



MORIAH COLLEGE

Yr 11 Preliminary Examination

BUSINESS STUDIES

2 UNIT

Time allowed two hours, plus 5 minutes reading time

Tuesday 6th September, 2005.

DIRECTIONS TO ALL CANDIDATES

- You may ask for extra writing booklets if you need them.
- Board – approved calculators may be used.

SECTION ONE (20 marks)

- Attempt Questions 1 - 20.
- Complete your answers in either blue or black pen on the answer sheet provided.
- Allow 20 minutes for this section

SECTION TWO (40 marks)

- Attempt questions 21 - 25.
- Answer the questions in the spaces provided in this paper.
- Allow 40 minutes for this section

SECTION THREE (20 marks)

- Attempt Question 26.
- Answer the question in the booklets provided.
- Allow 30 minutes for this section

SECTION THREE (20 marks)

- Attempt Question 27, 28, 29 OR 30.
- Answer the question in the booklets provided.
- Allow 30 minutes for this section

TOTAL VALUE 100 MARKS

STUDENT NUMBER:

1. Which of the following groups are NOT considered to be stakeholders of business?
 - (A) government
 - (B) competitors
 - (C) shareholders
 - (D) employees

2. Which stage of the life cycle is the business most likely to experience high costs and slow rate of sales?
 - (A) post maturity
 - (B) growth
 - (C) maturity
 - (D) establishment

3. Which local government regulation affects the establishment of business?
 - (A) registration of business name
 - (B) *Trade Practices Act 1974*
 - (C) the zoning of business premises
 - (D) workplace relations legislation

4. Michael is in the process of setting up a dry-cleaning business specializing in wedding gowns. He requires five full time staff to work in the business and as part of the recruitment process he has spent two hours checking references with past employers. This is an example of which type of control?
 - (A) concurrent controls
 - (B) prevention controls
 - (C) output controls
 - (D) feedback controls

5. Which business organisation is responsible for the management of assets on behalf of its beneficiaries?
 - (A) cooperative
 - (B) public company
 - (C) trusts
 - (D) partnership

6. Claude is manager of a brewery company. He has recently restructured his organisation into a small number of units where the chain of command is short and the span of control is wide. Which organisation structure is this characteristic of?
- (A) multi-divisional structure
 - (B) hierarchical structure.
 - (C) function structure
 - (D) flat structure

Use the following information to answer Questions 7

FINANCIAL DATA FOR 'CHOCOLATE IN THE BOX'	
	\$
Cash at Bank	10,500
Furniture	12,000
Accounts receivable	26,000
Inventory	7,000
Plant and equipment	250,000
Motor vehicle	25,000

7. What is the value of current assets?
- (A) \$10,500
 - (B) \$80,500
 - (C) \$43,500
 - (D) \$275,000
8. Ima Gonna recently won \$50 000 in the lottery. She wants to own a business but has no experience. Which of the following establishment options would provide her with support and a system to run the business by?
- (A) establishing a new business
 - (B) starting a business from scratch
 - (C) buying an existing business
 - (D) buying a franchise
9. Which term refers to the practice within a business where quality and continuous improvement are goals?
- (A) quality control
 - (B) benchmarking
 - (C) world's best practice
 - (D) total quality management

10. Which of the following statements is true of the economic cycle's impact on domestic business?
- (A) In times of a boom unemployment will fall and business activity will decrease.
 - (B) In times of a recession consumer spending will fall and business activity will rise.
 - (C) In times of a boom unemployment will fall and so business activity will rise.
 - (D) In times of a recession consumer spending will rise and so will business activity.
11. "Traxink" has paid \$430 to have stock delivered to its retail outlet. Where will this amount appear in the business' financial accounts?
- (A) As part of Cost of Goods Sold in the Revenue Statement
 - (B) Included as an expense in the Revenue Statement
 - (C) Under the heading "Intangibles" on the Balance Sheet
 - (D) Included as part of Stock in the Balance Sheet
12. 'Hey Fevre Flowers' relies on passing customers and impulse buyers for much of their sales. Despite the high lease expenses the owners believe that their location in a shopping mall is vital to their success. What is the key consideration in their location?
- (A) cost
 - (B) proximity to suppliers
 - (C) visibility
 - (D) acquisition
13. Which tool best allows a business to compare expected financial outcomes for the business with what actually occurred?
- (A) SWOT analysis
 - (B) market analysis
 - (C) break even analysis
 - (D) budgets

STUDENT NUMBER/NAME:

Use the following information to answer questions 14 and 15.

Purchases	\$ 30 000
Telephone	\$ 2 000
Closing Stock	\$ 6 000
Bad Debts	\$ 4 000
Sales	\$ 95 000
Wages	\$ 4 000
Advertising	\$ 3 000
Opening Stock	\$ 12 000

14. Calculate the value of Cost of Goods Sold

- (A) \$ 40 000
- (B) \$(37 500)
- (C) \$ 36 000
- (D) \$ 37 500

15. Calculate the Net Profit.

- (A) \$ 42 000
- (B) \$ 44 000
- (C) \$ 46 000
- (D) \$ 50 000

16. Terry and Michelle have just established a women only fitness centre in the inner city. Which type of market will this fitness centre service?

- (A) niche market
- (B) mass market
- (C) target market
- (D) potential market

17. BRC Computers Ltd. has promoted one of their technicians to sales. This is an example of:

- (A) internal recruitment
- (B) external selection
- (C) external recruitment
- (D) internal selection

18. Which of the following is a form of equity finance?

- (A) bank overdraft
- (B) debentures
- (C) mortgage
- (D) retained profits

19. Newly appointed manager of a big furniture manufacturer Nal Wijesekera has introduced a business operation that considers a series of steps required to carry out production of furniture in the shortest amount of time. What is this business operation called?
- (A) rostering
 - (B) critical path analysis
 - (C) scheduling
 - (D) decision trees
20. 'Breakers' experienced a number of financial changes to its cost structure. Fixed costs remained the same, the sale price was increased by \$1 and the variable costs increased by 40 cents per item. What impact does this have on the break-even point?
- (A) no change given total costs remained the same
 - (B) more items will now need to be sold to reach break-even point
 - (C) a decrease in the profitability level if 100 items are sold
 - (D) less items will now need to be sold to reach break-even point

End of Section I

Section I**Total marks (20)****Attempt questions 1 – 20****Allow about 25 minutes for this section**

Select the alternative A, B, C or D that best answers the question and indicate your choice with a cross (X) in the appropriate space on the grid below.

	A	B	C	D
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Section II

Total marks (40)

Attempt questions 21 – 25

Allow about for this section
40 MINUTES

Answer the questions in the spaces provided.

Question 21 (5 marks)

Marks

Big Mac and Fries with That.

A survey of 1000 Australians by brand consultants Landor Associates found that, despite McDonalds' efforts to shed the junk food label by introducing healthier alternatives, consumers still regard its products as fattening and unhealthy.

On the other hand Subway and Boost Juice rated highly in consumer perceptions about healthy eating.

Adapted from a Sydney Morning Herald article 18/4/2005

(a) Identify the target market for McDonalds' new product lines. 1

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(b) What is branding and why is it important to businesses like McDonalds and Subway? 2

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(c) Recommend and justify ONE promotional strategy McDonalds could use to try to change consumer views about their products? 2

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Question 22 (5 marks)

Marks

Balance sheet for Rita's clothing boutique as at 30 June, 2005			
Assets		Liabilities	
Current Assets	\$	Current Liabilities	\$
Cash at bank	120	Bank overdraft	2,000
Accounts receivable	50	Accounts payable	4,450
Inventory	280		
Non-current Assets		Non-current Liabilities	
Motor vehicles	6,000	Bank loan	10,000
Plant and equipment	1,800		
Fixtures and fittings	1,200	Total Liabilities	\$16,450
Buildings	11,000	Owner's Equity	
Land	21,000	Shareholders' Capital	18,000
		Retained Earnings	?
Total Assets	\$41,450		

(a) Outline ONE main function of the balance sheet.

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(b) Rita's clothing boutique has an accounts payable of \$4,450. Why is this a current liability?

2

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(c) Define 'owner's equity' AND calculate the owner's equity for Rita's clothing boutique.

2

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Question 23 (10 marks)

Marks

It is estimated that there were 1,233,200 private sector small businesses in Australia during 2001-02 which represented 97% of all private sector businesses. Small businesses play a vital role in the Australian economy, however only about 20% survive past the 10th year.

Australian Bureau of Statistics, 2003

- (a) Define 'small business enterprises'. 1

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- (b) Outline TWO contributions of small-medium business enterprises to the Australian economy. 2

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- (c) Outline THREE factors that contribute to the failure of small-medium business enterprises in Australia. 3

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- (d) Explain how the economic cycle and government business regulations impact on business in Australia. 4

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Question 24 (10 marks)

Marks

Elias and Basil have been operating I-POD Pty Ltd, a computer company, for the past ten years. This business has a good reputation and has been successful. I-POD has grown to its maximum capacity and some of its products are becoming outdated. I-POD is now facing fierce competition from a new competitor. Spiro enterprises have established themselves as one of the main competitors in the industry. This enterprise is adopting new technology and methods of marketing their product which has resulted in an increase in market share. I-POD is now looking at re-evaluating their business plan to regain market share.

- (a) What is a business plan? 1

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- (b) Outline TWO ways a business plan can improve the performance of a business? 2

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- (c) Identify the phase of the business life-cycle that I-POD is currently experiencing and outline TWO challenges management faces at this stage of the life cycle. 3

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Question 24 continues on the next page

Question 24 (continued)

Marks

- (d) Using the stimulus on page 11 and your own knowledge of business studies, conduct a SWOT analysis for I-POD.

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Question 25 (10 marks)

Maggie loves watching movies and is looking at purchasing a video shop. She currently works in a video shop that is for sale and is looking into purchasing this business. She is seeking advice about the key factors she needs to consider in setting up the business.

- (a) Identify TWO personal qualities that could influence Maggie's success as an entrepreneur.

2

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- (b) Outline TWO advantages associated with buying an existing business.

2

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Question 25 continues on the next page

Question 25 (continued)

Marks

- (c) Describe TWO key factors Maggie should consider when deciding on the location for the video shop.

2

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- (d) Identify AND explain TWO methods Maggie could use to finance the purchase of this business.

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End of Section II

Section 3 – Business Report

Question 26

Total Marks 20

Allow about 30 minutes for this section

In your answer you will be assessed on how well you:

- Use your knowledge and information provided.
 - Communicate using relevant business terminology and concepts.
 - Present a logical, well-structured answer to the question in the form of a business report.
-

Question:

Jason and David have been running a small computer store as a partnership in Bondi Junction for the last five years called Crap Computers. Over this time they have built a large customer base and lots of goodwill, they also have a large number of customers from Victoria and Queensland.

An opportunity has now arisen for Jason and David to purchase the land and the building next door, which is three times the size of their current premises. This would give them the opportunity to expand the size of their business operations offering many more products and services and more professional assistance.

In order for this to happen Jason and Adam need to consider a new legal structure, finance for the expansion and employing ten specialized computer employees.

As their business consultant, Jason and Adam have asked you to write a business report outlining the benefits of operating as a company structure, describe the appropriate sources and types of funds they should use for their business expansion and explain the human resource cycle Jason and Adam will need to incorporate with their ten new employees.

End of Section III

Section IV

Total Marks (20)

Attempt EITHER Question 27, 28, 29 OR 30

Allow about 30 minutes for this section

Answer the question in a separate writing booklet. Extra writing booklets are available.

In your answer you will be assessed on how well you:

- Use your knowledge and relevant case study/ies.
 - Communicate using relevant business terminology.
 - Present a logical, well structured answer to the question.
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EITHER

Question 27 (20 marks)

With reference to a business you have studied evaluate the success of its marketing, employment relations and operational strategies to the overall success of the business.

OR

Question 28 (20 marks)

Outline the personal qualities required in establishing a business, explain how a potential owner identifies its target market and evaluate the critical issues in business success and failure.

Question 29 (20 marks)

'Social responsibilities for a business can often lead to conflicts of interest for stakeholders'

Analyse the benefits of businesses adopting an ethical business approach to its functions.

Question 30 (20 marks)

Coke Cola has decided to relocate their operational warehouse to a much bigger location.

- (A) Describe the factors that will need to be considered before they can start manufacturing from the new site.
- (B) Explain what stock control system Coke Cola will need to implement and discuss the advantages and disadvantages of this system.

End of Section IV

NSW INDEPENDENT TRIAL EXAMS
BUSINESS STUDIES - PRELIMINARY 2005

Marking Guidelines

Section I

1	A	2	D	3	B C	4	B	5	C	6	D	7	C	8	B D	9	D	10	C
11	A	12	C	13	D	14	B C	15	A C	16	A	17	A	18	D	19	E	20	D A

Section II

Q21 (a)

Criteria	Marks
Accurate recognition of target market for McDonald's new products.	1

Answers may include:

Mothers who take children to McDonalds, families, health conscious customers.

Q21 (b)

Criteria	Marks
Accurate definition of branding and relevant reasons for the importance of branding that relates to the stimulus.	2
Brief sketch of reason/s for the importance of branding	1

Answers may include:

Branding relates to the image the product/business creates in the minds of consumers. It is vital aspect of marketing ('product') as it guides customer choices, leads to brand loyalty etc.

Q 21 (c)

Recommends and gives supporting reasons for ONE promotional strategy relevant to the stimulus.	2
Recommends ONE promotional strategy – may give inaccurate reasons or no reasons at all.	1

Answers may include:

Details about advertising (e.g. prime time TV); below the line/sales promotions; publicity campaigns etc.

Q 22 (a)

Criteria	Marks
Outlines the main function of the balance sheet.	1

Answers may include:

To provide management with the ability to oversee and control the assets, owner's equity and liability of the business OR it enables the stakeholders of the business to assess it's liquidity and its levels of debt and owners equity.

Q22 (b)

Criteria	Marks
Students show understanding of accounts payable and current liabilities. They need to show understanding of short term nature of liabilities and that accounts payable need to be repaid within the accounting period.	2
Gives some definition of accounts payable or current liabilities but shows no understanding of the link.	1

Q22 (c)

Criteria	Marks
Students define owner's equity as the capital contributed by the owners plus any earnings they have retained in the business. Students calculate the owners equity = Assets - Liabilities. Answer is \$25,000.	2
Students EITHER define owner's equity OR correctly calculate the owner's equity for Rita's clothing boutique.	1

~~\$7000~~ \$25000

Q23 (a)

Criteria	Marks
Clearly defines small business enterprises.	1

Answers may include:

Small business enterprises can be defined as a business that has the following characteristics:

- independently owned and operated,
- closely controlled by owners or managers who contribute most of the capital,
- principle decision making functions rests with the owners.

ABS definition - a non-manufacturing business employing less than 20 employees or a manufacturing business employing less than 100 employee.

Q23 (b)

Criteria	Marks
Outlines TWO contributions made by small-medium business enterprises to the Australian economy.	2
Only outlines ONE of the contributions made by small-medium business enterprises.	1

Answers may include: creating employment, increasing national income and living standards, increasing export sales, contributing to the growth of specific regions, innovation and invention and improving skills of the workforce.

Q23 (c)

Criteria	Marks
Outlines THREE factors that may contribute to small business failure in Australia.	3
Outlines only TWO factors that may contribute to small business failure in Australia.	2
Outlines only ONE factor that may contribute to small business failure in Australia.	1

Answers may include:

Lack of financial capital, poor management skills, unfavourable economic conditions, failure to keep adequate records, excessive debt and outstanding payments, inability to collect debt.

Q23 (d)

Criteria	Marks
Clearly explains how the economic cycle of booms and recessions can impact on consumer spending and investment and ultimately impact on business activity and profitability. They also look at how government regulations may impact on business activity through government legislation such as zoning, fair trading and trade agreements which impact on how a business can conduct its operations.	4
Students explains ONE of the factors well but only briefly states how the other may impact on business.	3
Little or no explanation with an outline of how economic cycles or government may impact on business in Australia.	1-2

Q24 (a)

Criteria	Marks
Correctly defines a business plan.	1

Answers may include:

A business plan is a document containing the goals and objectives of a business and the strategies used to achieve them.

Q24 (b)

Criteria	Marks
Demonstrates an understanding of how the business plan can improve business performance. Students need to outline TWO ways it improves performance.	2
Only outlines ONE way the business plan can help improve business performance.	1

Answers may include:

Providing managers and employees with direction, forcing management to look to the future and consider changing business environment and adapts to changes, providing a framework for coordinating all activities, allows for control and performance appraisals, forces managers to evaluate realistically and see which goals are being achieved and which need to be changes.

Q24 (c)

Criteria	Marks
Identifies the phase of the life cycle as maturity stage for 1 mark. Outlines TWO challenges at this phase of the life cycle.	3
Correctly identifies the phase of the life cycle and only outlines ONE challenge at this phase.	2
Correctly identifies the phase of the life cycle with no correct answer for the challenges they may face.	1

Answers may include:

Two challenges at this phase of the life cycle include: staying responsive to changes in consumer demand, identifying opportunities for innovation in products and services, sustaining the motivation of management and staff and avoiding laziness and complacency, rationalising business operations and minimising costs

Q24 (d)

Criteria	Marks
Students conduct a well developed SWOT analysis. Identifying strengths, weaknesses, opportunities and threats which can be used in business planning.	3 – 4
Students provide a limited understanding of SWOT through their analysis and only correctly analyse a few of the points relating to SWOT. Little or no link of SWOT to business planning.	1 – 2

Answers may include:

Strengths may include strong financial position, good reputation, wide product range, effective management. Weaknesses may include a price disadvantage, outdated products/technology, and a narrow product range. Opportunities may include fast growing market, vulnerable competitors. Threats may include slow market growth, entry of new competitors.

Q25 (a)

Criteria	Marks
Identifies TWO personal qualities which will influence success as entrepreneur.	2
Only identifies ONE personal quality	1

Answers may include: motivation, experience, expectations, and a good sense of judgement.

Q25 (b)

Criteria	Marks
Outlines TWO advantages associated with buying an existing business.	2
Only outlines ONE advantage associated with buying an existing business.	1

Answers may include:

Greater predictability of revenues and costs, cash flows from existing customer base, system already in place for buying, invoicing and accounting, Easier to gain capital as business has already established itself, implementing new ideas into existing business to develop future opportunities.

Q25 (c)

Criteria	Marks
Describes TWO factors to consider when deciding on location.	2
Describes only ONE factor to consider when deciding on location.	1

Answers may include: visibility, cost/rent, proximity to suppliers, customers and customer parking.

Q25 (d)

Criteria	Marks
Students explain TWO methods which could be used to finance the business. Students need to explain each of the methods in relation to the stimulus.	4
Students explain ONE method well and only list the other method of financing the purchase.	3
Students explain ONE method only or identify 2 methods but do not explain them.	2
Identifies only ONE method of finance.	1

Answers may include: equity finance and debt finance.

Section III

Q 26

Criteria	Marks
<ul style="list-style-type: none"> ▪ Presents a sustained, logical and well-structured business report that provides comprehensive assessment of the advantages and disadvantages of both partnerships and companies. ▪ Outlines the features of critical issues such as importance of a business plan, sustaining competitive advantage and managing cash flow. ▪ Comprehensively justifies which structure would best suit a growing business. ▪ Extensively selects, organizes and evaluates information. ▪ Presents findings in an appropriate business format. ▪ Extensively uses relevant business terminology and concepts in appropriate forms. 	17 – 20
<ul style="list-style-type: none"> ▪ Presents a well-organised business report that provides a solid assessment of the advantages and disadvantages of both partnerships and companies. ▪ Outlines the features of critical issues such as importance of a business plan, sustaining competitive advantage and managing cash flow. ▪ Outlines the features of critical issues such as importance of a business plan, sustaining competitive advantage and managing cash flow. ▪ Justifies which structure would best suit a growing business. ▪ Accurately selects, organizes and evaluates information. ▪ Presents findings in an appropriate business format. ▪ Uses relevant business terminology and concepts in appropriate forms. 	13 – 16
<ul style="list-style-type: none"> ▪ Presents a business report that provides some advantages and disadvantages of both partnerships and companies. ▪ Some justification of which structure would best suit a growing business. ▪ Some outline of critical issues such as business planning and competitive advantage. ▪ Attempts to select, organise and evaluate information. ▪ Presents findings in an appropriate business format. ▪ Satisfactorily uses relevant business terminology and concepts in appropriate forms. 	9 – 12

Question 26.

Marking Criteria,

Criteria	Marks
<ul style="list-style-type: none"> • Presents a sustained, logical and well structured answer and clearly communicates using features of a business report with appropriate business terminology and concepts. • Outlines the benefits of operating as a company structure. • Provides detailed characteristics and features of the types of funds and sources the business should use for their expansion. • Clearly explains the human resource cycle that needs to be implemented. 	17 - 20
<ul style="list-style-type: none"> • Presents a well organised business report and uses appropriate business terminology and concepts. • Outlines the benefits of operating as a company structure. • Provides characteristics and features of the types of funds and sources the business should use for their expansion. • Explains the human resource cycle that needs to be implemented. 	13 - 16
<ul style="list-style-type: none"> • Includes features of a business report and uses some business terminology and concepts. • Attempts to outline the benefits of operating as a company structure. • Provides some characteristics and features of the types of funds and sources the business should use for their expansion. • Makes reference to the human resource cycle that needs to be implemented. 	9 - 12
<ul style="list-style-type: none"> • Includes features of a business report and uses some business terminology and concepts. • Lists the benefits of operating as a company structure. • Lists the sources of funds the business can use. • Makes no reference to the human resource cycle that needs to be implemented. • May not answer certain parts of the question. 	5 - 8
<ul style="list-style-type: none"> • Uses basic business terminology. • May refer to the benefits of a company structure • May refer to sources of funds. • May not answer certain parts of the question. 	1 - 4

Answer should include:

- Executive Summary/Introduction
- Benefits of a company structure – Company tax 30%, limited liability, perpetual succession, personal assets are separate to those of the directors, greater access to finance and knowledge
- Sources of funds - Internal V External (short term V's long term) – banks finance companies, insurance companies, non banking financial institutions.
- Human Resource cycle – acquisition, development, maintenance, separation.