



2012
Higher School Certificate
Trial Examination

Business Studies

General Instructions

- Reading time — 5 minutes
- Working time — 3 hours
- Board approved calculators may be used
- Write using black or blue pen
- Write your student number and/or name at the top of every page

Total marks — 100

Section I — Pages 2-8

20 marks

Attempt Questions 1-20

Allow about 35 minutes for this section

Section II — Pages 9-15

40 marks

Attempt Questions 21-25

Allow about 1 hour and 15 minutes for this section

Section III — Page 16

20 marks

Attempt Question 26

Allow about 35 minutes for this section

Section IV — Page 17

20 marks

Attempt either Question 27 OR Question 28

Allow about 35 minutes for this section

This paper MUST NOT be removed from the examination room

STUDENT NUMBER/NAME.....



Section I**20 Marks****Attempt Questions 1-20****Allow for 35 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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- 1 Which of the following is a *transforming resource*?
 - (A) Materials
 - (B) Information
 - (C) Intermediate goods
 - (D) Human resources

- 2 If a business wants to increase its market share, which pricing strategy should it use?
 - (A) Market based pricing
 - (B) Price penetration
 - (C) Price points
 - (D) Price Skimming

- 3 A service organisation transforms inputs into which of the following?
 - (A) Intangible products
 - (B) Intermediate goods
 - (C) Non-perishable goods
 - (D) Primary products

- 4 What would be a suitable method of payment to reduce the financial risk for an exporter?
 - (A) Payment following delivery
 - (B) Hedging
 - (C) Bill of exchange
 - (D) Letter of credit

- 5 Which of the following is an example of an *external* source of equity finance?
 - (A) Commercial bills
 - (B) Debentures
 - (C) Ordinary shares
 - (D) Overdraft

6 Which of the following statements best represent the key changes in the employment relations environment in the past 3 decades in Australia?

- (A) Decreasing unionisation, more casual positions, declining female employment rate
- (B) Increasing unionisation, more casual positions, rising female employment rate
- (C) Increasing unionisation, less casual positions, declining female employment rate
- (D) Decreasing unionisation, more casual positions, rising female employment rate

7 In relation to profitability management what would be two examples of variable costs?

- (A) Depreciation and insurance
- (B) Depreciation and leasing costs
- (C) Casual workers and materials
- (D) Power and buildings

8 *Flake Grocers' finance department allocates the budget for marketing and human resource departments, to ensure that the common goal of profit maximisation is achieved.*

Which of the following concepts is this an example of?

- (A) Global sourcing
- (B) Interdependence
- (C) Operations
- (D) Total quality management

- 9 *Jet Off Travel Pty Ltd has decided to implement a policy where their sales staff call customers once they get back from their holiday to ask for their feedback. The aim is to gain customer loyalty.*

Which of the following marketing concepts is 'Jet Off Travel' using?

- (A) Corporate social responsibility
 - (B) Production approach
 - (C) Relationship marketing
 - (D) Sales approach
- 10 *Management at Yummy Pizza want to use a sequencing and scheduling tool that shows what tasks need to be done, how long they take and what order is necessary to complete each task. The aim is to better manage their transformation process.*

Which tool should management use?

- (A) Budget
 - (B) Critical Path Analysis
 - (C) Gantt charts
 - (D) Strategic Action Plan
- 11 Which of the following is a major advantage of the Just-in-Time (JIT) approach to inventory management?
- (A) It is easier to incorporate Last-in-first-out (LIFO) stock control
 - (B) Storage and obsolescence costs are minimized for the retailer
 - (C) Transportation and promotion costs are minimized for the retailer
 - (D) Storage and delivery costs for the manufacturer are reduced

- 12 Which of the following is a primary source of data collection in the marketing process?

- (A) Customer feedback
- (B) Internet sites
- (C) Sales reports
- (D) Surveys

13 Observe the following table.

Revenue Statement for 'Melts Ice Cream' 2011	
	\$
Sales	100 000
Cost of goods sold	20 000
Selling expenses	3 000
Administration expenses	2 000
Financial expenses	1 000
Additional information:	
Accounts receivables	15 000
Opening stock	10 000

Which of the following statements is correct?

- (A) Expense ratio is 6% and gross profit is \$74 000
- (B) Expense ratio is 21% and gross profit is \$80 000
- (C) Gross profit is \$74 000 and net profit is \$80 000
- (D) Gross profit is \$80 000 and net profit is \$74000

14 The business '*Brown Pty Ltd*' has acquired the business '*Azure Pty Ltd*' and produced financial reports showing the process undergone when estimating the market price of the new company.

Which of the following limitations of financial reports might this fall under?

- (A) Normalised earnings
- (B) Capitalised expenses
- (C) Valuing assets
- (D) Notes to the financial statements

15 To ensure output standards meet required standards, many businesses carry out inspections on the total volume of production.

Inspections are a characteristic of which *quality management* strategy?

- (A) Quality assurance
- (B) Quality control
- (C) Quality improvement
- (D) Quality reassurance

Use the following information to answer Questions 16 and 17

'Budget Wheels' have issued the following *efficiency data* for 2011 and 2012.

	2011	2012
<i>Sales</i>	200 000	206 000
<i>Expenses</i>	10 000	16 000
<i>Accounts receivable</i>	20 000	5 400

16 What is the expense ratio for 2011?

- (A) 3.65%
- (B) 5.0%
- (C) 7.7%
- (D) 9.6%

17 Which of the following statements about the efficiency of 'Budget Wheels' is correct?

- (A) The expense ratio has improved while the accounts receivable turnover ratio has deteriorated.
- (B) The accounts receivable turnover ratio has improved and the expense ratio has also improved.
- (C) The expense ratio has deteriorated while the accounts receivable turnover ratio has improved.
- (D) The accounts receivable turnover ratio has deteriorated and the expense ratio has also deteriorated.

18 Which *distribution strategy* will be used by a business wishing to saturate the market with its product?

- (A) Exclusive distribution
- (B) Intensive distribution
- (C) Selective distribution
- (D) Skimming distribution

Use the following information to answer questions 19 and 20

Virginia's Event Management Pty Ltd

	Jan	Feburary	March	April	May
Cash Receipts \$	12 000	11 000	7 000	5 000	3 000
Cash Payments\$	8 000	5 000	6 000	6 000	8 000

The opening balance in January was \$2 000

19 What is the closing balance for May?

- (A) \$7 000
- (B) \$9 000
- (C) \$3 000
- (D) \$5 000

20 Which of the following would be a suitable strategy for Virginia to use to help deal with the cash flow situation?

- (A) Factor outstanding sundry creditors
- (B) Reduce the proportion of casual staff
- (C) Retain higher amounts of profit
- (D) Spread annual payments throughout the year

Section II

40 marks

Attempt Questions 21-25

Allow about 1 hour and 15 minutes for this section

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

Question 21 (6 marks)

Marks

AMA Constructions has decided to implement a training program for all staff as it recognises the value of improving employment relations for each individual employee

(a) State one benefit of an induction program

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(b) Explain the steps in designing an effective training program that AMA Constructions could implement to ensure safe work practices.

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Question 23 (8 marks)

Marks

The operations function is an intrinsic aspect of business processes and overlaps with, and is interdependent to, all of the other business processes and key business functions.

(a) Outline ONE aspect of the strategic role of operations management.

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(b) Explain ONE operations process relevant to transformation that will influence the output of a business.

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(c) Examine TWO global operations strategies a business can use in an attempt to reduce costs of production AND to improve their goods or services.

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Question 24 (9 marks)**Marks**

Observe the following information.

'Everyday Supplies Pty Ltd'			
As at 30 June 2012			
	\$		\$
<i>Current assets</i>		<i>Current liabilities</i>	
Cash	4 450	Overdraft	13 500
Accounts receivable	8 500	Accounts payable	11 600
Inventory	13 600		
<i>Non-current assets</i>		<i>Non-current liability</i>	
Equipment	37 550	Mortgage	280 000
Property	410 000		
Vehicles	91 000		
		<i>Owner's equity</i>	
		Capital	165 000
		Net profit	95 000
<i>Additional Information</i>			
2011 debt to equity ratio: 0.8:1			
2011 return on owner's equity: 5.3%			
2011 net profit: \$323 000			

- (a) Calculate the *current ratio* for 'Everyday Supplies' in 2012.

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- (b) Comment on the *change in gearing* between 2011 and 2012.

2

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Question 24 continues on the next page

Question 24 (continued)

Marks

- (c) Outline ONE possible reason for the change in return on *owner's equity* between 2011 and 2012. 2

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- (d) Recommend TWO strategies management can use to improve its *working capital*. 4

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End of Question 24

Question 25 (10marks)

Marks

Technology has driven the push to market products to customers worldwide. E-commerce has increased dramatically over the past decade. Businesses now have more access to global markets which they attempt to influence and target through their marketing plan. They need to decide if they are going to use a standardized or customized marketing strategy, or a combination of the two.

(a) Identify TWO technologies a business may use to support its e-marketing strategy. 2

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(b) Distinguish between a *standardized* and *customized* approach to global marketing. 2

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(c) Outline TWO factors that influence customer choice. 2

i.
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ii.
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Question 25 (continued)

Marks

(d) Discuss how relationship marketing is increasingly used to attract new customers for both goods and services.

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End of Question 25

Section III

20 marks

Attempt Question 26**Allow about 35 minutes for this section**

Answer the question on a SEPARATE page of your own paper, or writing booklet if provided.

Expected length of response is *approximately* six written pages or 800 words.

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

- demonstrate knowledge and understanding relevant to the question
- use the information provided
- communicate using relevant terminology and concepts
- present a sustained, logical and cohesive response in the form of a business report

Question 26 (20 marks)

'BG Electricals' is a large domestic manufacturer of electrical products. In 2011 the marketing and financial objectives of the business were not met and profits did not reach the forecasted levels.

Other problems include:

- Poor publicity due to customer complaints of poor service due to stock not being available and increase in the number of faulty products being manufactured
- Cash flow problems due to excessive credit sales and poor accounts receivable turnover ratio
- Loss of market share

'BG Electricals' is looking to:

- Develop a more effective marketing strategy for 2013
- Improve its image and reduce the number of customer complaints
- Improve its quality management process
- Meet financial and marketing objectives

Assume that you have been employed as a consultant to prepare a report for BG Electricals.

In your report you need to:

- Outline two performance objectives for BG Electricals
- Describe the marketing process that BG Electricals could use to develop a marketing plan that better meets the needs of its customers
- Propose and justify appropriate financial strategies to assist the business in meeting its marketing and financial objectives

Section IV

20 marks

Attempt **EITHER** Question 27 **OR** Question 28

Allow about 35 minutes for this section

Answer the question on a SEPARATE page of your own paper, or writing booklet if provided.

Expected length of response is *approximately* six written pages or 800 words.

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

- demonstrate knowledge and understanding relevant to the question
 - use relevant business case study/studies
 - communicate using relevant business terminology and concepts
 - present a sustained, logical and cohesive response
-

EITHER

Question 27 (20 marks)

Evaluate operations strategies that can help a business sustain its competitive advantage.

OR

Question 28 (20 marks)

Examine the key influences on *human resource management* that contribute to business success.

End of paper



STUDENT NUMBER/NAME:.....

Section I

20 Marks

Attempt Questions 1-20

Allow for 35 minutes for this section

All good!

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
1				X
2		X		
3	X			
4				X
5			X	
6				X
7			X	
8		X		
9			X	
10		X		
11		X		
12				X
13				X
14			X	X
15		X		
16		X		
17			X	
18		X		
19	X			
20				X

Marking guidelines AP4 2012

Question 21

a)

States the benefits of an induction program	1
Reduced absenteeism, familiarisation of job, increased confidence, less stress for employee, knowledge of company policies and procedures, establishes a good working relationship with co workers, gives positive attitude to the job	

b)

Comprehensive explanation of steps for a training program and shows relationship to safe work practices	4-5
Some description of steps and shows relationship to safe work practices	2-3
Some understanding of training	1
Some stepped program that uses improvements in safety as its goal. Assesses needs of training program, determines objectives, looks at internal/external influences, process determined, content, learning needs and then evaluates	

Question 22

a)

Shows the point of difference between short term and long terms financial goals - time and implementation	2
Defines either short term or long term objectives	1
Short term goals differ in their time and implementation from long term goals. Short term objectives are tactical or operational and are implemented in 1 -2 years. They are reviewed regularly to see if targets are being met. Long term objectives are strategic and are generally for more than 5 years. They need short term goals to assist in their achievement.	

b)

Shows the relationship between financial management and the other 3 functional areas in an attempt to achieve the long term financial objectives, an increase in market share of the business.	5
Shows the relationship between financial management and other business functional areas in an attempt to achieve the long term financial objectives of the business	4
Describes the 4 functional areas - may not be related to market share	3
Describes functional areas and how they would improve market share	2
Identifies key business functions	1

Each of the functional areas, finance, operations, marketing and human resource management must work together in order to achieve the goals of the business. Financial management is the key to improving market share as it would be required to fund the resources and work with the other areas to achieve the long term goal of an increase in market share of 10%.

Operations will need funding to cater for an increase in steel production as new suppliers, inventory management and increased production targets would have to be implemented to achieve the objective of an increase in market share of 10%. Human resource management would need to find new employees by recruitment and selection to enable the business to meet manufacturing goals and respond to an increase in market share. The marketing function would need to develop plans for promoting the business and targeting new and existing customers to increase sales boost market share.

Hence the functional areas are highly interdependent to achieve the long term goals of the steel manufacturer.

Question 25

a)

Identifies two technologies	2
Identifies one technology	1

Web page, podcast, SMS, Blogs, social networking sites, email, on line advertising, Web 2.0, secure credit card payment systems e.g paypal. Mobile phone and internet attracted no marks

b)

States the difference between the two approaches as being how the product is used and the need it satisfies. Standardised is the same all over the world, whereas customised is modified to meet the needs in different global market places.	2
Defines the approaches	1

c)

Sketches in general terms two factors influencing customer choice	2
Sketches in general terms one factor influencing customer choice	1

Psychological factors are influences within an individual that affect his or her buying behaviour. Socio cultural influences are those forces exerted by other people and groups that affect customer behaviour. Also economic, government

d)

Shows points for and or against how relationship marketing can be used to attract new customers both for goods and services	3-4
Gives characteristics and features of relationship marketing	1-2

Relationship marketing is the development of long term cost effective and strong relationships with customers and can apply to both the provision of a good or service. The benefit is that the marketer can create customer loyalty by meeting the consumer needs in the product they buy or the service that they use and this creates a reason for them to use the product or service again which increases sales. It is also a strategy that can create competitive advantage giving personalised services that goes beyond customer expectation, can involve personalised communication where relationships are renewed or extended and can be used to gain information about customer buying behaviour, including repeat sales, and value of transactions. The disadvantages for the business include that it is time consuming and may be costly and in some cases may bring up privacy issues for customers, but most business operations would see the advantages far outweighing the disadvantages.

BUSINESS STUDIES - AP4 2012

Question 23 (a)

Outline ONE aspects of the strategic role of operations management

Students identify the strategic role of operations management, i.e. the strategic role of operations management involves operations managers contributing to the strategic direction or strategic plan of the business.	1
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To be given one mark students either

- a) identified that the strategic role of operations management involves operations managers contributing to the strategic direction or strategic plan of the business.
- or
- b) recognised strategic means affecting all key areas by linking the strategic role of operations to a specific aspect of finance, human resource management and /or marketing

Question 23 (b)

Explain one operations process relevant to transformation that will influence the output of a business.

Explains one operations process relevant to transformation that will influence the output of a business.	2-3
Identifies one operations process relevant to transformation	1

The transformation process is the conversion of inputs into outputs. Operations processes relevant to transformation include

- influence of volume, variety, demand, visibility
- Sequencing and scheduling (Gantt charts and critical path analysis)
- Technology, task design, plant(office/factory layout)
- Monitoring of processes, control of processes and improvement

The effect (depending on the process selected) could include increase efficiency, develop a high quality product, minimise wastage thus reducing cost, improve product in response to customer needs, developing a high standard product, increase rate of output.....

Question 23 (c)

Examine TWO global operations strategies a business can use in an attempt to reduce costs of production AND to improve their goods or services.

Students examine TWO global operations strategies a business can use in an attempt to reduce costs of production and to improve their goods or services.	3-4
Students examine ONE global operations strategy or identify two	1-2

Global operations strategies include

- Global sourcing – the sourcing of any business operations that gives the business cost advantages; any business operations that is outsourced.
- Economies of scale – cost advantages that can be obtained by producing on a large scale and sell to global markets
- Scanning and learning – scanning the global environment and learning from the best practice around the world to reduce costs and improve operations process
- Research and development – R&D helps to create leading edge technologies and create innovative products and solutions. This increases innovation, quality and the competitive advantages of a business

Responses had to clearly outline global operations strategies. Referring to strategies that could be applied domestically without linking to global operations was not accepted

Question 24

(a) Calculate the current ratio for 'Everyday Supplies' in 2012

Current ratio CA/CL 1.06:1	1
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Working CA/CL 26550 / 25100 =0.057

(b) Comment on the change of gearing between 2011 and 2012

Comments on the change of gearing between 2011 and 2012 Calculates the gearing	2
Students either comment on the gearing without using figures OR they calculate the gearing without making a comment	1

- In 2011 the gearing was 0.8:1 and in 2012 it is 1.17:1
Using the debt to equity ratio (TD/TE) 305100/26000 (1.2:1 accepted)
- This illustrates that the gearing has deteriorated and increased from \$0.80 in external debt to \$1.17 in external debt for every \$1.00 of owners' equity.
- There is too much debt, the business is not in a safe position

(c) Outline ONE possible reason for the change in return on owner's equity between 2011 and 2012.

Students outline ONE possible reason for the change in return on owner's equity between 2011 and 2012. Students need to calculate the return for 2012	2
Students calculate the return on owners' equity for 2012 and compare it to 2011 but do not provide a possible reason for the change	1

- ROE = NP/TE 95000/ 260000 * 100/1 =36.53%
- In 2011 return on owners' equity was 5.3% and in 2012 it is 36.6%. This indicates that the return the owners have received has increased, This could be due to a decrease in capital provided by the owners from the previous year

(Student can not refer to increased net profit or any aspect such as cutting costs that would lead to an increase in net profit as the profit in 2011 were \$323 000 and has declined to \$95 000 in 2012)

(d) Recommend TWO strategies management can use to improve its working capital

Students recommend TWO possible strategies management can use to improve working capital. Students need to provide the strategies and justify the use Strategies include leasing, factoring and sale and lease back	3-4
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Students recommend ONE possible strategy and justify or identify TWO strategies used to improve working capital.	2
Students identify ONE strategy that could be used to improve working capital.	1

Section 3 Business Report

Question 26

Criteria	Marks
<ul style="list-style-type: none"> • Presents a sustained, logical and well -structured answer and clearly communicates in the form of a business report with relevant business terminology and concepts • Comprehensively outlines two performance objectives for BG Electricals • Comprehensively describes the marketing process that BG Electricals could use to develop a marketing plan that better meets the needs of its customers • Accurately proposes and substantially justifies appropriate financial strategies to assist the business in meeting its marketing and financial objectives • Incorporates the stimulus material throughout the response 	17-20
<ul style="list-style-type: none"> • Presents a well -structured answer and clearly communicates in the form of a business report with relevant business terminology • Outlines two performance objectives for BG Electricals • Describes the marketing process that BG Electricals could use to develop a marketing plan that better meets the needs of its customers • Proposes and justifies some appropriate financial strategies to assist the business in meeting its marketing and financial objectives • Incorporates some stimulus material throughout the response 	13-16
<ul style="list-style-type: none"> • Presents a structured answer and communicates in the form of a business report with some relevant business terminology • Some outline of performance objectives for BG Electricals • Some description of the marketing process that BG Electricals could use to develop a marketing plan that better meets the needs of its customers • Proposes and describes appropriate financial strategies to assist the business in meeting its marketing and financial objectives • Limited use of stimulus material 	9-12
<ul style="list-style-type: none"> • Provides an unstructured response using some business terms • Provides limited outline of performance objectives for BG Electricals • Limited description of the marketing process that BG Electricals could use • Proposes financial strategies to assist the business in meeting its marketing and financial objectives 	5-8
<ul style="list-style-type: none"> • Provides a poor response • May identify a performance objectives for BG Electricals • May outline the marketing process that BG Electricals could use • May identify a financial strategy to assist the business 	1-4

Best answers included reference to most of the following:

Outline TWO performance objectives for BG Electricals

- Needed to correctly identify and outline two of the following; quality, flexibility, speed, dependability, customisation and cost.
- Given BG Electricals problems the best answers identified quality, dependability, and speed as the most appropriate performance objectives.
- Good answers also included terminology relevant to the performance objective. Eg for quality your answer good refer to quality of design, quality of conformance and quality of service

Describe the marketing process that BG Electricals could use to develop a marketing plan that better suits the needs of its customers

Need to describe the six steps (SMEIDI) of the marketing process and integrate stimulus material about BG into response.

- Situational analysis
 BG's strength is its size in the market and the demand for electrical products
 Its weakness is poor quality products and complaints
 Its threats are its competitors who are in a good position to pick up market share
 Its opportunities include identifying where its products are in the 'product life cycle' and either improving its products and/or introducing new products and using new technology to lower costs.
- Market research
 BG needs to do some market research however it already has the information it needs to due to customer feedback about service and quality
- Establish market objectives
 There are three market objectives BG needs to focus on
 Increasing market share
 Expanding the product range
 Maximising customer service
 These objectives should be SMART ie Specific, Measurable, Achievable, Timely. The objective that BG should focus on more than any other is maximising customer service because this will improve its reputation and give it a base to expand market share
- Identify target markets

- Develop marketing strategies
 - Product BG should be focusing on improving the quality of its product and offer warranties
 - Price BG should use price penetration in order to regain market share
 - Promotion BG should apologise by issuing a public statement and recall all faulty products and offer free replacements or discounts to existing customers
 - Place BG is a manufacturing business that supplies other retailers. Given the nature of BG's products they be distributed intensively if simple light globes or extensively if more expensive electrical appliances
 - People BG could provide better training for staff to provide a better service
 - Processes BG could improve the efficiency and improving the speed of its processes.
 - Physical evidence BG could create a manufacturing environment that looks organised and clean and safe
- Implementation, monitoring and controlling
BG needs to pay special attention to monitoring and controlling. BG needs to develop some key performance indicators and then develop some a financial forecast and measure actual results to planned results

By following this marketing process BG hopefully will halt its decline in market share and regaining lost ground

Proposes and justifies appropriate financial strategies

Cash flow management

- BG could improve its cash flow situation by examining its cash inflows and outflows. In order to match cash coming in with cash going out BG could distribute payments so that cash shortfalls do not occur.
- It could also provide discounts for early payment which will have the effect of improving the cash flow situation
- In the event that these strategies are not enough BG could factor out its accounts receivables. This way the business saves money on the costs involved in following up on unpaid accounts and debt collection. The factoring company will simply buy your debts and BG will have immediate cash. The sting in the tail is that the factoring company will charge 10% of the debts.

Working capital management

- BG needs to improve its management of accounts receivable by checking the credit rating of prospective customers, sending customer statements monthly, following up on accounts that are not paid on time, stipulating a reasonable period for repayment which is usually 30 days and finally putting policies in place for collecting bad debts.
- BG also needs to manage its inventories more efficiently. It could adopt the JIT method. This is an arrangement made with suppliers that orders will be supplied immediately. The firm carries little or no inventory and relies on the supplier to fulfil orders as soon as possible. Too much inventory on the floor or slow moving inventory of quick selling items such as electrical goods will normally lead to a loss of customers and hence lost sales.
- On the other hand BG should take advantage of discounts offered by its suppliers and any interest free credit periods or extended terms of payments. This will also improve its working capital situation. It could also negotiate with its bankers re the interest rate charged on short term loans and any overdraft it may have.
- BG could also choose to lease machinery, vehicles and equipment. This will free up cash that can be used elsewhere in the business and furthermore leasing becomes an expense and is tax deductible. BG could also sell assets and lease them back from a leasing company.

All these strategies will have the effect of improving working capital which will provide important funds to improve the quality of products and service. It could be spent for instance on improving staff training and improving processes by investing in new technology.

Profitability management

- To improve profitability BG will also have to get control of its costs. It needs to identify its fixed and variable costs. Fixed costs do not change in the short term. BG might need to source cheaper materials, energy and labour.
- It could also establish cost centres where the source of costs can be easily identifiable as in the case of direct costs.
- BG should take every opportunity to reduce expenses which may involve setting guidelines and policies in place and encouraging staff where ever possible to eliminate waste and unnecessary spending.
- Revenue controls could also be used by BG. It will need to change its marketing objectives to make sure sufficient revenue is generated to meet its fixed and variable costs. BG needs to change the marketing mix with an emphasis on customer service to rebuild customer loyalty and repeat business in order to generate revenue and it needs to use an appropriate pricing policy so that it has the revenue its needs to pay fixed and variable costs

Recommendations

1. BG should issue an immediate public statement apologising for faulty products and recall those products and offer to replace them
2. It should then quickly focus on improving its cash flow management and working capital management to provide much needed funds to implement new marketing strategies.
3. It should then use these funds to focus on improving the quality and dependability of its products by investing those funds into improving staff training to improve products and service. This should be enough to improve its image and reduce the number of customer complaints.
4. The reductions in complaints should lead to improved sales and market share and enable BG to meet its marketing and financial objectives.

Evaluate the Operations strategies that can help a business sustain its competitive advantage

Criteria	Marks
<ul style="list-style-type: none"> • Demonstrates comprehensive knowledge and understanding related to the question using relevant terminology and concepts • Provides an informed judgement , based on criteria, of the effectiveness of operations strategies in helping a business sustain its competitive advantage • Comprehensively integrates a case study/ studies and refers to a contemporary issue • Presents a sustained, logical and cohesive response to the question 	17 - 20
<ul style="list-style-type: none"> • Demonstrates detailed knowledge and understanding related to the question using relevant terminology and concepts • Makes the relationship between the effectiveness of operations strategies evident in helping a business sustain its competitive advantage • Uses a case study/ studies and refers to a contemporary issue • Presents a logical and cohesive response to the question 	13 - 16
<ul style="list-style-type: none"> • Demonstrates some knowledge and understanding related to the question using some relevant terminology and concepts • Provides characteristics and features of the effectiveness of operations strategies in helping a business sustain its competitive advantage • Refers to a case study/ studies and may refer to a contemporary issue • Presents a response with some structure 	9 - 12
<ul style="list-style-type: none"> • Communicates using limited knowledge, understanding, terminology and concepts related to the question • Sketches in general terms the effectiveness of operations strategies in helping a business sustain its competitive advantage • May refer to a case study/ studies and may refer to a contemporary issue • Presents a response with limited structure 	5 - 8
<ul style="list-style-type: none"> • Uses basic knowledge and terminology • May refer to some aspects of operations strategies 	1 - 4

Markers comments AP4 2012 Q 27

Evaluate operations strategies that can help a business sustain its competitive advantage.

This question was the one undertaken by most students and was done quite well. There were a whole range of operations strategies that students could refer to and better responses were able to highlight many of these with reference to a good case study – in most cases QANTAS. Most students were able to make the link between how operations strategies contributed to sustaining a competitive advantage.

The best responses realised that in evaluating (judgement against criteria), the criteria that needed to be used were the performance objectives themselves. Those that simply wrote about the performance objectives as strategies were not penalised but did not gain access to the higher bands of marks.

Q27 Sample answer: Business Studies Exam Essay – 2012

Within a business there are several strategies which could be implemented in order to improve operation's processes, reduce costs and therefore achieve a competitive advantage. For Qantas, operational strategies have been integral within their company as they are constantly adopted in order for them, as a global business remain competitive internationally. To therefore achieve a strong competitive advantage the various operational strategies a business may adopt include, performance objectives, supply chain management, outsourcing, overcoming resistance to change, Global Strategies, Outsourcing, Inventory management and e-commerce. All of these strategies provide the foundation for a business to meet its criteria which is to sustain a competitive advantage through net minimisation and product development.

Performance Objectives

Performance Objectives including speed, dependability, flexibility, cost, customisation and quality are set criteria used to evaluate a business performance. For Qantas, performance objectives are constantly recognised and thus are integral.

Quality:

Includes the quality of a product or source which has undergone the 'value adding' transformation.

Involves the quality of a product or service. For Qantas as an International service provider, they have spent years establishing brand recognition for the quality of their services. However, recently Qantas' perceived quality has deteriorated particularly with recent issues such as the grounding of the fleet in 2011 following an industrial dispute.

Cost:

Involves the value of the products and services provided by a business. Cost must interact with the quality provided. For Qantas, the costs of their products are known to be highly priced, however, with new introduction of Jetstar "Japan in 2012", Qantas, like other businesses has refined its cost objective in order to appeal to a higher target market and thus achieve a competitive advantage.

Customisation, speed, dependability and flexibility:

Are the other performance objectives which allow a business to achieve a competitive advantage. For Qantas, performance objectives have allowed them to continually reform their operations process and the 'value added' to their services. This is because as an International/Service provider, they constantly desire to uphold their valuable reputation. However, following recent industrial disputes in 2011 Qantas has decided to unexpectedly discontinue their services and this resulted in immense customer dissatisfaction. Thus, whilst Qantas, like other businesses, is aware of their performance objectives, they do not always xxxxxxxx and, therefore, Qantas distanced their company and failed to attain a competitive advantage. However, Qantas continues to reform its operations now making bookings on line faster and cheaper and thus, though they have recently been highly criticised they continue to endure within applying operational objectives in order to sustain a competitive advantage.

Technology

Another operational strategy is technology and this comes in the form of reading ease or established. Businesses may opt to adopt technology in order to sustain a competitive advantage. Technology takes two forms:

- **Leading edge.** Leading edge technology is the most innovative technology available within the market and assists a business in attaining a competitive advantage as it may provide convenience and upgraded customer service. For Qantas their adoption of the Airbus and Boeing 787 ensured they have leading edge technology, in order to repair their image as a high quality service provider, which further allows them to attain a competitive advantage.
- **Established technology** is the form of technology which is widely accepted by the International community. For Qantas the release of their Boeing 787 Airbus was only after other airlines adopted it, so to minimise risk of unacceptance within the community.

Technology allows business to attain a competitive advantage as it provides a competitive advantage. For Qantas, technology has allowed them to become more innovative, however, it has also led to their 332 billion dollar expense of training staff within the operations process. This technology allows businesses to attain a competitive advantage, however, it is extremely expensive.

Outsourcing

Outsourcing is the process of a business selling off their operations to an external provider that is usually a specialist in that area or is cost effective. For Qantas, outsourcing has provided them the ability to outsource their IT. This has reduced costs by 20-25% and further has allowed the business to focus these costs on additional 'in house' activities. However, outsourcing has advantages and disadvantages as it also raises ethical concerns, as seen in Qantas negative media backlash in 2010 by outsourcing key operations to Asia and Asian specific countries where child labour is common. Also, by outsourcing their products businesses may come accross language and critical barriers, loss of control and even a deterioration in quality. Outsourcing for Qantas has allowed them to reduce their costs and though receiving some criticism, Qantas has attained a competitive advantage.

Inventory Management

Is yet another operational strategy which may be implemented. Inventory Management involves the holding of stock within a business' operations and can either improve a business' competitive advantage or, may jeopardise it. Inventory Management may come in three forms:

- JIT (just in time)
- LIFO (last in first out)
- FIFO (first in first out)

For Qantas, Inventory Management is not a large concern as they are a service provider. However, for other businesses such as Woolworths, Inventory Management is a significant concern as it entails high costs and the risk of obsolescence. For Woolworths, Inventory Management with their JIT approach, avoids products expiry and avoids storage costs. Thus, Inventory Management may allow businesses to sustain a competitive advantage as for Woolworths. It has sustained their customer base and even attracted new customers internationally.

Supply Chain Management (SCM)

Supply Chain Management is a considerable concern and an effective operations strategy when effectively adopted. SCM involves logistics, e-commerce and supply, including global supply. For Qantas, Supply Chain Management is of high importance as it provides the foundation for achieving International competition.

- **Logistics** is a broad term referring to distribution, transportation, materials handling and warehousing, including distribution centres. For Qantas logistics is essential as all their products which are used within the business undergo transportation. However, for a business such as Woolworths, logistics involves the movement of their goods and hence, they must take into consideration the significant costs associated.

Equally so, distribution, materials and warehousing, which are all essential components of SCM are integral within a businesses' ability to sustain a competitive advantage, seen within Qantas, and Woolworths operations and transportation of their goods in order to deliver items to the consumer, and hence sustain a competitive advantage.

Overcoming Resistance to Change

Thus, operational strategy can be recognised within business and by being responsive to change a business is able to respond to consumer needs and become more innovative so as to achieve a competitive advantage. Within all businesses, overcoming resistance to change may be extremely difficult and this is due to:

- Inertia (psychological)
- Financial reasons and cash

For Qantas to effectively overcome their resistance to change it has cost them 233 billion dollars within 2010-2011 and this cost is only expected to be up until 2018. This is because change for Qantas has meant that new planes such as the Airbus 787 and the Boeing 387 are purchased in order to replace old machinery. Within any business, inertia, which is psychological resistance to change, may restrict their ability to reform their business so as to respond to the market.

Financial costs in overcoming resistance to change may take form of reassessing payouts, the purchase of new equipment, the change of task design etc. However, overcoming resistance to change is very important within a businesses operations, as it allows the business to be innovative and thus effectively enables a business to meet the criteria of sustaining a competitive advantage, as seen within Qantas.

Global Operations Strategies

Global Operations Strategies are suitable for transnational corporations such as Qantas, who operate in more than one country. Global Operational Strategies include:

- **Scanning and Learning.** Allows business to take advantage of international resources and apply them to their business. For Qantas, scanning and reading has enabled them to learn initial pilot skills in New Zealand so as to coach their pilots in Australia.
- **Research and Development** is another aspect of Global Operational Strategies as it allows business to research overseas and develop skills so as to develop a competitive advantage. For Qantas R & D is completed by their Boeing information operations centre. R & D has an integral role in allowing a business to achieve a competitive advantage.
- **Economies of Scale and Global Supply** are two other aspects associated with Global Operational Strategies and these allow a business to have access to many markets and suppliers so as to minimise their suppliers to the cheapest and thus reduce the cost of each input required within the business. For Qantas, this has allowed them to access resources and supplies from Asia, which has led to their cost savings in 2012 of 20-25% thus, economies of scale and global supply allow businesses to achieve a competitive advantage by accessing new markets and lowering their production costs.

Quality Management

Is another operational strategy which allows a business to manage their quality so as to reduce faulty products and interact their pricing policy with their products. Quality management within operations of a business takes the form of:

- Quality assurance
- Quality improvement
- Total quality management

For Qantas, the management of their quality has deteriorated. As a consequence of this, their market share has been reduced by 3.8% in 2011. Therefore, quality significantly impacts the competitiveness of a business. For Qantas, their 2011 and 2012 planes have fallen apart and this had been utilised excessively by the media. As a consequence, in 2011 they received a \$20 billion fine by the ACCC, due to their high priced service and xxx how quality planes which have in fact significantly impacted their business. The quality of a business service or product is essential within their ability to achieve the intention of sustaining a competitive advantage.

Operational strategies are of fundamental importance to any business as they provide the foundation for their competitiveness, both internationally and domestically. For Qantas their operational strategies have undergone some criticism following 2011 and 2012 disputes, however, with constant revision and continuous improvement, Qantas have successfully achieved the criteria of sustaining a competitive advantage. Thus, Operational Strategies are directly linked to the fundamental cash of a business and thus the strategies to address these essentially assist a business in attaining and sustaining a competitive advantage.

Examine the key influences on human resource management that contribute to business success.

<ul style="list-style-type: none"> • Comprehensively inquires into the key influences on Human Resource Management that contribute to business success. • Uses integrated references to relevant business case study/studies throughout the response and refers to a contemporary issue/ issues • Communicates using relevant business terminology and concepts. • Presents a sustained, logical and cohesive response. 	17 - 20
<ul style="list-style-type: none"> • Inquires into the key influences on Human Resource Management that contribute to business success. • Uses a relevant case study/studies and refers to a contemporary issue/ issues. • Communicates using relevant business terminology and concepts. • Presents a logical and cohesive response. 	13 - 16
<ul style="list-style-type: none"> • Describes the characteristics and features of some of the key influences on Human Resource Management that contribute to business success. • Some reference to a case study/studies and /or a contemporary issue. • Communicates using some business terminology and concepts. • Presents a response with some structure. 	9 - 12
<ul style="list-style-type: none"> • Sketches in general terms some of the key influences on Human Resource Management that contribute to business success. • May refer to a relevant case study/studies or a contemporary issue. • Communicates using limited business terminology. • Presents a response with limited structure. 	5 - 8
<ul style="list-style-type: none"> • May refer to some aspects of Human Resource Management. • May refer to a case study/studies or a contemporary issue. • May use some business terminology. 	1 - 4

The key influences include

- Stakeholders – employers, employees, employer associations, unions ,government and society
- Legal – employment contracts including common law, minimum employment standards, minimum wage rates, awards, enterprise agreements
 - OH&S and workers compensation
 - Antidiscrimination & equal opportunity
- Economic
- Technological
- Social - changing work patterns
- Ethics & corporate social responsibility.

Markers Comments

Many students failed to include and use a contemporary issue to illustrate its effect on HRM. The better responses tended to incorporate the use of a case study/ies throughout the response rather than inserting it at the end. Many students did not demonstrate that they knew what the key influences were and while it's not necessary to comprehensively examine each one it is important to cover a variety of influences well in order to be able to achieve the top band of marks.