

2015
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 pen
- Black pen is preferred
- Write your BOS number at the top of every page

Total marks – 100

Section I – 20 marks

- Attempt Questions 1-20
- Allow about 35 minutes for this section

Section II – 40 marks

- Attempt Questions 21-24
- Allow about 1 hour and 15 minutes for this section

Section III – 20 marks

- Attempt Question 25
- Allow about 35 minutes for this section

Section IV – 20 marks

- Attempt either Question 26 **OR** Question 27
- Allow about 35 minutes for this section

This paper MUST NOT be removed from the examination room!

BOS Number.....

Section I (20 marks)

Attempt Questions 1-20

Allow about 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 answer sheet provided.

1. What is the purpose of inventory management?

- (a) To ensure sustainable use of raw materials
- (b) To reduce levels of middle management in chain of command
- (c) To prevent the loss of revenue by ensuring sufficient stock is available for sale
- (d) To increase the amount of machinery used in production to increase total revenue

2. Which method is used when a business sets its price according to supply and demand?

- (a) Cost pricing
- (b) Market pricing
- (c) Penetration pricing
- (d) Competition pricing

3. Which of the following is an external source of equity finance?

- (a) Overdraft
- (b) Mortgage
- (c) Retained profits
- (d) Ordinary shares

4. Which of the following is an example of voluntary separation of an employee?

- (a) Recruitment
- (b) Summary dismissal
- (c) Resignation
- (d) Redundancy

5. A local café is introducing a loyalty card where customers will receive a free coffee after every five purchases.

What is the aim of this strategy?

- (a) To target the mass market
- (b) To improve public relations
- (c) To encourage personal selling
- (d) To take advantage of relationship marketing

6. What is the assumption of the FIFO method of inventory?

- (a) First goods purchased are also the first goods sold.
- (b) First goods purchased are also the last goods sold.
- (c) Most expensive stock is given priority placement.
- (d) Least expensive stock is given priority placement.

7. Which of the following is a disadvantage of debt financing?

- (a) Funds are readily available.
- (b) Interest payments are tax deductible.
- (c) Security is required of the business.
- (d) It is limited to large corporations.

8. Runaway Fitness has decided to reduce their number of suppliers, only keeping those that are efficient.

What sourcing strategy is management at Runaway Fitness implementing?

- (a) Cost minimisation
- (b) Vertical integration
- (c) Supplier outsourcing
- (d) Supplier rationalisation

9. What is an objective of performance appraisals?

- (a) To measure worker efficiency and achievement against set criteria
- (b) To help promote communication in the workplace through a decrease in conflict.
- (c) To assist in fostering employee/employer relationships and increase morale
- (d) To provide employees with their job descriptions and better working conditions

10. A business tightens its credit policy to improve which of the following?

- (a) Equity
- (b) Liquidity
- (c) Profitability
- (d) Growth

11. Which are the two most common demographic methods used to segment markets?

- (a) Personality and lifestyle
- (b) Lifestyle and gender
- (c) Age and income levels
- (d) Consumer opinions and interests

12. What information can be identified in critical path analysis?

- (a) The path with the lowest cost to complete all tasks in a project
- (b) The path with the highest cost to complete all tasks in a project
- (c) The longest time required to complete all required tasks in a project
- (d) The shortest time required to complete all required tasks in a project

13. Which of the following would not be part of an effective human resource development program

- (a) Acquisition
- (b) Mentoring
- (c) Induction
- (d) Performance appraisal

14. Jennifer owns a florist and has a debt to equity ratio of 3:1.

What will happen if the bank increases the interest rate on her loan?

- (a) Gearing will improve and expenses will fall.
- (b) Gearing will deteriorate and expenses will rise.
- (c) Gearing will improve and expenses will rise.
- (d) Gearing will deteriorate and expenses will fall.

15. In Australia full-time employees are entitled up to 12 months unpaid maternity leave and 4 weeks paid annual leave.

What is the legal basis for these entitlements?

- (a) Enterprise agreements
- (b) Collective agreements
- (c) Individual employment contracts
- (d) National Employment Standards

16. Which channel of distribution would most likely be used by a business selling electrical appliances?

- (a) Exclusive distribution
- (b) Intensive distribution
- (c) Physical distribution
- (d) Selective distribution

17. The advantage of global sourcing is a

- (a) More efficient quality assurance.
- (b) Less integrated organisational structure.
- (c) Access to low cost labour and diverse skills.
- (d) Reduction in contact between management and suppliers.

18. How would a hedging contract minimise risk associated with payment for a business importing goods?

- (a) It allows the exchange of one currency for another currency at an agreed exchange rate on a future date.
- (b) It gives the importer a right, but not the obligation, to buy or sell currency at a future date.
- (c) It exchanges currency on the FOREX market with an ability to reverse the transaction at a future date.
- (d) It is a method which allows the manufacturer to receive payment and then arrange for goods to be sent at a future date.

19. A successful business has decreased its prices to maintain market share.

This is an example of which stage of the product life cycle?

- (a) Establishment
- (b) Growth
- (c) Maturity
- (d) Post maturity

20. Which of the following groups would experience the most negative financial impact as a result of an increase in the value of the Australian dollar?

- (a) Australian producers buying goods from China
- (b) Australian producers selling goods to china
- (c) Australian car-makers purchasing parts
- (d) Australian travel agents selling domestic holidays

Section II

40 marks

Attempt Questions 1-24

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 (10 marks)

(a) Identify TWO influences on the operations function of a business. (2 Marks)

(i) _____

(ii) _____

(b) Outline an advantage of using a *just-in-time* (JIT) approach to inventory management. (2 Marks)

(c) Describe how customer service contributes to the success of a business. (2 Marks)

Question 21 continues on the next page ...

Question 21 (continued)

(d) Recommend TWO approaches that an operations manager can use to improve quality within a business. (4 Marks)

(i)

(ii)

Performance Sports Ltd (PSL) is a retailer of sports clothing, sunglasses and footwear. They are developing a new maintenance process with a focus on staff retention and wellbeing.

- a) Identify one non-monetary benefit that PSL could offer staff to help retention in the workplace. (1 mark)

- b) Explain one employee participation strategy that may help maximise staff well-being for PSL. (3 marks)

- c) Analyse the implementation of family friendly work arrangements for the employees of PSL and the business itself. (6 marks)

Question 22 continues.....

Use the following balance sheet to answer the questions below:

Balance Sheet as at 30 June 2015			
House Party Pty Ltd			
Current Assets	\$	Current Liability	\$
Cash	55 000	Accounts Payable	89 000
Inventories	20 000	Overdraft	35 000
Accounts Receivable	45 000		
Non-current Assets		Non-current Liability	
Plant and Equipment	75 000	Mortgage	550 000
Land and Buildings	160 000		
		Owner's Equity	
		Capital	100 000
		Net Profit	45 000
Additional Information:			
Liquidity industry average: 2:1			
Sales: 300 000			
Accounts receivable turnover ratio industry average: 26 days			

(a) Calculate and comment on House Party's liquidity (current assets/current liability) (2 Marks)

(b) Calculate and comment on House Party's efficiency (sales/accounts receivables) (2 Marks)

(c) Recommend ONE strategy that management at House Party can implement to improve liquidity. (2 Marks)

(d) Justify TWO strategies that management at House Party should implement to improve efficiency

(4 Marks)

(i)

(ii)

Total marks (20)

Attempt question 25

Allow about 35 minutes for this section

Answer the question in the Section III on the paper provided. Extra writing paper is available.

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 25. (20 marks)

Tic-Toc Pty Ltd manufacture highly advanced Olympic timing devices as well as a range of formal and informal watches for both males and females. They are an old Australian brand that is globally recognised as being leaders in their field in regard to the accuracy of their timing devices. Their everyday watches were once highly regarded and worn by many famous movie stars.

However, in recent years many of the older employees including key design staff, manufacturing workers and several managers have retired leaving several key positions in the business vacant. This has also left the business struggling as their competitors have brought out new designs that have been very popular in the market place, leaving Tic-Toc struggling to secure sales and much needed revenue.

You have been hired as a consultant to write a report to the management. In your report:

- Describe the factors that should be considered in the acquisition of suitable new staff.
- Explain how the business should undertake market research to determine the wants and needs of a new generation of customers.
- Recommend marketing strategies that the firm could implement to price and promote a new range of watches.

Section IV

Total marks (20)

Attempt either Question 26 or Question 27

Allow about 35 minutes for this section

Answer the question in the Section IV on the paper provided. Extra writing paper is available.

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 and contemporary business issues
 - communicate using relevant business terminology and concepts
 - present a sustained, logical and cohesive response
-

Question 26 (20 Marks)

How can comparative ratio analysis be used to assess the financial performance of a business?

OR

Question 27 (20 Marks)

Analyse how operations strategies can help a business achieve its performance objectives.

BOS Number.....

Answer Sheet

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 answer sheet provided.

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

Answers

BOS Number.....

Answer Sheet

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 answer sheet provided.

	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		
15				X
16				X
17			X	
18	X			
19			X	
20		X		

Q21 (a)

Identifies TWO influences on a business's operations function	2 marks
Identifies ONE influences on a business's operations function	1 mark

Answers may include; Globalisation, Technology, Quality expectation, Cost based competition, Government policies, Legal regulation, Environmental sustainability.

Q21 (b)

Outlines an advantage of using JIT approach to inventory management	2 marks
Identifies an advantage of using JIT approach to inventory management	1 mark

Answers may include; Allows retailers to display a wider range of products; Saves money on holding and insurance costs; Shrinkage and obsolescence costs are minimised.

Q21 (c)

Describes how customer service contributes to the success of a business	2 marks
Identifies how customer service contributes to the success of a business	1 mark

Answers may include; A business which meets and exceeds customer expectations in all aspects of the business will achieve customer support and loyalty. This will help to keep existing customers and attract new ones as good service assists the business to gain a positive reputation. Long term relationships with customers are built and this is essential to success in the long run.

Q21 (d)

Recommends TWO approaches an operations manager can use to achieve quality in the business	3-4 marks
Recommends ONE approach an operations manager can use to achieve quality in the business	2 marks
Identifies ONE approach an operations manager can use to achieve quality in the business	1 mark

Answers may include Quality Control, Assurance or Improvement

Quality control is when a business conducts inspections or tests at different stages of the production process to pick up any defective products. This allows the business to maintain its reputation for producing good quality products and will result in the customer having confidence in the product which will assist in gaining higher sales.

Quality assurance is where a business strives to adhere to a set of pre-determined standards such as the international ISO 9000, this indicates that a product is fit for the purpose for which it was intended. The business gains accreditation for its product as being of good quality which will assist it to gain more sales.

Marking guidelines

Question 22

a) Identify a non-monetary reward

Identifies a non-monetary reward	1
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Many correct answers – must reflect a **non- financial value** such as social activities, safe work environment, holidays, child care, flexible work arrangements

b) Explain one employee participation strategy that will maximise staff-well being

Shows cause and effect of one employee participation strategy – links to staff well being	3
Gives characteristics and features of one employee participation strategy	2
Sketches in general terms on employee participation strategy	1

Team briefings where employees join together in direct communication, are essential for improved communication and employee empowerment. These meeting provide an excellent opportunity for employees to share knowledge, skills and experience and result in finding solutions to problems and developing innovations. This improves **well being** as these meeting are critical in preventing conflicts as well as developing a positive workplace culture which help avoid grievances as well as building a sense of shared purpose and company identity.

Other answers could include: **joint consultative committees, employee surveys and feedback, participation through ownership, participation in collective bargaining**

c) Analyse the implementation of family friendly work arrangements for the employees at PSL and the business itself

Identifies the components and the relationship between family friendly arrangements for employees and business and relates implications	5-6
Shows the cause and effect of family friendly work arrangements for employees and the business	3-4
Gives characteristics and features of family friendly work arrangements	1-2

Family friendly work arrangements provide opportunities for home based work and flexible working hours that allow employees to balance work and family responsibilities more effectively. PSL may offer staff child care, part time work, job sharing, career breaks or support community service to enable staff to work more efficiently.

For employees at PSL this enables more flexibility during working hours. Staff feel more valued and this increases morale and motivation. The implications for the staff are that they have less time off work so absenteeism is reduced, they are more productive in work hours. Staff are retained in the long term and this also increases the chance of promotion and career development which increases satisfaction at work.

The business also benefits by implementing family friendly work arrangements. As staff are able to leave and re-enter the workforce, the costs of separation, recruitment and training are lowered. The daily costs to the business due to absenteeism and lost productivity is also minimised. The implications of this is the retention of highly trained and motivated staff, less potential legal action by dissatisfied employees and a positive image for the business in the wider community.

Question 23

a) Identify one consumer law and outline one purpose

Identifies one law and sketches in general terms the purpose of the law	2
Identifies one law or sketches in general terms the purpose of the law	1

The competition and Consumer Act 2010

The Trade Practices Act 1974

Sample response:

One consumer law is the Competition and Consumer Law Act 2010. One purpose of this act is to protect consumers from misleading and deceptive advertising

b) Describe one method of measuring the success of the marketing plan

Gives characteristics and features of one method of measuring the success of the marketing plan	2
Sketches in general terms one method of measuring the success of the marketing plan	1

Could be

- Sales analysis
- Market share analysis
- Market profitability analysis

Sample answer

A business could use sales analysis to compare difference between forecast sales and actual sales to determine the effectiveness of the marketing plan. If sales are more than forecast sales then marketing has been a success.

c) Using specific examples, evaluate one communication process that reaches target market

Makes a judgement based on criteria of the value of one communication process reaching the target market, uses specific examples	5-6
Makes a judgement based on criteria of the value of one communication process reaching the target market – no specific examples OR Shows the relationship between one communication process and the target market, including specific examples	3-4
May refer to a marketing strategy - may include specific examples.	1-2

Could be use;

Opinion leaders

Word of mouth

Sample answer

One communication process that a business can use is opinion leaders. A business can use opinion leaders to more effectively deliver a message about a product to specific target markets. Opinion leaders such as sports stars and famous actors who are highly respected can be

very effective in encouraging consumers to purchase a product. For example Gillette has targeted young men and men in general by using stars such as Roger Federer to advertise their product. Although expensive, Gillette has benefited by experiencing a 10% increase in sales world wide mainly due to the positive and trustworthy appeal of Rodger Federer.

Q24 (a)

Calculates and comments on House Party's liquidity	2 marks
Calculates House Party's liquidity	1 mark

Liquidity is 0.97:1 ; Comments that this business is not liquid as their liquidity is well below the industry average.

Q24 (b)

Calculates and comments on House Party's efficiency	2 marks
Calculates House Party's efficiency	1 mark

Calculates accounts receivable turnover ratio to be 54.75 days or 55 days

Comments that this business is not very efficient as it is taking much longer than other businesses in the same industry to collect their accounts receivable.

Q24 (c)

Recommends ONE strategy management at H.P. can implement to improve liquidity	2 marks
Identifies ONE strategy management at H.P. can implement to improve liquidity	1 mark

Answers may include; Adopting JIT, Tightening credit policy, Factoring, Timing of accounts payable, Obtaining cheaper financial providers, Leasing, Sale and lease back, Taking advantage of discounts offered to the business as well as interest free periods and obtaining an overdraft for a temporary solution.

Q24 (d)

Recommends TWO strategies management at H.P. can implement to improve efficiency	3-4 marks
Recommends ONE strategy management at H.P. can implement to improve efficiency	2 marks
Identifies ONE strategy management at H.P. can implement to improve efficiency	1 mark

Answers may include; Tighten credit policy, Discounts for early payment, Increase cash sales, Factoring, Changing the sales mix to increase sales, decrease expenses.

Eg. Discounts for early payment- A business could provide discounts to debtors of their accounts payable if they pay early/ before the "due by" date. This would provide House Party with their accounts receivable amounts much more quickly and would therefore improve their accounts receivable turnover ratio and hence their efficiency as well.

Factoring- This is when a business sells their accounts receivable to a factoring company at a reduced rate to allow for the fee charged. This allows House Party to access their funds more quickly and enables them to put these funds to productive uses. As House Party collect their accounts receivable, this would improve their accounts receivable turnover ratio and hence their efficiency as well.

Question 25 Report Marking Criteria

Criteria	Marks
<ul style="list-style-type: none"> Provides a sustained, logical and well- structured response in the form of a business report using appropriate terminology and concepts Shows characteristics and features of appropriate factors to be considered in the acquisition of staff Makes evident the relationship between market research and the generation of new customers Provides reasons in favour for appropriate price and promotion strategies to address business problems in the scenario Consistently refers to the stimulus material throughout the response 	17-20
<ul style="list-style-type: none"> Provides a logical and well- structured response in the form of a business report using appropriate terminology and concepts Shows characteristics and features of factors to be considered in the acquisition of staff Provides characteristics and features of how the business should undertake research to determine the wants and needs of a new generation of customers Provides reasons for appropriate price and promotion strategies Refers to the stimulus material throughout the response 	13-16
<ul style="list-style-type: none"> Provides a structured response business report using some appropriate terminology Sketches factors to be considered in the acquisition of staff Sketches how the business should undertake research to determine the wants and needs of a new generation of customers Provides a reason for a price or promotion strategy May make some references to the stimulus material 	9-12
<ul style="list-style-type: none"> Provides unstructured response using some features of a business report Identifies factors to be considered in the acquisition of staff Identifies features of the market research process Outlines price or/and promotion strategies Limited reference to stimulus material 	5-8
<ul style="list-style-type: none"> Uses some basic terminology May refer to a characteristic/feature to be considered in the acquisition of staff May refer to a characteristic/ feature a business should undertake research to determine the wants and needs of a new generation of customers May refer to a price or promotion strategy 	0-4

Answers could include:

Factors in the acquisition of staff

- Analysing the internal and external environment to determine needs
- Job analysis and design to meet needs
- Evaluating and hiring qualified job applicants
- A fair, non discriminatory and legally compliant selection policy
- Giving applicants a realistic understanding of their job description

Undertaking market research

- Determining information needs
- Collecting data for primary and secondary sources: Primary data using survey/observation method
- Secondary from internal and external sources
- Analysing and interpreting data

Price strategies

- Price skimming, Price penetration, loss leader, price points

Promotion strategies

- Advertising, Personal selling and relationship marketing, sales promotion, Publicity and public relations,

Feedback

Marks ranged between 4-20

Need to accurately interpret each part of the question

Many students were confused about what is meant by acquisition

Most students were able to respond accurately to the steps undertaken for market research

Not many could demonstrate an understanding of the relationship between the research process and the actual generation of new customers for the business in the stimulus

Most students could provide some reference to a price and promotion strategy

To achieve in the top band however you have to provide appropriate reasons in favour for the business concerned

Good answers were able to just choose perhaps two price strategies and two promotion strategies and apply these strategies effectively to the stimulus.

Sample response q25

Executive Summary

To Tic Toc Pty Ltd

As your business consultant today I will be advising your business on a range of issues in order to help ensure the long term success of your "old Australian" company. **Fearing business failure** being an old business, change can be extremely difficult to occur and with the changing market, it is difficult to understand new things to consider in managing different areas of the business.

In this report I shall be:

1. describing factors that should be considered in the acquisition of suitable new staff
2. explaining how the business should undertake market research
3. recommending marketing strategies especially for pricing and promotion.

Acquisition

Acquisition is the process of hiring new staff. There are many steps in the process of acquisition and due to Tic Toc's "several key positions in the business" being vacant it is imperative that the acquisition process is done correctly. This is because acquisition in the introduction of employees into a business can then fit and transition must be smooth for everyone in ??? to ensure the smoothest implementation and the lowest amount of disruption.

In the process of acquiring Tic Toc must first create new and up to date job descriptions. Management must do job analysis on the "key positions" available in order to ensure that the design staff, manufacturing workers and several managers jobs when fulfilled are fulfilled with the correct, accurate and up skillfully up to date individuals. By ensuring that the correct set of skills are acquired and skills that are up to date, Tic Toc will be able to ensure the job is done up to the standard of the previous "older employees" but also by having them up to date, can help with the "competition having new designs" it can help Tic Toc compete and help surpass this phase of "struggling to secure sales" and help increase "revenue".

Furthermore in acquiring , Tic Toc must ensure that those considered for the job fit in with the business culture of the business. HR Management must ensure anyone considered fits in with the culture, personalities and ambiance of the "old Australian brand" in whole to ensure that there is no workplace animosity and disruptions. This is critical for HR as Tic Toc is already experiencing a decline and potential business failure ??? with a "struggle to secure sales" and the realisation of "much needed revenue" the business cannot afford downtime, workplace disputes and unproductive days. Continuing in the acquisition

process, HR must ensure that those short listed understand and are clearly aware of the job description of such senior roles and the expectation for those ??? to assist in “the business struggle” and help get them out of the decline.

Finally, HR management of Tic Toc should implement trial and probation periods for those hired. This is because being an “old Australian brand” with “global recognition” as leaders in their field regardless of all that HR attempts to ensure smooth transition, sometimes employees lie about their skill set or ability to cope with the expectations of the job. By having trial periods and probation periods the business is allowing almost a test run for the newly hired and if unsuccessful in implementing them in the business, they can dismiss them without the needless and lengthy processes and fear of being sued for unfair dismissal.

Thus the factors to be considered in the acquisition of suitable staff is extensive but critical for the business.

Market Research

Market research is the process of a business exploring the consumers of their industry to dissect consumer needs and wants in order to help understand where neglect failure, deemed and opportunities for a business like ???. Primary research is research taken by the business itself and is generally from the business integrity. TIC TOC should look into market research primarily, to see what their layout and logo steering customers who haven't left them yet, feel the business is missing. This is extremely important as by being a manufacturer of “highly advanced Olympic timing devices” that purchase fun TIC TOC would be experience in the field to suggest what the business is missing in terms of Olympic devices.

On the other hand for the needs and wants of a new generation customer TIC TOC must utilize surveys and face to face interviews. This is the perception for the business “competitions who brought out our designs” which TIC TOC clearly has not and by talking to new generations of young and trend settings industrials fee business will be able to ask what the new generation is looking for in terms of style of both the formal and informal watches for both male and female as well as what the competition is falling to do. This will give TIC TOC a clear idea of the demands of the consumers but also where market failure is occurring which can be where they can get their competitive advantage to chase the “business struggle” TI TOC is feeling currently. Furthermore, by loving face-to-face interview the research allows for follow up question and a greater clarity of what the mass majority wants. This can be extremely important for TIC TOC as they need clarity of customer steering what the market wants is with the “much needed revenue” TIC TOC cannot afford a failed project and development of their brand.

Secondary research: Secondary research is done externally to the business usually by analysts on that found in regardless. TIC TOC must utilize secondary research face to face to determine the wants and needs of next generation customers. Market research of IC TOC need to be heading social media discussion groups and blogs which voice the new generation of customers opinions on different styles, aesthetic appearance and design of watches. This is beneficial as it allows TIC TOC an insight into their target markets designs and their needs, wants and new aspects of watches.

TIC TOC must also read industry ??? and analyse step by step released by their industrial economists. This is because these people and the most professional in their industry and through their extensive knowledge of changing consumer behaviour and spending patterns and interests they have created (true and accurate ??? of what has proven must ??? successful. By TIC TOC being exposed to such research they can decipher what would assure “secured ??? and increase in much needed revenue” which the business needs right now. This can also help in understanding TIC TOCs completion and understand that our of their competitors “new designs which have been very the most profitable and successful and which will help TIC TOC achieve an increase in design for their products and help them access the new generation of customers.

Hence both primary and secondary research must be undertaken by TIC TOC in order to ensure that the business growth and development at least promotes will ??? be successful and help achieve long term success of the “old Australian brand”.

Marketing Strategies

Marketing is he promotion of a business product in order to create awareness and ??? ??? to the goods/services they offer. Marketing and accurate remarketing is essential for Long term business success as it tis the most direct communication between a business and it's entire target marketing who without marketing consumers and business would be disconnected from each other.

Pricing Strategies

Pricing is the value that gives the product they are selling of the things to achieve for a business as it must be priced currently to allow profit, adhere to market consumptions and competition. For TIC TOC being in an industry where there are lots of competition that "is also" very popular in the market place: pricing is difficult. TIC TOC should attend pricing points, this is different specific prices of different "types" of watches. This will allow TIC TOC to "dual speed" and a dual expectation of quality business. By having these modules of informal and formal watches set out the scene, relatively cheaper than the industries average price, TIC TOC is achieving price prediction. By having it relatively cheap the business is allowing for consumer saturation of the new desirable range of watches. This can help the "much needed revenue" and roles in order to help the business liquidity. This can also help increase consumer awareness and to the business. By them having these formal ranges of "Watches" abuse the market price, TIC TOC can price skimming. With having and operationally design notes, high and consumers will purchase TIC TOCS final and market watches, at higher than the RRP allowing TIC TOC to the R & D costs. This can help create a quality and higher end brand brand and know for brand solvency of the business. Thus ensuring the investment into regeneration is paid off formally by having the Olympic watches at the recent price for them, TIC TOC can then have never used denied for those. It is not suggested that TIC TOC price skims the "Olympic timing devices as the number of consumer denied" low. Thus, by having it priced according to the recent but having the designed features, TIC TOC can globally put its Olympic name back up.

Promotion

Promotion is the advertising of the businesses products in order to deliver a message from a business to its consumer. Promotion strategies could include advertising, personal selling, public emotions, selling, promotion, word of mouth and opinion leader.

For TIC TOCs "range of formal and informal watches" they should utilize advertisers. This is a non-personal less formal promotion. This will be highly beneficial for the business as they need to create an awareness of their recent and the "new designs" that they have brought out. Advertising is the best bet as the message to the entire target market for the "formal and informal range" is the same that the designs are current, up to date and what they desire. By bill boards and TV adds TIC TOC can do their most effectively leading the majority of consumers in a simple easily and clear way.

However, in terms of it's Olympic timing devices it is suggested that TIC TOC utilizes it's "global recognition" of the accuracy of their timing devices" in and to personally sell these to specific Olympic Teams. By highlighting their buyer success and utilizing the best sales representatives to promote the product of the "old Australia brand" in a way with experience, prior proven success and quality as well as knowledge in what works in terms of timing technology personal selling is what is required in terms of their promotion of the Olympic timing devices.

Recommendation

TIC TOC must employ more up to date skilfully trained and fashion aware employees as well as undertake the correct market research to build new desirable and success globalised watches. They should use their proven success and mass marketing approaches to promote their watches. This can lead them to a regeneration of their business and long term success.

Kind regards,

Question 26 Marking criteria

How can comparative ratio analysis be used to assess the financial performance of a business

Criteria	Marks
<ul style="list-style-type: none"> Provides a sustained, logical and well -structured response related to the question using appropriate terms, concepts and theory Shows the implications of the relationship between comparative ratio analysis and the financial performance of a business 	17-20

<ul style="list-style-type: none"> Clearly identifies and incorporates a business case study/studies throughout 	
<ul style="list-style-type: none"> Provides a logical and well-structured response using appropriate terms, concepts Makes evident the relationship between comparative ratio analysis and the financial performance of a business Identifies and incorporates a business case study/studies throughout the response 	13-16
<ul style="list-style-type: none"> Provides a structured response using some appropriate terms, concepts Provides characteristics and features of ratios and /or financial performance of a business Identifies a business case study and attempts to incorporate in response 	9-12
<ul style="list-style-type: none"> Provides a poorly structured response using some business terms Makes some reference to ratio analysis and /or financial performance Attempts to include a case study 	5-8
<ul style="list-style-type: none"> Uses some basic terminology May refer to a ratio May refer to case study 	0-4

Answers could include reference to

Financial performance

- Financial stability eg liquidity and gearing
- Profitability
- Efficiency

Comparative analysis

- Industry standards/Benchmarks
- Over different time periods
- With similar businesses

Feedback

Only 25% of students attempted question

Marks ranged from 20 to 4

An excellent response only had to integrate one case study if it was appropriate to use. However several responses tried to include a number of case studies

Best responses provided detailed information about the type of business itself

Best responses focused on all financial performance ratios for their chosen business and compared results effectively against industry standards, different time periods and against similar business

Best answers compared Qantas against similar airlines such as Singapore and Air New Zealand

Responses that did not refer to a case study did not get more than 12/20

Responses that identified/ referred to case study but without providing detailed information about the type of business itself did not achieve in the top band

Recommendation

Use Qantas for this topic in the HSC. It has all the information you need

Sample Response

Question 26

The financial performance of a business cannot simply be inferred from the individual financial rates which determine the objectives of profitability, liquidity, solvency (gearing) and efficiency. Rather, these ratios need to be compared with figures from past years, as well as industry averages in order to portray an accurate account of its financial performance. This concept is known as comparative ratio analysis. An example of a business that significantly uses this method in order to comprehend its overall stability is Qantas, which regularly posts figures of its cash flow statements, income statements, balance sheets, as well as its financial ratios within these financial reports, in order to inform its stakeholders of its current financial position.

Profitability refers to the ability of the business to minimise expenses and increase sales in order to maximise profits. There are three common methods of measuring profitability in a business, which include the gross profit ratio, the net profit ratio and the return on equity ratio. Qantas primarily use the latter two to make a judgement on its financial performance. The net profit ratio, which shows the profits of the business has been reasonably low for Qantas, however has fluctuated significantly in recent years. Qantas maintained extremely low profitability ratios during the mid 2000's as a result of a number of external influences including terrorist Ntrphs (2002), SARS (2004) and rising fuel prices (2006), resulting in a decrease in net profit by 88%. However, the introduction of the hugely successful low fares airline, Jetstar resulted in one of the highest levels of profits in

Qantas history in 2007. The GFC in 2008-09 offset their rising profits dramatically, as consumer spending was extremely limited. However, the recent years, fluctuations in the profitability ratio have been the result of growing uncertainty around the world, decreasing demand for goods and services. This is reflected from the sharp decrease in the net profit ratio from 3.7% in 2012 to 0.7% in 2013. This contradicted the rise in the profitability ratio from 0.6% in 2010 to 2.7% in 2011. Another profitability that reflects the figures presented by the net profit ratio is the return on equity ratio, which shows the end profit of the business exposed a percentage of the total equity. These figures largely coincided with that of the net profit ratio, increasing from 1.2% in 2010 to 5.8% in 2011, and then decreasing from 7.3% in 2012 to 1.4% in 2013. Compared to industry averages, their somewhat low profitability figures are comparable to that of other airlines. This suggests that while Qantas is a huge business that is possibly not generating as much profit as it could, this is similar to most other airlines in Australia too. Hence, it is clear how profitability ratio, and in particular net profit ratios and return on equity ratios, can assess the financial performance of a business.

Liquidity refers to a business ability to pay its short-term financial obligations as they fall due. It is an important indicator of the financial position of a business and is primarily measured using the current ratio, which compared to the total number of current assets in a business, with its current liabilities. The current ratio of Qantas has been below 1:1 for a number of years, reflecting its used to immediately draw cash that it receives through its sales to pay its debts as they fall due. Apart from overnight increases in its liquidity from 0.785:1 in 2011 to 0.853:1 in 2012 and other minor fluctuations, Qantas has consistently recorded a situation whereby it is unable to pay its short term financial obligations, reflecting financial instability. Whilst a generally accepted current ratio for most businesses is 2:1, when compared to other airlines, Qantas does not bode as badly as it may seem on paper. With the exception of Singapore airlines, which recorded a current ratio of 1.4:1 and Air New Zealand, with a current ratio of 1.1:1, most other competitors of Qantas similarly record current ratios under 1, reflecting the high capital outlay required by airlines, which hence requires outrageous amounts of debt financing. As a result, Qantas seems at first to have a current ratio which is unjustifiable and will lead to inevitable bankruptcy, but given the current ratio of its competitors as well as its huge market share in Australia of 65%, while its financial position in terms of liquidity is not spectacular, it is not a problem for Qantas in the short-term. Hence it is clear how comparative ratio analysis with regards to liquidity and the current ratios can be used to assess a business financial position.

Solvency refers to a business' ability to meet its financial obligations in the long-term, and the gearing of the business is measured through the debt to equity ratio, in which measures (be proportion of debt used in a business compared within the proportion of equity). A highly geared business is more exposed to financial risk and may not be able to meet its long-term debts, resulting in financial instability. However, Qantas like most other airlines does not primarily use the debt to equity ratio, but inherent a more complex one to take into account other factors in the specific industry, to measure solvency. Again, while Qantas gearing seems too high to be sustainable for most businesses, it is comparable with those in its own industry, depicting the Qantas does not have any major long-term financial issues. However, the fact that its ratio is consistently over 1 means that the business is more reliant on external sources of finance than internal, suggesting that Qantas could experience cash shortfalls and growing inability to meet financial obligations in the future. As a result, gearing and solvency also prove that comparative ratio analysis is imperative in assessing the financial performance of a business.

Efficiency ratios to the business operating on a low cost so as to maximise the output of its assets. Efficiency commonly is measured by both the expenses ratio, which compares the total expenses of a business with the total sales, and the accounts receivable turnover ratio, which measures the efficiency of a business' credit policy. Qantas primarily uses the expenses ratio to determine its efficiency. In recent years, the expenses ratio has decreased gradually from 0.865:1 in 2010 to 0.752:1 in 2013. This reflects Qantas strategy of cutting \$5 billion worth of costs in the last 10 years. Compared to the industry average of 0.652:1, this is still quite high reflecting the fact that Qantas is somewhat inefficient in managing its expenses to achieve the highest possible revenue. Business aim to get their expenses ratio to use low a level is possible, as this reflects Qantas plan to further cut costs in the future. As a result, efficiency through the expenses ratio further indicates the importance of comparative ratio analysis in assessing the financial performance of a business.

As a result, through the various ratios ultimately with the financial objectives of profitability, liquidity, solvency and efficiency, it is evident to see how comparative ratio analysis allows us to assess the financial performance of a business, rather than figures on the own, which are somewhat insignificant, Qantas is an example of this, proving that ratios require comparisons with past years industry averages and competitors to be significant.

Question 27: Analyse how operations strategies can help a business achieve its performance objectives.

CRITERIA	MARKS
<ul style="list-style-type: none"> • Draws out and relates implications of how operation strategies can help a business achieve its performance objectives • Applies relevant case study/studies and contemporary business issues • Present a sustained, logical and cohesive response and communicates clearly using relevant business terminology and concepts 	17-20
<ul style="list-style-type: none"> • Provides why and/or how operations strategies can help a business achieve its performance objectives • Uses relevant case study/studies and contemporary business issues • Presents a logical and cohesive response using relevant using relevant business terminology and concepts 	13-16
<ul style="list-style-type: none"> • Provides characteristics and features of operations strategies and/or performance objectives • May make reference to case study/studies and contemporary business issues • Communicates some business terminology and concepts 	9-12
<ul style="list-style-type: none"> • Sketches in general terms operation strategies and/or performance objectives • May make reference to case study/studies and/or contemporary business issues • Communicates using some business terminology and concepts 	5-8
<ul style="list-style-type: none"> • Makes limited reference to operation strategies and/or performance objectives • May identify case study/studies • Uses basic business terminology 	0-4

Operations strategies

- Performance objectives – quality, speed, dependability, flexibility, customisation, cost new product or service design and development
- Supply chain management – logistics, e-commerce, global sourcing outsourcing – advantages and disadvantages
- Technology – leading edge, established
- Inventory management – advantages and disadvantages of holding stock, LIFO (last-in-first-out), FIFO (first-in-first-out), JIT (just-in-time)
- quality management
 - control
 - assurance
 - improvement
- Overcoming resistance to change – financial costs, purchasing new equipment, redundancy payments, retraining, reorganising plant layout, inertia
- Global factors – global sourcing, economies of scale, scanning and learning, research and development

Marker’s comments

Better responses:

- Clearly and comprehensively analysed how operations strategies can help a business achieve its performance objectives. This involves clearly and comprehensively addressing a **range** of operations strategies, clearly linking these to the performance objectives for operations ie quality, speed, dependability, flexibility, customisation, cost new product or service design and development
For example:
 - Quality management results in quality products
 - Inventory management results in dependability and flexibility
 - Technology can lead to speed and customisation
 - Outsourcing leads to reduction in cost.

AND clearly and comprehensively demonstrating the implications for the business in achieving the performance objectives.

For example:

- Increased sales
- Helps to increase profits
- Increased market share
- Corporate social responsibility
- Enhanced customer service
- Business growth

Students that scored a high A range mark clearly made a correlation between achieving performance objectives and competitive advantage.

- Applied relevant case study/studies and/or contemporary business issues throughout the response.
- Effectively used the PEEL structure
- Students that used performance management as a strategy were not penalised but they needed to state what the implication were for the business of achieving the performance objective.

Weaker responses

- Failed to demonstrate the implications of achieving performance objectives
- Described/outlined features of operation strategies and/or performance objectives
- Did not effectively use relevant case studies throughout the response
- Communicated using basic business terminology in a poorly structured response

Sample Response

Question 27

Operations strategies are the strategies put in place to allow the achievement of a business overall strategic objectives throughout its operations. The performance objectives of a business, namely cost, quality, dependability, speed, flexibility and customisation are all critical towards moving the business to achieve its overall strategic goals of profit maximising and increasing market share. These performance objectives are also used as indications (KPIs) to allow the success of its operations strategies to be measured. Thus the effective implementation of operations strategies are of vital importance in allowing a business to achieve its performance objectives and ensure competitive advantage, which is highly evident in large businesses such as Qantas, Apple Inc., Lopez foods.

Supply chain management (SCM) involves integrating and managing the flow of supplies throughout the inputs, transformation and outputs to the best next customer needs. There are three parts to SCM, including global sourcing, e-commerce and logistic. Global sourcing involves the sourcing of supplies without constraints in location, which allows businesses to achieve KPIs of cost through generating enormous of scale. Qantas often negotiates larger numbers of fuel with its suppliers thus allowing it to achieve economics of scale by being able to purchase lower cost per unit input. E-commerce, i.e. E-procurement allows business to manage supplies through the use of online systems. Through a B2B (business- to-business) contract, suppliers (an instantly send business supplies even without a formal request by the business. On the other hand, logistics involves the distribution and transport of the business inputs and outputs through the use of warehouses and inventory. Bob's fuel and convincing still provides a good example of this, as if with e-commerce as a way to allow supplier to access its level of fuel and supply them when supplies drop below a predetermined level. The implication of this are that Bob's fuel and convenience can achieve cost savings as they do not have to store large volumes of fuel which also minimises safety risks as fuel is highly flammable. This also contributes to the flexibility of the business as it is able to meet customer demands at a timely fashion.

Outsourcing involves the use of an external provision to perform business activities. Advantages of outsourcing include effectiveness and cost savings, simplification of business operations, increased process capability and allowing the business to focus on key competitive. However there are also certain disadvantages, such as the issue of outsourcing vendor, loss of control over quality standards and information scrutiny. Qantas as a global business is aware of the pros and cons of outsourcing. It outsources its IT and manufacturing ??? by – employing pilots in New Zealand and conducts maintenance pressure of Malaysia on a cost-benefited basis, as it is able to access lower cost above by taking advantage of regulatory differences and different labour laws. However it also maintains its own catering division and travel agencies such as Jetstar and Qantas Holidays in order to maintain control over quality. The implication of using outsourcing for airlines are the achievement of SPLs of cost. By refraining its own catering division, it is able to achieve customisation by better responding to customer needs. However Qanta feels the risk of compromising quality as it has no control over the quality of supply used by its outsourcing vendors.

Inventory management refers to the management of a business's raw materials goods in progress and outputs. Inventory valuation methods such as LIFO (last in first out) and FIFO (first in first out) allow business to evaluate the amount of inventory they have. On the other hand, just in time (JIT) is an inventory management strategy that allows businesses to hold the minimum amount of stock needed to meet customer demands, hence reducing costs required for warehousing, storage and insurance costs. However it requires that the suppliers of the business be highly flexible and responsive to changes in level of demand for the business and supply accordingly. As the global market for smart phones is highly competitive, supply faces the risk of holding too much inventory, which would result in unnecessary costs and thus hence net profit as well as holding too less inventory, which

would inhibit its ability to meet customer demands and risk harming its reputation and sales as customise turn to purchase from 10M petitions such as Samsung. Thus Apple Inc. has to store inventory for a period of 150 days before product launch of new products, which customary that its supply chain by flexible and responsive to changes in demand and supply. The implications of this is that Apple reduce to unnecessary costs and remains highly flexible in its ability to meet customer needs, hence contributing to its dependability and quality as customers needing associates Apple with the high quality business it aims to be.

Technology refers to the use of innovative process and devices to improve business efficiency and productivity. Leading edge technology is technology at the very forefront of research, such as the use of ??? to purify drinking water in bottles. On the other hand, established technology is technology that is widely accepted and used. Qantas uses online bookings, self-check in kiosks and electronic bag tags at airport check ins as an example of implementation of technology. The implication of this are that Qantas reduce the number of staff required drinking check-in.

Thus lowering labour costs and increasing the speed of pressing and ultimately contribution to customer convenience and satisfaction. On the other hand, Apple's ability to constantly produce innovative products is the bass for its success. Apples newest innovation the iwatch is characterised by new innovative technology, one of them being Digital Touch, allowing customers to share their heartbeat, send sketches and taps to other Apple aps. Its other uses include tracking daily activities, making calls, listening to music and even customising their own watch features. The implications of this are that Apple achieve quality at customisation. While its existing refund and warranty policies contributed o the overall quality of the business, hence propelling Apple abuse its competitors and improving profits.

Quality management involves the management of quality throughout business operations in order to meet and exceed customer expectations. This is highly evident in the Lopez Foods, a beef supplier for MacDonalds who rates quality control, quality assurance and total quality management in all aspects of the operations. Quality control aims to reduce defects by conducting inspections at various point of the production process. At Lopez Foods, inspections are not only carried out on the beef supplies but also on the actual cleanliness of the facilities and equipment itself. But supplies are inspected for age and quality when they arrive and are assignment unique ID numbers to enable compute trainability of the supplies. Finished goods are passed through a vital detector. While a worker randomly selects beef patties and measures its width using callipers to ensure outputs are of consistently high standard. Quality assurance where the quality f products are measured against set standards are also used in Lopez Foods. The cleanliness of the facilities and equipment used are constantly monitored through pre-operation checks, and every day a sanitation team brings in high pressure soaps and sanitisers to clean the equipment to ensure Lopez Foods adhere to international health and safety standards. The family atmosphere embraced Lopez Foods allows the concept of ??? and continuous improvement ensure that quality s a responsibility at every employee at Lopez Foods. TW implications of quality management at Lopez Foods thus not only allows the achievement of KPI's of quality and dependability, but also cost and speed. Cost savings are made due to reduced deficits in product, which total quality management ensures that the entire process can be carries out as quickly and efficiently as possible thus ensure Lopez Foods ??? successful supplier to MacDonald's.

Another aspect of operations strategies involves resistance to change. Resistance can cover day to financial costs of pre-chasing new equipment, redundancy payouts and the costs of relocating new equipment. Qantas incurred ??? Financial costs when it replaced Jetstar. Boeing 717s with Airbus A380s, which involved large manufacturer costs as well as costs for maintenance hangers and terminals. Psychological resistance – inertia also resulted in assistance to change as staff readily resist changes due to fear of the unknown, worry of losing their jobs and finding new equipment intimidating. Thus resistance management strategies such as the ??? conference refers mode have to be adopted to ensure staff transition smooths to change with minimal resistance, which could otherwise benefit the statistics and lost productivity. Employee empowerment was also used at Qantas, with change agents initiating change to make employees feel more at ease. The implications of this were the achievement of cost savings and flexibility in adapting to change, as by making employers respond positively to change Qantas can reduce costs associated with staff turnover and strategies.

Lastly, global factors are a source of opportunities for businesses, which not only allows them to assess supplies at lower cost through global sourcing but allows business to maintain a competitive edge. Outsourcing its maintenance and IT function allows Qantas to achieve cost savings as mentioned above. Continual scanning and ???, on the other hand allows Qantas to readily learn from its competitors and respond to changes in the global environment. This not only provides Qantas with a valuable opportunity to continually undergo development but allows Qantas to maintain a competitive advantage over its competitors. On the other hand, research and development is crucial for Apple who relies on continuously producing innovative products in order for business success in the global business environment it is in. Hence Apple invents large amount of money in its research and development efforts, which enable it to produce innovative products such as the iwatch. The implications of global factors for both Apple and Qantas are the achievement of KPLs of quality and flexibility, hence contributing to their overall cusses as large global businesses.

In conclusion, effective implementation of operations strategies are crucial in allowing business to achieve its performance objectives a well as providing business with invaluable competitive advantage, thus contributing to overall business success and sustainability into the future.

