

2 Law Advice Forum (LAF)

Drake has a law degree and works for a partnership of lawyers during the day. Drake owns a website that gives free legal advice. He works on the website in the evenings and at the weekend.

He started the website as a hobby, but the website has grown to over 20 000 users and he now sells advertising on his videos and on the website.

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Drake uses outsourcing for some areas of his website. He has recently been sent a report showing variances in the budget from the previous month (see Table 2.1).

Table 2.1 Budget report for Drake's website in the previous month

	Budget	Actual
Total revenue	\$4500	\$4000
Total costs	\$600	\$750
Profit	\$3900	\$3250

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Drake has now left his job and is focusing full time on the website. He rebranded the website as Law Advice Forum (LAF). Drake's business plan for LAF included:

- Operating as a sole trader.
- Continuing to develop and expand the website to provide legal advice and paid legal services.
- Renting an office in city G where all employees would work.
- Hiring five fully qualified lawyers.
- Hiring three administrators.
- Leasing IT equipment.

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However, Drake is concerned about the limitations LAF will face as a labour intensive operation.

- (a) (i) Identify **one** external stakeholder of a business partnership. [1]
- (ii) Explain the term *outsourcing*. [3]
- (b) (i) Refer to Table 2.1. Calculate the profit variance for Drake's website in the previous month. State whether the variance is favourable or adverse. [3]
- (ii) Explain **one** way Drake could use the budget data in Table 2.1. [3]
- (c) Analyse **two** possible limitations for LAF as a labour intensive operation. [8]
- (d) Evaluate the most important responsibility that Drake has as the owner of LAF. [12]