



St Ignatius College
Riverview

2013

HSC SEMESTER 1
EXAMINATION

Business Studies

General Instructions

- Reading time – 5 minutes
- Working time – 2½ hours
- Write using a blue or black pen
- Board-approved calculators may be used
- Write your name and teacher's initials in the spaces provided
Byrne AJB
Crocker SCC
Robertson MXR
Walker LAW
Walsh SMW

Total marks - 80

Section I

20 marks

- Attempt Questions 1-20
- Allow about 25 minutes for this section

Section II

20 marks

- Attempt Questions 21-22
- Allow about 35 minutes for this section

Section III

20 marks

- Attempt Question 23
- Allow about 45 minutes for this section

Section IV

20 marks

- Attempt Question 24 or 25
- Allow about 45 minutes for this section

Section I

20 marks

Attempt Questions 1–20

Allow about 25 minutes for this section

Use the multiple-choice answer sheet for Questions 1–20.

- 1** In finance, interdependence with other key business functions means:
- (A) Marketing relies only on Operations
 - (B) Human Resources relies only on Finance
 - (C) The key business functions rely on one another
 - (D) Each business function is independent of each other
- 2** A company is looking to raise short-term finance via a commercial bill.
- Which financial institution would be able to assist them?
- (A) Bank
 - (B) Insurance Company
 - (C) Superannuation Fund
 - (D) The Reserve Bank of Australia
- 3** A business has recently encountered difficulties with its working capital.
- How might the business address this issue?
- (A) Provide a discount for early payment and use a JIT inventory system
 - (B) Use a JIT inventory system and sell and lease back non current assets.
 - (C) Sell and lease back non current assets and formulate marketing objectives.
 - (D) Formulate marketing objectives and provide a discount for early payment.

- 4 The process of planning in financial management, consists of:
- (A) Developing budgets, establishing financial controls and addressing liquidity
 - (B) Addressing present financial position, maintaining record systems and identifying financial risks
 - (C) Maintaining record systems, establishing cost centres and determining financial needs
 - (D) Developing budgets, maintaining record systems and factoring accounts receivable

- 5 A business has just sold a large block of land. As a result of this one off sale the business reported a capital gain of \$250,000 which boosted its Net Profit.

Which limitation to financial reports is evident here?

- (A) Capital expenses
 - (B) Valuing assets
 - (C) Timing issues
 - (D) Normalised earnings
- 6 In recent years we have seen examples of corporate failures where it was shown director's had used business funds inappropriately.

As a result, public companies must ensure their financial accounts are:

- (A) up to date.
 - (B) prepared before year's end.
 - (C) correct, so as to guarantee employee bonuses are paid.
 - (D) audited in order to protect the interests of all stakeholders.
- 7 Which financial report would a business use to compare its gross profit between periods?
- (A) Cash flow statement
 - (B) Income Statement
 - (C) Balance Sheet
 - (D) Bank Statement

- 8** Which of the following actions will improve a firm's control of its current liabilities?
- (A) Reducing the balance on the overdraft
 - (B) Offering discounts for early repayment
 - (C) Implementing a sale and lease back arrangement
 - (D) Selling your accounts receivable to a factoring company
- 9** A balance sheet helps managers monitor and control their financial position because it allows them to assess:
- (A) the level and timing of cash entering and exiting the business.
 - (B) how much revenue has been generated in the given time period.
 - (C) the monthly debt repayment on loans and their respective interest rates.
 - (D) the level of assets a company has and how the business has been funded.
- 10** The liquidity ratio is:
- (A) used to assess a firm's ability to pay long-term debts as they fall due.
 - (B) used to assess a firm's ability to pay short-term debts as they fall due.
 - (C) used to assess a firm's ability to increase its profitability in the short term.
 - (D) used to assess a firm's ability to increase its profitability in the long term.

- 11** Use the information to answer Questions 11-12.

Financial Statement for a video game arcade.

	Feb	Mar	Apr	May
Cash Sales	\$ 2,000	\$ 3,000	\$ 2,000	\$ 2,800
Cash Expenses	\$ 500	\$ 2,500	\$ 6,000	\$ 1,000

What is the closing cash balance at the end of May?

- (A) - \$200
- (B) + \$200
- (C) - \$1,800
- (D) + \$1,800

- 12 Which strategy could the manager of the video game arcade have adopted to improve cash flow in April?
- (A) Use a just in time inventory management system
 - (B) Implement cost centres in order to track expenses
 - (C) Try to distribute larger payments over several months
 - (D) Use derivatives to reduce the risks associated with payments
- 13 When managing current assets, which of the following is most desirable?
- (A) Cash is greater than receivables
 - (B) Receivables is greater than cash
 - (C) Cash is greater than overdraft
 - (D) Overdraft is greater than cash
- 14 What advantage might a firm gain from using leasing as a strategy to manage working capital?
- (A) They receive immediate cash from the sale of debtors
 - (B) Exchange rate fluctuations can be more easily managed
 - (C) The assets arrive to the business and are used once paid for
 - (D) Cash is freed up and repayments can be spread over a period of time

A business has provided the following financial data.

Year	Sales \$	Accounts Receivable \$
1	100,000	10,000
2	150,000	20,000
3	300,000	25,000
4	400,000	25,000

- 15 In which year is this business most efficient?
(Note: ART Ratio = Sales/Accounts receivable)
- (A) Year 1
 - (B) Year 2
 - (C) Year 3
 - (D) Year 4

- 16** James is a small business owner who has been in operating for three months and is in the process of producing his first set of quarterly financial reports.

Which method of ratio analysis would give him the best insight into the performance of his business?

- (A) Comparison with similar businesses
- (B) Comparison with larger businesses
- (C) Comparison over different time periods
- (D) Comparison of efficiency and liquidity ratios against each other

- 17** Which statement defines transformed resources?

- (A) They are inputs that are changed or converted in the operations process and include human resources
- (B) They are inputs that are changed or converted in the operations process and include customers
- (C) They are inputs that carry out the transformation process and include customers
- (D) They are inputs that carry out the transformation process and include human resources

- 18** Waqar runs an online business that sells cricket equipment and clothing.

Which of the following would be considered indicators of effective customer service in his business?

- (A) Fast lead times and repeat business
- (B) Repeat business and unavailable stock
- (C) Unavailable stock and low levels of return
- (D) Low levels of return and increased customer complaint

- 19** Have a Go Pty Ltd plans to expand operations into the global market and lower their unit costs as a result.

Which global factor does this refer to?

- (A) Economies of scale
 - (B) Global sourcing
 - (C) Research and development
 - (D) Scanning and learning
- 20** Joe and Mario both own ice cream shops. Joe always runs down his stock levels as summer ends whilst Mario always holds at least six weeks stock. The forecast is for the coming autumn to be extremely hot.

Which scenario below is most likely in the coming month given the autumn forecast?

	<i>Joe</i>	<i>Mario</i>
(A)	Growth in sales	Lower storage costs
(B)	Loss of sales	Generate ongoing revenue
(C)	Inability to meet demand	Lower storage costs
(D)	Able to meet demand	Generate ongoing revenue

Section III

20 marks

Attempt Question 23

Allow about 45 minutes for this section

Use the question in a writing booklet. Extra writing booklets are available.

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

- demonstrate knowledge and understanding relevant to the question
 - apply the hypothetical business situation
 - communicate using relevant terminology and concepts
 - present a sustained, logical and cohesive response in the form of a business report
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Question 23 (20 marks)

Liberty Furniture Ltd is a manufacturer of high quality furniture and has been operating for 20 years from its factory on Parramatta Rd, 2 km from the Sydney CBD. Due to increasing rent over the last 5 years they are contemplating relocating and buying a premises in Campbelltown in Sydney's south-west which will also allow them to update their factory with new machinery. The cost of the relocation and upgrading the machinery is estimated to be \$2 million.

Over the last 3 years they have faced:

- Declining sales, as they have been unable to fulfill orders due to local suppliers being unreliable.
- Increasing returns of furniture due to poor workmanship.
- A dramatic drop in Net Profit from \$800 000 in 2010 to \$100 000 in 2012.

Liberty Furniture Ltd is seeking to become once again a market leader in the provision of high quality furniture.

You have been employed as a consultant by Liberty Furniture Ltd. Prepare a report to be given to Liberty Furniture Ltd.'s management team.

In your report, you should:

- Outline ONE reason why management and ONE reason why employees may resist the move to Campbelltown.
- Discuss TWO sources of finance that Liberty Furniture LTD could use to relocate their premises and upgrade their machinery.
- Analyse how Liberty Furniture Ltd could use supply chain management and quality management to improve their operations.

Section IV

20 marks

Attempt either Question 24 or 25

Allow about 45 minutes for this section

Use the question in a writing booklet. Extra writing booklets are available.

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

- demonstrate knowledge and understanding relevant to the question
 - apply relevant business case study/studies and contemporary business issues
 - communicate using relevant business terminology and concepts
 - present a sustained, logical and cohesive response
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Question 24 (20 marks)

Explain how global financial management strategies can impact upon the objectives of financial management

OR

Question 25 (20 marks)

Explain how the strategic role of operations management can impact upon the transformation process.

End of paper

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Student Number

Section I
Answer sheet

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Teacher Initials

Start Here →

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18. A B C D
19. A B C D
20. A B C D

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Student Number

Section II

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Teacher Initials

20 marks

Attempt Questions 21–22

Allow about 35 minutes for this section

Answer the questions in the spaces provided. These spaces provide guidance for the expected length of response.

Question 21 (12 marks)

Greengate Nursery Pty Ltd is located in Lane Cove and specialises in selling native Australian plants. They have experienced increasing costs from their plant suppliers.

(a)

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	2011	2012
Sales	500,000	800,000
COGS	200,000	400,000
Gross Profit		
Expenses	100,000	200,000
Solvency	60%	50%

Industry Average: Gross profit ratio 45%
 Net profit ratio: 20

Calculate the Net Profit and Gross Profit ratios for 2012.

GPR: Gross Profit

Sales

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NPR: Net Profit

Sales

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(b) Using TWO types of comparative ratio analysis, assess the 2012 net profit results for Greengate Nursery? 4

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c) Considering the financial information above, recommend TWO cost controls that Greengate Pty Ltd could implement to improve profitability. 4

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End of Question 21

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Section II (continued)

Student Number

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Teacher Initials

Question 22 (8 marks)

The Treasurer, Wayne Swan, will offer an olive branch to big business today by renewing the government's commitment to lower the company tax rate from 30% down to 29%. *Source: Sydney Morning Herald – May 15th 2012.*

- (a) Outline the impact on shareholders if the policy mentioned in the stimulus above was to become law. **2**

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- (b) Describe the role of the Australian Securities and Investments Commission (ASIC). **2**

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Question 22 continues on the next page.

Question 22 (continued)

(c) Explain how TWO global market influences could impact on a company's profitability. 4

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End of Question 22