solutions. **Q20.** Listing opens share ownership to unlimited investors on the ASX, so far more capital can be raised; in exchange the company takes on extensive disclosure and reporting obligations and a wider separation of ownership from control. Unchanged: limited liability and perpetual succession, which it already had as an incorporated company. See solutions.

Fully-worked solutions

Q7. A **sole trader** is a business **owned and operated by one person**. It is **unincorporated**, so the owner has **unlimited liability** and is personally responsible for all business debts. The owner **makes all decisions**, has **full control** and **keeps all profits**, but relies on their own funds and skills, and the business has **no continuity** (it ends when the owner ceases trading). It is the cheapest and simplest structure to establish.

Q8. A **sole trader** is owned by **one person**, while a **partnership** is owned by **two to twenty partners**. In a partnership, owners **pool their capital, skills and workload** and **share the profits** according to a partnership agreement, whereas a sole trader provides all the capital and keeps all the profit. **Both** are **unincorporated** with **unlimited liability**, but partners are also liable for one another's business actions. The key difference is the **number of owners** and the **sharing of resources, decisions and profits**.

Q9. *Advantage:* a partnership brings **more capital, a wider range of skills and a shared workload** than a sole trader, because two to twenty partners contribute resources and expertise. *Disadvantage:* partners have **unlimited liability** and are **jointly responsible for one another's business decisions**, so one partner's mistake can cost the others personally; disagreements between partners can also disrupt the business.

Q10. A **public listed company** can **list its shares on the ASX** and sell them to an **unlimited number of public shareholders**, so it can raise **large amounts of capital** from many investors. A **private limited company** is restricted to **up to 50 non-employee shareholders** and **cannot offer shares to the public**, which limits how much it can raise. The ability to access the public share market is therefore why a public company can raise more capital.

Q11. *First difference — funding:* a **social enterprise earns most of its income by trading** (selling goods or services), whereas a **charity relies mainly on donations and grants**. *Second difference — nature:* a **social enterprise is a business** that must be commercially sustainable and reinvests profits into its social purpose, whereas a charity is a not-for-profit organisation whose primary function is to distribute donated funds or services to its cause.

Q12. *Similarity:* in **both** types the owners have their **own money at risk** in the business — a sole trader's investment and a shareholder's investment are alike lost if the business fails — and in each case the business trades in order to return a profit to those owners. *Difference — liability:* a **sole trader** is **unincorporated** and has **unlimited liability**, so **personal assets** such as a home or savings can be used to pay business debts, whereas a **public listed company** is **incorporated** and gives shareholders **limited liability**, so they can lose **only what they invested**. *Difference —*

continuity: a **sole trader** business has **no continuity** and **ends when the owner ceases trading**, whereas a public listed company is an incorporated entity with **perpetual succession** and continues regardless of changes in its shareholders. So although the owners of both risk the funds they have committed, the public company offers both greater protection for owners and greater permanence.

Q13. A **government business enterprise** must **balance commercial and social objectives**: as a business it is expected to **operate efficiently and at least cover its costs (commercial objective)**, but as a government-owned entity it is also expected to **serve the public**, for example by providing essential services to all regions or keeping prices affordable (**social objective**). This can create difficulties because the two objectives can **conflict** — providing a service to a remote, unprofitable area serves the social objective but works against the commercial objective — so managers must trade off profitability against public benefit.

Q14. (a) **Sole trader.** (b) As a sole trader Ana has **unlimited liability**, so if a large installation goes wrong and the business is sued or cannot pay its debts, **Ana's personal assets** (such as her home and savings) are at risk. Given that she is scaling up and taking on larger, riskier jobs, this exposure is a serious problem that could ruin her personally if a single project fails. (c) A **private limited company (Pty Ltd)** would be more appropriate. It would give Ana **limited liability**, protecting her personal assets if an installation goes wrong — directly addressing her main fear. It would also let her **bring in her two industry contacts as shareholders (up to 50 non-employee shareholders) without offering shares to the public**, providing the **capital** for vans and staff and the help running the business that she needs, while she retains private control. This structure fits all three of Ana's requirements: liability protection, outside investment, and staying private.

Q15. *Advantages:* becoming a **public listed company** gives access to **large amounts of capital** by selling shares on the ASX, provides **limited liability** for shareholders, gives the business **perpetual succession**, and makes shares **liquid** (easily bought and sold), which can help the business expand. *Disadvantages:* it is **expensive and complex** to establish and maintain, subject to **onerous disclosure and reporting requirements**, and **ownership is diluted** so founders can **lose control**; the pressure to satisfy shareholders can also force a focus on **short-term profit**, and the company becomes vulnerable to **takeover**. Overall, listing suits a business that needs substantial capital to grow and can bear the cost and loss of control that come with public ownership.

Q16. Limited liability means that owners (shareholders) are **only liable for the amount they have invested** in the business, so their **personal assets are protected** if the business fails or is sued. It is considered the main advantage of incorporation because it **greatly reduces the personal financial risk** of owning a business, which encourages people to invest and allows the business to take on the risks needed to grow without the owners risking everything they own.

Q17. A **social enterprise** would best suit this business. Its primary aim is a **social purpose** — employing and training long-term unemployed people — but it intends to **fund that purpose by trading** (selling handmade furniture) and **reinvesting its profits** into training more workers, rather than relying on donations. This exactly matches the definition of a social enterprise: a business that trades commercially to achieve a social mission and reinvests its profits into that mission.

Q18. A business's **type strongly influences its ability to raise finance**. An **unincorporated** business (sole trader or partnership) can draw only on the **owners' own funds and loans**, limiting the capital available. **Incorporating** as a **private limited company** widens access by allowing the business to issue shares to **up to 50 non-employee shareholders**, and becoming a **public listed company** widens it further by allowing shares to be sold to an **unlimited number of investors on the ASX**. As a business moves along this range, its **access to finance increases**, which is why businesses often change type as they need more capital to grow — the choice of type and the ability to raise finance are directly related.

Q19. *Model response (10 marks).* The three types differ significantly across liability, access to finance and continuity. A **sole trader** is unincorporated, so the owner has **unlimited liability** (personal assets are exposed to business debts), can raise finance only from **their own funds and loans**, and the business has **no continuity** — it ends when the owner ceases trading. A **private limited company** is incorporated, giving shareholders **limited liability**; it can raise capital by issuing shares to **up to 50 non-employee shareholders** (more than a sole trader but not from the public); and it has **perpetual succession**, continuing regardless of ownership changes. A **public listed company** also provides **limited liability** and **perpetual succession**, but can raise **far more finance** by listing shares on the **ASX** to an unlimited number of investors — at the cost of extensive disclosure and a loss of control as ownership is diluted.

For a business that wants to **grow substantially while protecting its owners**, the sole trader is unsuitable: its unlimited liability exposes the owner just as growth increases risk, and its limited access to finance would constrain expansion. The realistic choice is between the two company forms. A **private limited company** protects owners and allows some outside investment while keeping control private, making it well suited to a business in the **earlier stages of substantial growth**. However, if the business needs to raise **very large amounts of capital** to grow substantially, a **public listed company** is the strongest option, because only ASX listing provides access to that scale of finance, and it still protects owners through limited liability. On balance, a business aiming to grow substantially while protecting its owners should generally begin as a **private limited company** and convert to a **public listed company** once its capital needs exceed what private shareholders can provide — gaining maximum access to finance while retaining limited liability throughout. *(Full marks require: accurate treatment of all three types across liability, finance and continuity; genuine analysis of the relationships; and a justified, evidence-based evaluation reaching a clear recommendation.)*

Q20. Before June 2025 Virgin Australia was a **privately owned** company: its shares were **not offered to the public**, so it could raise equity only from the small group of investors that already held it. Listing made it a **public listed company (Ltd)**, whose shares can be bought and sold on the **ASX** by an **unlimited number of shareholders**. This markedly **widens its access to finance**: unlike a private company, a listed company can **issue new shares to the investing public** and return to the share market for further capital as it needs it. (The June 2025 offer itself raised about **A$685 million**, but that money went to the **existing investors who sold down** their holdings, not to the airline — no new shares were issued — so what Virgin Australia gained from listing is the **future** access to the share market, not the offer proceeds.) The change also imposes costs. As a listed company it must meet **extensive disclosure and reporting requirements**, keeping the market informed in a way a private company need not, which is expensive and reduces its privacy. **Ownership is also separated further from control**: a **board of directors** runs the company and is accountable to a far larger and more dispersed body of shareholders, because the **pre-existing investors sold 30.2%** of the shares to the investing public and kept 69.8% between them, so day-to-day control now sits with managers answering to owners who mostly have no involvement in running the airline. The feature the change did **not** alter is **limited liability** (or **perpetual succession**) — the business was **incorporated** before and after listing, so shareholders could always lose at most what they had invested, and the company always continued regardless of who owned it.

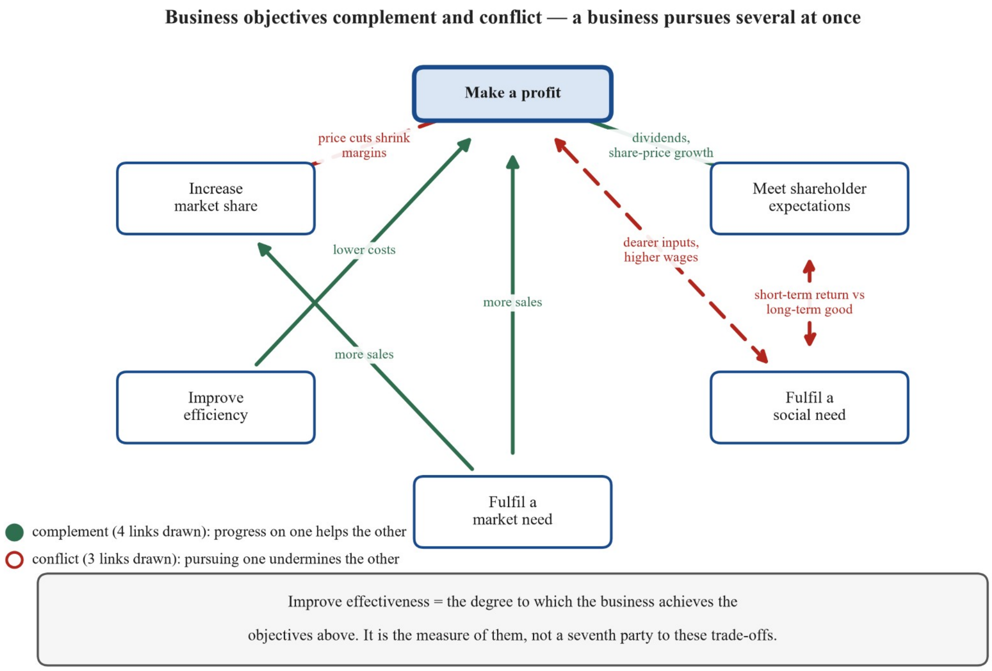
Theory

A **business objective** is a stated aim or goal that a business works towards over a period of time. Objectives give a business **direction**, allow managers to **plan and make decisions**, and provide a **standard against which performance can be measured** — a business is judged largely by the extent to which it achieves its objectives. Most businesses pursue **several objectives at once**, and the study design prescribes **seven** business objectives.

- **To make a profit. Profit** is the financial gain a business earns when its **total revenue** (income from selling goods or services) is **greater than its total expenses** (the costs of operating) — that is, revenue minus expenses. Making a profit is the primary financial objective of most private-sector businesses because profit **rewards the owners** for the risk and effort of running the business, provides **funds for reinvestment, expansion and repaying debt**, and **attracts investors**. Over the long term, profit is essential for **survival**: a business that continually makes a loss will eventually fail.
- **To increase market share. Market share** is the **proportion of total sales in a market (or industry) held by one business**, usually expressed as a **percentage** of the market's total sales. Increasing market share means **winning customers from competitors** so the business commands a larger slice of the market. Businesses pursue it because greater market share can bring **higher sales revenue, stronger brand recognition and customer loyalty, more bargaining power** over suppliers and customers, **economies of scale** (lower unit costs at higher volumes) and **market leadership**. It is a **comparative** objective — measured relative to rivals.
- **To improve efficiency. Efficiency** refers to **how well a business uses its resources** (inputs such as labour, materials, capital, time and money) to produce its outputs, **with the minimum of waste and cost**. An efficient business produces a given quantity of output using the **fewest possible resources**, or produces **more output from the same resources**. It concerns the **relationship between inputs and outputs** — in short, "doing things right." Improving efficiency **lowers the cost of each unit**, reduces waste and frees resources, improving competitiveness and profit margins.
- **To improve effectiveness. Effectiveness** refers to the **degree to which a business achieves its stated objectives** — the extent to which it accomplishes what it set out to do. An effective business **reaches its goals**, whether that is meeting a sales target, satisfying its customers or delivering a product to standard. It concerns **whether the intended results are achieved** — in short, "doing the right things." A business must be effective to succeed, because effectiveness measures whether it is actually **fulfilling its purpose**.
- **To fulfil a market need.** A **market need** is a **customer demand for a good or service that is not being met, or not met well**, by existing businesses. Fulfilling a market need means **identifying such a gap in the market and providing a product that satisfies those customers**. This is a fundamental commercial reason a business exists: meeting a market need **attracts and retains customers**, generates the **sales and revenue** on which the business depends, and can give a **competitive advantage**. It is frequently the origin of the business idea itself.
- **To fulfil a social need.** A **social need** is a need of the **wider community or society** — such as protecting the environment, providing employment or training for disadvantaged groups, improving health, or addressing disadvantage — **rather than a purely commercial customer demand**. Fulfilling a social need means the business aims to make a **positive contribution to society, the community or the environment**. A **social enterprise** exists primarily to serve society, trading commercially to fund a social, cultural or environmental purpose, while a **government business enterprise** pursues **government and social objectives alongside its commercial ones**, not instead of them. Many other businesses pursue social objectives as part of their **corporate social responsibility**. Doing so can also build **reputation, customer loyalty and stakeholder support**.
- **To meet shareholder expectations. Shareholders** are the **part-owners of a company** who hold shares in it. Their expectations usually include a **satisfactory return on their investment** — through **dividends** (a share of profits) and/or **growth in the value of their shares** — as well as sound, ethical management and prospects for growth. Meeting shareholder expectations means **delivering the financial performance and returns shareholders expect**. It matters because shareholders **provide the capital** the company needs; if their expectations are not met, they may **sell their shares** (depressing the share price) or vote to **replace the**

directors. This objective applies only to businesses that **have shareholders** — private limited and public listed companies — and is especially important for **public listed companies**.

How objectives interact — complement or conflict. Because a business pursues several objectives at once, those objectives can either **complement** (support) one another or **conflict** (work against one another). They **complement** when progress on one helps another — for example, **improving efficiency lowers costs, which increases profit**; **fulfilling a market need** well **increases sales**, which can raise **both market share and profit**; and a **rising profit** helps **meet shareholder expectations**. They **conflict** when pursuing one objective undermines another — for example, **fulfilling a social need** (using ethically sourced but more expensive inputs, or paying above-award wages) can **raise costs and reduce short-term profit**; **cutting prices to increase market share** can **shrink profit margins**; and **maximising short-term profit** to satisfy shareholders can conflict with **long-term investment** or **social objectives**. Managers must therefore **prioritise and balance** competing objectives.



How objectives differ by business type. Which objectives a business emphasises depends on its **type**. A **social enterprise** places **fulfilling a social need above profit**, reinvesting the majority of its profit into its mission. A **government business enterprise** must **balance commercial objectives** (covering costs, sometimes profit) with **government and social objectives**. A **public listed company** strongly emphasises **making a profit, increasing market share and meeting shareholder expectations**. A **sole trader or partnership** has **no shareholders** in the company sense, so *meeting shareholder expectations* does not apply in that form (though owners still expect a return); such businesses often focus on **profit and fulfilling a market need**.

Keep these straight.

- **Efficiency is not effectiveness** (the single most common exam error). **Efficiency** is about **how well resources are used** — minimum waste and cost for a given output ("doing things right"). **Effectiveness** is about **whether objectives are achieved** ("doing the right things"). A business can be **efficient without being effective** (it produces cheaply but fails to reach its goals) or **effective without being efficient** (it reaches its goals but wastes resources). Do **not** define effectiveness as "how well a product works," and do **not** treat efficiency as "productivity" or as "achieving objectives."
- **Profit is not market share. Profit** is an **absolute dollar figure** (revenue minus expenses). **Market share** is a **percentage** of total market sales, measured **relative to competitors**. A business can **increase its market share** (for example, by cutting prices) while its **profit falls**.
- **A market need is not a social need.** A **market need** is a **commercial customer demand** met in order to earn revenue; a **social need** is a **benefit to the community, society or the environment**.

- **Making a profit is not meeting shareholder expectations.** Profit is **one financial result**; shareholder expectations are **broader** (dividends, share-price growth and sound management) and apply **only to businesses that have shareholders**.
- **Objectives are not pursued in isolation** — a business pursues **several at the same time**, and they may **complement or conflict**, so managers must balance them.

Contemporary example — Norco Co-operative, April 2026

In April 2026, Norco Co-operative Limited — a dairy processor based at Lismore in northern New South Wales and owned by the farmers who supply it — announced a **five cent per litre increase** in the farmgate price paid to its member suppliers, effective from May 2026. Norco stated that the rise lifted its average annual farmgate price to 97 cents per litre and would return roughly $1 million more to supplying farms each month, and it linked the decision to sharp rises in farmers' fuel, fertiliser and freight costs.

The farmgate price is one of Norco's own **expenses**, so paying more for every litre it collects **increases expenses** and, unless revenue rises by as much, works **against** the objective of **making a profit** in the short term. The decision also illustrates that the objectives a business emphasises depend on **the type of business** it is: because the members are both the **owners** and the **suppliers**, lifting what members are paid is itself a way of delivering a return to the owners, weighted alongside the surplus the business retains rather than after it. Over a longer period the same decision may **complement** the profit objective, since keeping supplying farms viable protects the volume of milk the processor depends on, and therefore its future sales and revenue.

Source: Norco Foods, "Norco Lifts Farmgate Milk Price, Calls for Industry to Step Up", 22 April 2026 — https://norcofoods.com.au/norco-lifts-farmgate-milk-price-calls-for-industry-to-step-up/. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

GreenLeaf Grocers, a fruit-and-vegetable retailer, redesigns its delivery routes so its vans travel fewer kilometres and use less fuel to deliver the **same number of orders**. Identify the business objective GreenLeaf is pursuing and justify your answer.

Working	Comment
The **same output** (the same number of orders delivered) is now achieved using **fewer inputs** (less fuel, fewer kilometres).	Start by identifying what changed — inputs down, output unchanged.
Achieving the same output with fewer resources means the business is using its resources with **less waste and cost → improving efficiency**.	Match the change to the correct objective.
Efficiency measures **how well resources (inputs) are used** to produce outputs; using fewer inputs for the same output improves it.	Define the objective to justify the choice.
∴ GreenLeaf is pursuing the objective **to improve efficiency**.	State the conclusion.

Example 2 — scaffolded

Distinguish between the objectives of **improving efficiency** and **improving effectiveness**.

Working	Comment
Improving **efficiency** means using resources (inputs such as labour, materials and time) with **minimum waste and cost** to produce outputs — "doing things right."	Define the first term precisely (resource use).
Improving **effectiveness** means increasing the **degree to which the business achieves its stated objectives —**	Define the second term precisely (goal achievement).

Working	Comment
"doing the right things."	
Efficiency is measured by the **relationship between inputs and outputs**; effectiveness is measured by **whether goals are reached**. A business can be efficient without being effective, and vice versa.	State the point of difference — the two are independent, which is the key distinction.

Example 3 — unscaffolded

Timberline Co has set an objective to **fulfil a growing market need** for flat-pack, easy-to-assemble furniture. Explain why fulfilling this market need is important for the business.

Fulfilling a **market need** means Timberline Co has **identified a gap** — customers who want affordable, easy-to-assemble furniture that existing suppliers are not providing well — and is **offering a product that satisfies that demand**. This is important because meeting a genuine customer need is what **attracts and retains customers**, and those customers generate the **sales and revenue** the business depends on to operate and grow. By satisfying a need that rivals are not meeting well, Timberline Co also gains a **competitive advantage**, which can lift its sales and market share. ∴ fulfilling the market need is important because it is the **commercial foundation** of the business — without customers whose needs are met, Timberline Co would have no sales and could not survive.

Example 4 — unscaffolded

"A business that is efficient must also be effective." Evaluate this statement.

The statement is **incorrect** because it treats two distinct objectives as if they were the same. It is true that efficiency and effectiveness are **related** and often support each other — using resources efficiently lowers costs, which can help a business achieve financial objectives such as profit. **However**, **efficiency** concerns **how well resources are used** (minimum waste and cost), whereas **effectiveness** concerns **whether the business achieves its objectives**. A business can be **highly efficient yet ineffective**: it might produce a product very cheaply and with little waste, but if **few customers want that product** it fails to meet its sales objective, so it is not effective. Conversely, a business can be **effective but inefficient**, achieving its goals while **wasting resources** and incurring high costs. Because being efficient does not guarantee that a business is achieving its goals, efficiency **does not automatically produce effectiveness**. ∴ the statement should be **rejected**: efficiency and effectiveness are related but independent objectives, and a business needs to manage **both**.

Practice questions

Scaffolded

Q1. Define the term *business objective*.

Q2. List the **seven** business objectives prescribed in the study design.

Q3. For each of the following, name the business objective being described: (a) increasing the proportion of total market sales that a business holds; (b) using resources with minimum waste and cost to produce outputs; (c) delivering the dividends and share-price growth that the owners of shares expect.

Q4. Identify whether each of the following describes **efficiency** or **effectiveness**: (a) a café serves the same number of customers using two fewer staff; (b) a charity reaches its target of housing 200 people this year; (c) a manufacturer reduces the amount of material wasted in making each product.

Q5. A business installs new software that lets it process the **same number of orders** using fewer staff hours. (a) Identify the business objective this supports. (b) Explain why this objective is important to the business.

Q6. Explain the difference between the objectives of **making a profit** and **increasing market share**.

Unscaffolded

Q7. Describe the objective of **making a profit**. *(2 marks)*

Q8. Distinguish between the objectives of **improving efficiency** and **improving effectiveness**. *(4 marks)*

Q9. Explain why **increasing market share** is an important objective for a business operating in a competitive market. *(3 marks)*

Q10. Explain **one** reason a business might pursue the objective of **fulfilling a social need**. *(3 marks)*

Q11. Compare the objectives of **making a profit** and **meeting shareholder expectations**. *(4 marks)*

Q12. Explain how the business objectives of a **government business enterprise** are likely to differ from those of a **sole trader**. *(4 marks)*

Q13. Analyse the relationship between the objective of **improving efficiency** and the objective of **making a profit**. *(4 marks)*

Q14. *Case study.* **Bright Threads** is a clothing business run by Nadia. To fulfil a social need, Nadia switched to **organic cotton** and suppliers that **pay fair wages** to overseas garment workers. These inputs cost more, and in the following year the business's net profit fell from $420 000 to $300 000. Nadia believes the change will strengthen the business over time. (a) Identify **one** business objective Bright Threads is pursuing besides making a profit. *(1 mark)* (b) Analyse **one** way in which two of Bright Threads' objectives may **conflict**. *(3 marks)* (c) Explain how fulfilling this social need could, over time, also **support** Bright Threads' objective of making a profit. *(4 marks)*

Q15. Discuss whether **making a profit** should be the most important objective for **every** business. *(6 marks)*

Q16. Explain how pursuing the objective of **increasing market share** could **conflict** with the objective of **making a profit**. *(4 marks)*

Q17. Evaluate the importance of **fulfilling a market need** as a business objective. *(6 marks)*

Q18. Pure Sip, a bottled-water business, has set an objective to **increase its market share from 12% to 20%** within two years by **cutting its prices by 15%**. Analyse how this decision could affect the business's objective of **making a profit**. *(4 marks)*

Q19. *Extended response.* Businesses pursue a range of objectives that can support or work against one another. Analyse how a business's objectives can both **complement and conflict** with each other, and evaluate the view that **improving efficiency** and **improving effectiveness** are equally important to a business's success. *(10 marks)*

Q20. In April 2026, **Norco Co-operative Limited**, a dairy processor owned by the farmers who supply it, announced a **five cent per litre increase** in the farmgate price paid to its member suppliers, effective from May 2026. Analyse how this decision could both **conflict** with and **complement** the co-operative's objective of **making a profit**. *(6 marks)*

Answers

Q1. A stated aim or goal that a business works towards over a period of time, giving it direction and a standard against which performance can be measured. **Q2.** To make a profit; to increase market share; to improve efficiency; to improve effectiveness; to fulfil a market need; to fulfil a social need; to meet shareholder expectations. **Q3.** (a) to increase market share; (b) to improve efficiency; (c) to meet shareholder expectations. **Q4.** (a) efficiency; (b) effectiveness; (c) efficiency. **Q5.** (a) Improving efficiency. (b) It lets the business produce the same output using fewer resources, lowering costs and reducing waste, which improves profit margins and competitiveness. **Q6.** Profit is an absolute dollar surplus (revenue minus expenses); market share is a percentage of total market sales held relative to competitors, so a business can gain market share while its profit falls. **Q7.** Model response in solutions. **Q8.** Efficiency = how well resources (inputs) are used, minimum waste/cost ("doing things right"); effectiveness = the degree to which objectives are achieved ("doing the right things"); a business can be one without the other. See solutions. **Q9.** More market share brings higher revenue, brand recognition, bargaining power and economies of scale, helping the business outperform rivals. See solutions. **Q10.** e.g. to benefit the community/environment as part of CSR, which can also build reputation and customer loyalty. See solutions. **Q11.** Both are largely financial; profit is one result (revenue minus expenses), while shareholder expectations are broader (dividends, share-price growth) and apply only to companies. See solutions. **Q12.** A GBE balances commercial and government/social objectives and is accountable to the government and the public; a sole trader has no shareholders and typically focuses on profit and a market need. See solutions. **Q13.** Improving efficiency lowers costs per unit, which (with revenue steady) raises profit — a positive causal relationship. See solutions. **Q14.** (a) To fulfil a social need. (b) The social-need objective conflicts with profit (higher input costs cut net profit from \$420 000 to \$300 000). (c) Reputation/loyalty → sales → profit over time. See solutions. **Q15.** Not necessarily — profit is central for most private businesses, but a social enterprise puts its social mission first and a GBE must balance profit with government and social objectives. See solutions. **Q16.** Cutting prices to win market share reduces the profit margin on each sale, so profit can fall even as market share rises. See solutions. **Q17.** Fulfilling a market need is highly important (it drives customers, sales and survival), but its weight varies by business type; a socially focused business may rank a social need higher. See solutions. **Q18.** Lower prices reduce the margin per bottle; profit rises only if the extra volume from higher market share more than offsets the smaller margin. See solutions. **Q19.** Model response in solutions. **Q20.** Conflict: the farmgate price is an expense, so paying more per litre raises expenses and cuts short-term profit. Complement: keeping supplying farms viable protects the milk supply and future revenue; as members are both owners and suppliers, the business type shapes the weighting. See solutions.

Fully-worked solutions

Q7. The objective **to make a profit** is to earn a **financial gain** by ensuring the business's **total revenue** (income from selling goods or services) **exceeds its total expenses** (the costs of operating) — that is, revenue minus expenses. It is the primary financial objective of most private-sector businesses because profit rewards the owners and is needed for the business to survive and grow.

Q8. Improving **efficiency** means using the business's **resources (inputs such as labour, materials and time) with the minimum of waste and cost** to produce its outputs — it is about **how well resources are used**, or "doing things right." Improving **effectiveness** means increasing the **degree to which the business achieves its stated objectives** — it is about **whether the intended results are reached**, or "doing the right things." The key difference is what each measures: efficiency concerns the **relationship between inputs and outputs**, whereas effectiveness concerns **goal achievement**. As a result, a business can be **efficient without being effective** (producing cheaply but not meeting its goals) or **effective without being efficient** (meeting its goals but wasting resources).

Q9. Increasing **market share** — the percentage of total market sales the business holds — is important in a competitive market because it means the business is **winning customers from its rivals**. A larger market share brings **higher sales revenue** and can create a **stronger brand and greater customer loyalty**, making the business the market leader. It can also generate **economies of scale** (lower costs per unit as volume rises) and **greater bargaining power** over suppliers. Because market share is measured relative to competitors, gaining it directly **strengthens the business's competitive position** at the expense of rivals.

Q10. A business might pursue the objective of **fulfilling a social need** in order to make a **positive contribution to the community, society or the environment** — for example, by reducing its environmental impact or by employing and training disadvantaged people. One reason is **corporate social responsibility**: the business (or its owners) believes it has a responsibility to act in the interests of society, not only to make a profit. Pursuing a social need can also **build the business's reputation and customer loyalty**, because many customers prefer to buy from businesses they see as ethical, which can indirectly support the business's other objectives.

Q11. Both the objective of **making a profit** and the objective of **meeting shareholder expectations** are largely **financial** objectives that focus on the business's returns, and the two are closely linked because profit funds the dividends shareholders expect. However, they **differ** in scope and in whom they apply to. **Making a profit** is a **single, measurable result** — total revenue minus total expenses — whereas **meeting shareholder expectations** is **broader**, covering not only profit and dividends but also **growth in the share price** and sound, ethical management. Furthermore, meeting shareholder expectations **only applies to businesses that have shareholders** (companies), whereas any business can aim to make a profit. A similarity is therefore their financial focus; a difference is that shareholder expectations are broader and company-specific.

Q12. A **government business enterprise (GBE)** is **owned by the government**, so it must **balance commercial objectives** (operating efficiently and at least covering its costs, sometimes making a profit) **with government and social objectives** — such as providing an essential service to all regions or keeping prices affordable — and it is ultimately accountable to the public. A **sole trader**, by contrast, is **owned by one person** and has **no shareholders and no obligation to serve broad social goals**, so it typically concentrates on **making a profit and fulfilling a market need**, along with the owner's personal objectives. The main difference is therefore that a GBE must weigh **public/social objectives** alongside commercial ones, whereas a sole trader can pursue **private, mainly commercial** objectives.

Q13. There is a **direct, positive relationship** between improving efficiency and making a profit. Improving **efficiency** means producing the same output using **fewer resources** (or more output from the same resources), which **lowers the cost of producing each unit**. If the business's **revenue stays the same** while its **costs fall**, the gap between revenue and expenses widens, so **profit increases**. For example, reducing wasted materials or automating a task cuts expenses directly, feeding through to a higher profit. In this way, pursuing the efficiency objective **causes an improvement** in the profit objective — the two objectives **complement** each other, which is why managers often improve efficiency as a means of lifting profit.

Q14. (a) To **fulfil a social need**. **(b)** Bright Threads' objective of **fulfilling a social need** conflicts with its objective of **making a profit**. To serve the social need, Nadia switched to **organic cotton and fair-wage suppliers**, which are **more expensive inputs**. These higher input costs **increased the business's expenses**, and because expenses rose while revenue did not rise by as much, **net profit fell from $420 000 to $300 000**. Pursuing the social objective therefore **worked directly against the profit objective** in the short term, forcing a trade-off between doing social good and maximising profit. **(c)** Over time, fulfilling the social need could **support** the profit objective by **strengthening the business's reputation and customer loyalty**. As more customers learn that Bright Threads uses organic cotton and pays overseas workers fairly, those who value ethical products may **choose Bright Threads over rivals** and be **willing to pay a higher price**. This can **increase sales and revenue**, and a stronger reputation can also attract repeat customers, reducing the need for costly advertising. If the resulting rise in revenue **outweighs the higher input costs**, the business's **profit will recover and grow**. In this way an objective that reduced profit in the short term can, over the longer term, **complement** the profit objective — which is why Nadia believes the change will strengthen the business.

Q15. Whether **making a profit** should be the **most important** objective for **every** business is debatable. **In favour:** for most **private-sector** businesses, profit is central — it **rewards the owners** for their risk, provides the **funds needed to reinvest and grow**, and is essential for **survival**, since a business that continually makes a loss will fail. For a sole trader, partnership or public listed company, prioritising profit is often reasonable, and meeting shareholder expectations depends on it. **Against:** profit should **not** be the top objective for **every** business, because objectives differ by business type. A **social enterprise** exists mainly to **fulfil a social need** and reinvests most of its profit into that mission, so its social objective ranks above profit. A **government business enterprise** must **balance profit with social and government objectives** such as serving all communities. Even profit-focused businesses may prioritise **fulfilling a market need** or **improving effectiveness** in the short term to build a customer base. **Overall,** while making a profit is the most important objective for **most** private businesses and underpins their survival, it is **not** universally the most important — a social enterprise ranks its social mission above profit, and a GBE must weigh government and community obligations that can outrank it — so the claim that it should be most important for *every* business is too absolute.

Q16. Pursuing the objective of **increasing market share** can **conflict** with **making a profit** because of **how** a business often wins market share. A common way to increase market share is to **cut prices** to attract customers away from competitors. Lower prices mean the business earns **less revenue on each sale** (a **smaller profit margin per unit**), even if it sells more units. The business may also spend heavily on **advertising and promotions** to capture the extra market share, **raising its expenses**. If the smaller margin per sale and the higher costs **outweigh the benefit of the extra sales**, the business's **overall profit falls** even as its market share rises. In this way the two objectives can **work against each other** in the short term, so a business must judge whether the gain in market share is worth the loss of profit.

Q17. Fulfilling a market need is one of the **most important** objectives for most businesses, though its relative importance depends on the type of business. It is important because a business exists to **serve customers**: by identifying and meeting a genuine customer demand, the business **attracts and retains customers**, generates the **sales and revenue** it depends on, and can gain a **competitive advantage** over rivals who meet that need less well. Without customers whose needs are met, a business would have **no sales and could not survive**, so in this sense fulfilling a market need **underpins every other financial objective**, including profit, market share and meeting shareholder expectations. **However,** it is not equally central for all businesses. A **social enterprise** or **government business enterprise** may rank **fulfilling a social need** or serving the community **above** a commercial market need, and a well-established business may at times prioritise **efficiency** or **effectiveness**. **On balance,** fulfilling a market need is a **highly important, often foundational objective** for commercial businesses because it drives customers and revenue, but its importance is **greatest for market-driven businesses** and **less dominant** for those whose primary purpose is social — so its value is high but not universal.

Q18. Cutting prices by **15%** to lift market share from **12% to 20%** has **two opposing effects on profit**. On one hand, the lower price **reduces the profit margin on every bottle** Pure Sip sells, so each sale contributes **less profit** than before; if sales volume did not rise, profit would **fall**. On the other hand, the lower price is intended to **win customers from competitors**, increasing **market share and therefore the number of bottles sold**. The effect on profit depends on **which effect is larger**: if the **extra volume** generated by the higher market share **more than offsets** the smaller margin per bottle (and any economies of scale further reduce unit costs), then **total profit will rise**; but if the increase in volume is **too small** to make up for the reduced margin, **profit will fall** despite the larger market share. The decision therefore creates a **causal trade-off** between the market-share objective and the profit objective, and its success hinges on how strongly customers respond to the price cut.

Q19. *Model response (10 marks).* Businesses pursue several objectives at once — commonly to make a profit, increase market share, improve efficiency, improve effectiveness, fulfil a market need, fulfil a social need and meet shareholder expectations — and these objectives **interact**, sometimes supporting and sometimes undermining one another. Objectives **complement** one another when progress on one advances another. For example, **improving efficiency lowers costs**, which directly **increases profit**; **fulfilling a market need** well **raises sales**, which lifts **both market share and profit**; and higher profit in turn helps a company **meet shareholder expectations** through dividends and share-price growth. In these cases the objectives reinforce each other, so pursuing one is a means of achieving others. Objectives **conflict**, however, when pursuing one **works against** another. **Fulfilling a social need** — using ethically sourced but costlier inputs or paying above-award wages — **raises expenses and can reduce short-term profit**; **cutting prices to gain market share shrinks profit margins**; and **maximising short-term profit** to satisfy shareholders can starve the business of the **long-term investment** or **social spending** it needs. Managers must therefore **prioritise and balance** objectives, and the balance they choose often depends on the **type of business** — a social enterprise will accept lower profit to serve its social need, whereas a public listed company will weigh profit and shareholder returns heavily.

The view that **improving efficiency and improving effectiveness are equally important** has strong support but should be qualified. The two are **distinct**: **efficiency** is **how well resources are used** (minimum waste and cost — "doing things right"), while **effectiveness** is the **degree to which objectives are achieved** ("doing the right things"). Both clearly matter. A business that is **effective but inefficient** achieves its goals while **wasting resources and incurring high costs**, which erodes profit and competitiveness; a business that is **efficient but ineffective** produces cheaply but **fails to reach its goals**, such as making a product few customers want. Because neither alone guarantees success, the two are, in general terms, **equally necessary** — a well-managed business must pursue both. **However,** their **relative** importance can shift with circumstances: a start-up fighting to **fulfil a market need** may reasonably prioritise **effectiveness** (winning customers and hitting its goals) even if it is not yet efficient, while a mature business in a price-competitive market may lean on **efficiency** to protect its margins. **On balance,** a business's objectives are best understood as an **interlocking set** that managers must balance — deliberately using complementary objectives to reinforce one another and managing conflicts through clear priorities — and while efficiency and effectiveness are **both essential and broadly equal in importance**, the weighting a business gives each should reflect its situation and type. *(Full marks require: accurate treatment of complementary and conflicting objectives with genuine causal analysis; a clear, correct distinction between efficiency and effectiveness; and a sustained, two-sided evaluation reaching a justified conclusion.)*

Q20. Norco's decision to lift the farmgate price paid to its member suppliers by **five cents per litre** affects its **profit** objective in **two opposing ways**. In the **short term the two objectives conflict**: the farmgate price is one of the co-operative's own **expenses**, so paying more for every litre it collects **increases total expenses**. If the revenue Norco earns from selling its dairy products **does not rise by as much**, the gap between revenue and expenses **narrows** and **profit falls** — pursuing one objective directly **works against** another. The decision also shows that the objectives a business emphasises depend on **the type of business** it is: in a co-operative the members are both the **owners** and the **suppliers**, so raising what members are paid is itself a way of **returning value to the owners**, and that return is weighted alongside the surplus the business retains rather than after it. Over the **longer term**, however, the same decision may **complement** the profit objective. Norco linked the increase to the rising fuel, fertiliser and freight costs its suppliers faced; keeping those farms **financially viable** protects the **volume of milk** the processor depends on, and a secure supply underpins its future **sales and revenue**. Whether profit ultimately rises or falls therefore depends on whether that longer-term benefit **outweighs the immediate increase in expenses**.