



**Knox Grammar School**

**2018**

# HSC Trial Examination

## **General Instructions**

- Reading time – 5 minutes
- Working time – 3 hours
- Write using a black pen
- Board-approved calculators may be used
- Write your Student Number at the top of the front cover, multiple choice answer sheet and every writing booklet
- Answer the multiple choice questions on the answer sheet provided

**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**

**20marks**

- Attempt Questions 26 or 27
- Allow about 35 minutes for this section

## Section I

**20 marks**

**Attempt Questions 1–20**

**Allow about 35 minutes for this section**

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

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- 1** M&H have implemented a new hiring policy that requires 10% of all new employees to be people with a disability.

Which type of influence is the business responding to?

- (A) Ethical
- (B) Social
- (C) Changing work patterns
- (D) Anti-discrimination

- 2** What is the impact of a business selling their factory and leasing back the premises?

- (A) An increase in non-current assets and an decrease in owners' equity
- (B) A decrease in current assets and an increase in liabilities
- (C) A decrease in non-current assets and an increase in expenses
- (D) A decrease in liabilities and a decrease in owners' equity

- 3** What does the expense ratio measure?

- (A) Solvency
- (B) Profitability
- (C) Efficiency
- (D) Liquidity

4 M&H have removed the sale of a building from their financial accounts.

Which of the following best describes this process?

- (A) Timing issues
- (B) Normalised earnings
- (C) Capitalising expenses
- (D) Fraud

5 Which of the following provides a range of benefits to an employee suffering from an injury or disease related to their work?

- (A) Work health and safety
- (B) Antidiscrimination
- (C) Workers compensation
- (D) Workplace health and safety

6 Which government organisation's main role is to "promote harmonious, productive and cooperative workplace relations and ensure compliance with Australian workplace laws?"

- (A) Australian Securities and Investment Commission
- (B) Fair Work Commission
- (C) Australian Competition and Consumer Commission
- (D) Fair Work Ombudsman

7 Which of the following strategies will be used by a business that aims to saturate the market with its product?

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

- 8** M&H Suits Co. is able to offer customers low prices as a result of their multinational supply chain management activities.

Which term best describes this strategy?

- (A) Global consumers
- (B) Global distribution
- (C) Global sourcing
- (D) E-commerce

- 9** Horton Health Snacks has been accused of misleading claims in relation to the health benefits of its museli bars.

Which of the following is an ethical issue?

- (A) Implied conditions
- (B) Deceptive and misleading advertising
- (C) Truth and accuracy in advertising
- (D) Warranties

- 10** Which identifies only transformed resources?

- (A) Materials, customers and facilities
- (B) Information, customers and materials
- (C) Facilities, human resources and customers
- (D) Information, facilities and human resources

- 11** Which inventory management strategy would a fruit and vegetable store likely use?

- (A) LIFO
- (B) FIFO
- (C) JIT
- (D) Consignment

- 12** An Australian company exports goods to Japan. In recent times, the exchange rate has moved from AUD\$1.00=75 Yen to AUD\$1.00=85 Yen.

What is the impact of this movement?

- (A) The accounts receivable turnover ratio has improved
  - (B) Total expenses have dropped
  - (C) Net profit has decreased
  - (D) The business is experiencing cash flow problems
- 13** C&C requires additional funding to expand its operations. To maximise the financial returns to the existing owners which of the following would best help achieve this?
- (A) Issuing a share purchase plan
  - (B) Taking out a long term loan
  - (C) Extending an overdraft
  - (D) Finding a venture capitalist
- 14** Andrew is motivated to purchase a new car because he believes it will help him to appear more successful among his workmates and friends.

What type of factor is influencing his consumer choice?

- (A) Economic
- (B) Government
- (C) Sociocultural
- (D) Psychological

- 15 A company has published the following financial results for its shareholders:

	2016	2017
<i>Gross Profit Ratio</i>	42%	45%
<i>Expense Ratio</i>	12%	17%

Which of the following has occurred in 2017?

- (A) The business is generating less sales
  - (B) The business is generating more net profit
  - (C) The cost of goods and sold (COGS) has become cheaper, while operating expenses have become more expensive
  - (D) The cost of goods and sold (COGS) has become more expensive, while operating expenses have become cheaper
- 16 Sunshine Juices Ltd is legally obliged to publish the financial reports of the business annually.

Which of the following organisations is responsible enforcing this law?

- (A) Australian Securities and Investment Commission
  - (B) Australian Competition and Consumer Commission
  - (C) Australian Securities Exchange
  - (D) Fair Work Commission
- 17 Which of the following is an example of a business using domestic contractors in its human resource department?
- (A) A new team member is added to monitor the workplace corporate culture
  - (B) A team is formed from existing employees to oversee negotiation proceedings
  - (C) A recruitment agency is used to help hire a team of six new full-time
  - (D) An external provider is used to create a promotional campaign for the company

**18** 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 fall
- (C) Gearing will deteriorate and expenses will rise
- (D) Gearing will improve and expenses will rise

**19** A business is experiencing reduced costs for its inventory over time. It is seeking to maximise its profit from the current financial period.

Which strategy should it adopt to value its inventory?

- (A) First-in-first-out
- (B) Just-in-time
- (C) Last-in-first-out
- (D) Bulk buy inventory

**20** Peachy Fruits manufactures canned fruits. As part of the growth strategy, the managers are seeking to improve its transforming resources.

Which of the following would satisfy Peachy Fruits growth strategy?

- (A) Increased expenditure in marketing
- (B) Improvement in raw materials used
- (C) Increased funding in research and development
- (D) Upgrade in manufacturing facilities

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Student Number

**Section II**

**40 marks**

**Attempt Questions 21–24**

**Allow about 1 hour and 15 minutes for  
this section**

**Question 21** (10 marks)

- (a) Explain how the social influence can impact human resource management.

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**Question 21 continues on the next page**



(b) Using a case study, analyse the cause of one workplace dispute and the strategies used to resolve this dispute.

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**End of Question 21**

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Student Number

**Question 22** (10 marks)

Pro Industries is a leading global manufacturer of skateboards.

- (a) Examine TWO global factors that Pro Industries must consider in order to achieve a sustainable long-term competitive advantage. **4**

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- (b) Analyse why corporate social responsibility is a key concern in operations management. **6**

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Student Number

**Question 23** (10 marks)

Bettle Pty Ltd is an ice-cream manufacturer who sells their products to leading supermarkets in Australia.

**Income Statement Extract for Bettle Pty Ltd year ended 30 June 2018**

Sales	\$100,000
Cost of Goods Sold	\$40,000
Gross Profit	\$60,000
Expenses	
Wages	20,000
Rent	10,000
Advertising	8,000
Research & Development	2,000
Net Profit	20,000
<b>Additional information:</b>	
Accounts Receivable for 2018 = \$12,000	
Accounts Receivable Turnover Industry Average = 35 days	

- (a) Calculate and compare the accounts receivable turnover ratio (sales ÷ accounts receivable) for Bettle Pty Ltd. **2**

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**Question 23 continues on the next page**

Question 23 (continued)

- (b) Recommend TWO appropriate strategies to improve Bettle Pty Ltd’s accounts receivable turnover ratio. **4**

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- (c) Explain how debt repayment and capitalising expenses are considered a limitation to financial reports. **4**

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**End of Question 23**

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Student Number

**Question 24** (10 marks)

‘Fair Dinkum Burgers’ is a successful fast food restaurant chain with locations across Australia. They are considering an expansion to the US.

- (a) Explain the importance of people and processes when developing the marketing plan for the US. **4**

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**Question 24 continues on the next page**

Question 24 (continued)

The management team of Fair Dinkum Burgers is deciding whether to use customisation or standardisation as its marketing strategy for the expansion.

- (b) Analyse how marketing and finance would be linked in management’s decision to customise or standardise. 6

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**End of Question 24**

## Section III

**20 marks**

**Attempt Question 25**

**Allow about 35 minutes for this section**

Answer the question in the Sections III and IV Writing Booklet. Extra writing booklets are available.

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

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

VitalHealth Ltd. is a leading and successful Australian manufacturer of natural health company providing high quality range of vitamins, minerals, herbal and nutritional supplements. VitalHealth are planning to expand into US market which represents a 200% increase in production and an investment of \$40 million.

Recently, management and the board conducted a review of both growth strategies and dividend payments. This has resulted in a group of shareholders raising concerns over their potential dividend payments.

VitalHealth have received complaints from customers regarding sub standard herbal supplements. A large retailer Chemist Depot has raised concerns regarding the lack of timely response from VitalHealth in relation to complaints.

You have been hired by VitalHealth as a consultant to write a report. In your report:

- Explain a conflict between short term and long term objectives of financial management
- Discuss TWO sources of finance that VitalHealth could use to fund the growth plans
- Analyse the operations processes that the business must consider to address concerns

## **Section IV**

**20 marks**

**Attempt Question 26 or Question 27**

**Allow about 35 minutes for this section**

Answer the question in the Section III and IV Writing Boklet. Extra writing booklets are available.

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

- Demonstrate knowledge and understanding relevant to the question
  - Apply relevant business case study/studies and contemporary business issues
  - Communicate using relevant business terminology and concepts
  - Present a sustained, logical and cohesive response
- 

**Question 26** (20 marks)

How does a situational analysis, market research and identifying target markets impact the marketing strategies used by a business?

**OR**

**Question 27** (20 marks)

Analyse how the processes of human resource management can indicate the effectiveness of human resources.

**End of paper**



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# HSC Business Studies Trial

## Section I

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

## Section II

### Question 21 (10 marks)

(a) Explain how the social influence can impact human resource management.

4

Criteria	Mark
Comprehensively relates cause and effect of how the social influence can impact HRM	4
Relates cause and effect of how the social influence can impact HRM	3
Sketches in general terms social influence	2
Limited information on HRM	1

Answers could include:

1. Changing to a more **flexible work environment** - fewer permanent employees and more temporary and casual staff – link to HRM The trend to *increased casual and part-time employment* requires policies and procedures to manage them in the interests of both the business organisation and the work–life balance of employees.

**2. Increased female participation in the workforce – link to acquisition or maintenance strategies such as** Provide flexibility in the workplace, Provide child care facilities, an ability/flexibility to work from home, discounts on child care, introduction job sharing arrangements, during acquisition process consider targeting females, instituting of quotas, T&D so there is equity in senior management roles

3. Growing number of ‘Generation Y’ entering the workforce (impact of) – link to T&D

4. **Career flexibility and job mobility** are on the increase – link to maintenance

5. Workers are taking more control over their own careers – link to T&D, maintenance

6. **Ageing workforce** - Management actions specifically aimed at keeping valued older workers include: offers of suitable retraining, increased workplace flexibility, new challenges or career paths where appropriate and changes in health and safety arrangements to suit older workers.

Explain how the social influence can impact human resource management.

Criteria	Mark
Comprehensively relates cause and effect of how the social influence can impact HRM	4
Relates cause and effect of how the social influence can impact HRM	3
Sketches in general terms social influence	2
Limited information on HRM	1

Answers could include:

1. Changing to a more **flexible work environment** - fewer permanent employees and more temporary and casual staff – link to HRM The trend to *increased casual and part-time employment* requires policies and procedures to manage them in the interests of both the business organisation and the work-life balance of employees.

**2. Increased female participation in the workforce – link to acquisition or maintenance strategies such as** Provide flexibility in the workplace, Provide child care facilities, an ability/flexibility to work from home, discounts on child care, introduction job sharing arrangements, during acquisition process consider targeting females, instituting of quotas, T&D so there is equity in senior management roles

3. Growing number of 'Generation Y' entering the workforce (impact of) – link to T&D

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5. Workers are taking more control over their own careers – link to T&D, maintenance

6. **Ageing workforce** - Management actions specifically aimed at keeping valued older workers include: offers of suitable retraining, increased workplace flexibility, new challenges or career paths where appropriate and changes in health and safety arrangements to suit older workers.

#### 7. Living standards

Australians have one of the highest living standards in the world today, therefore in order to maintain the standards, HRM must respond with higher standards including occupational health and safety, regular wage increases, performance bonuses, fringe benefits, leave and superannuation benefits. Australians are aware of the pressure from global competition on these benefits and living standards.

Companies who seek to **undercut conditions** through excessive outsourcing and casualisation of the workforce, or by shifting production or operations offshore to reduce costs and increase profits, will be challenged by unions keen to avoid erosion of our living standards.

#### Student sample 1:

Question 21 (10 marks)

( HRM )

- (a) Explain how the social influence can impact human resource management.

The social influence can significantly impact on HRM. For example, female participation has increased from 44% in the 1980s to 59% in 2016. As a result, businesses must respond for this trend by employing strategies in relation to Equal Employment Opportunity (participation). This may involve the introduction of more internal and external flexible working arrangements to encourage women to stay at the business. ~~Therefore, the social influence significantly~~ Additionally, there has been a growing move towards casualisation in the workforce as 1/3 employees consider this a key factor to them. As such, this significantly impacts HRM as it may have to implement strategies supporting the

working arrangements. ✓  
Question 21 continues on the next page

- (b) Using a case study, analyse the cause of one workplace dispute and the strategies used to resolve this dispute.

6

Criteria	Marks
Comprehensively draws out and relates implications of the cause of one workplace dispute and the strategies used to resolve the dispute (effective case study illustration)	6
Draws out and relates implications of the cause of one workplace dispute and the strategies used to resolve the dispute (effective case study illustration)	4-5
Relates cause and effect of the cause of one workplace dispute and <b>one strategy</b> used to resolve (some case study application)	3
Sketches in general terms the strategy/ies used to resolve workplace disputes (no case study application)	2
Limited information	1

**Answers could include:**

Causes of workplace disputes:

The major causes of disputes are those relating to the negotiating of awards and enterprise agreements. Other issues such as pay, working conditions, job security and management policy are also common and must be managed.

**Qantas case study application:**

At the end of 2010, the enterprise agreements between the various groups concluded. The new negotiation process of new agreements.

1. Qantas v long haul pilots (represented by the AIPA – Australian International Pilots Association)

Pay: pilots were seeking a 26% pay increase. They also sought to ensure they did not lose some key entitlements such as free flights.

Managerial policy: Pilots did not want the outsourcing of jobs. They wanted Qantas pilots on Qantas planes.

Job security: Qantas pilots sought a guarantee from management regarding the future of their positions. OR

2. Qantas v Engineers (represented by ALAEA)

This dispute involved Qantas engineers disagreeing with the management policy surrounding the outsourcing and offshoring of maintenance positions. The workers were seeking the building of a heavy maintenance facility. They wanted Qantas to agree to stop outsourcing as part of their strategy for reducing costs and managing HR. The outsourcing would result in the loss of 2800 jobs, therefore reducing job security. In addition the engineers were seeking a pay rise.

These disputes significantly impacted the business – cost \$194 million and consequently, contributed to the loss in 2011 financial year. FY loss was \$245 million. According to Qantas, every week the dispute continued, the cost to the business was \$20 million per week. A further implication of this dispute was the cost to the Australian economy attributed to be \$250 million per day.

Qantas has had to utilise all of the dispute resolution methods in order to achieve effective resolution.

### **Negotiation**

Negotiation refers to the formal or informal discussion of bargaining process between the employee and employer trying to reach a compromise.

Qantas was in separate negotiations with two unions for new agreements.

- Qantas v Long haul pilots (job security) more than 2 years
- Qantas v Engineers (job security/offshoring jobs – maintenance)

Qantas began the negotiation process late 2010 with a range of negotiations before the grounding of the fleet. A negative implication of this process was the length of time and it was deemed ineffective. This process took over a year.

### **Mediation**

Mediation refers to the confidential discussion of issues in a non-threatening environment, in the presence of a neutral or objective third party. While this

process was undertaken at Qantas, this was escalated to conciliation process to effectively solve the engineers dispute.

### **Involvement of courts and tribunals**

When a dispute has not been resolved through negotiation or mediation, it may be referred to Fair Work Australia who will appoint a conciliation member to hear both sides of the dispute and help resolve the matter or come to an agreement. If conciliation fails then arbitration is the process where a third party hears both sides and makes a legally binding decision.

In the Qantas dispute there was a decision taken by Alan Joyce CEO of Qantas to ground the fleet and in effect lock out the employees as a response to a possible strike by the various unions. An implication of this action was the federal government (a key stakeholder) intervened and sought an application through Fair Work Australia seeking to terminate all industrial action due to the significant impact on the Australian economy, estimated at a cost of \$250 million a day. Despite the resistance of unions the FWA forced the parties to enter into compulsory conciliation by terminating dispute action for 21 days.

### **Resolution**

As part of the conciliation process the dispute with the engineers was resolved. Qantas engineers received a 3% wage rise, however still faced job losses as Qantas was still allowed to have A380 maintenance offshore. A positive implication for Qantas was that the matter was resolved and importantly, allowed them to implement the restructuring measures to foster innovation in the aviation industry.

The dispute between Qantas and the Pilots was resolved (2013) by the courts. The pilots were awarded a 4.5% pay rise backdated to 2012 for the first year, and an additional 3 per cent in January 2013 and another 3 per cent in January 2014 . However, redundancies and schedule changes were made. (The pilots had sought an 18-month backdate which FWA did not award).

While each dispute at Qantas was adversarial and had measurable impact to its profits in 2011, for Qantas this was a significant positive outcome as the final resolution clearly allowed them the right to manage its business to sustain a competitive advantage.

### **Markers feedback**

This question required a few elements in the answer.

1. Cause of a dispute – pay, management policy
2. Strategies used to resolve – grievance procedure, mediation, conciliation, arbitration
3. Case study illustration that was specific in the cause of the dispute and the STRATEGIES (at least two in detail) to resolve
4. Analytical review of the question.

In order to effectively answer this question – planning was required so that each element of the question could be accessed.

Many responses focused too heavily on the cause and did not adequately address the strategies used to resolve the dispute. **Too many responses** made up information and it was obvious and not effective in answering the question. You have been provided with an exemplar read it and memorise (do not make up case study it doesn't work as well under exam pressure and it shows).

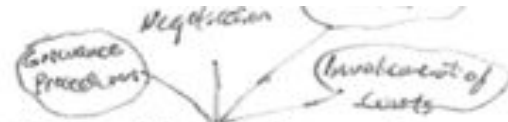
If you choose to use Foxconn then this will be hard to link it to Australian legal standards as it operates in China. Same with any company that is based overseas. It is best to use Australian company examples when you cover this dot point – as many of you wrote about FWA and FWC and linked it to Foxconn – not appropriate.

Take the time to review specific case study examples that can help address this question. This was a Section IV question a few years ago and hasn't been asked for a little while.

Additionally, many responses answered this question like a legal essay. While you can draw on your legal content knowledge you must address the question being asked (not a legal fairness or rights of individuals question)

- Intro  
- Body  
- Concl

Remuneration



- (b) Using a case study, analyse the cause of one workplace dispute and the strategies used to resolve this dispute.

6

Often, the cause of a workplace dispute is the lack of remuneration <sup>pay</sup> leading to the resolution methods of mediation, grievance procedures and the involvement of courts and tribunals, as can be seen in T-Eleven.

A lack of performance management or employee recognition can often lead to a lack of remuneration within a firm causing disputes. As seen in T-Eleven in 2014, it was found that many foreign employees had not received pay changes and some were below the minimum wage of £7.49 at the time. This resulted in the firm utilizing mediation initially for the issue, the process of using a 3rd party to achieve resolution. Subsequently, as the issue grew, grievance procedures of T-11 were enforced, being a strict process of the resolution of disputes. The implication of the failure of these procedures was the involvement of courts and tribunals, which utilized arbitration to lift the pay of T-Eleven employees to at least minimum wage and positioned performance management audits to ensure remuneration.

End of Question 21

Thus, the workplace issue of pay & remuneration, as seen in T-Eleven can be resolved through the involvement of courts & tribunals.





(b) Using a case study, analyse the cause of one workplace dispute and the strategies used to resolve this dispute.

6

Work place disputes can have a detrimental impact on a business if its grievance procedures are ineffective. In the case of Qantas, the business decision to outsource its maintenance processes to an external provider caused a resistance to change. Specifically, the outsourcing of this process would have resulted in 2300 engineers losing their job. This resistance to change resulted in strikes from the affected employees causing costs for the business exceeding \$150 million. In response, Qantas had to ensure its grievance procedure minimised these disturbances and allowed for operations to continue as previously.

**Negotiation**: Qantas initially undertook formal negotiations with both the engineers and their associated unions. This process lasted months and thus had the implication of being fairly costly and ineffective.

**Mediation**: Following the negotiations, a third party was employed to facilitate the negotiations, suggesting possible outcomes for both parties. This process had the implication of additional costs for Qantas albeit leading to more successful results.

#### End of Question 21

**Conciliation**: As the process could not be determined between the two parties, the negotiations had to be taken to the courts, allowing a final decision to be made. This had the implication of a successful resolution whereby Qantas was able to outsource its operations albeit increasing wages for some engineers.

Thus through a successful grievance procedure Qantas was able to minimise disturbances.

**Question 22 (a)**

**Examine TWO global factors that Pro Industries must consider in order to achieve a long-term sustainable competitive advantage.**

<b>Criteria</b>	<b>Mark</b>
<ul style="list-style-type: none"><li>● Extensive inquire into TWO global factors that Pro Industries must consider in order to achieve a sustainable competitive advantage</li></ul>	4
<ul style="list-style-type: none"><li>● Extensive inquire into ONE global factor that Pro Industries must consider in order to achieve a sustainable competitive advantage</li><li>● General sketch of ONE global factor that Pro Industries must consider</li></ul>	3
<ul style="list-style-type: none"><li>● Extensive inquire into ONE global factor that Pro Industries must consider in order to achieve a sustainable competitive advantage</li><li>● General sketch of TWO global factors that Pro Industries must consider</li></ul>	2
<ul style="list-style-type: none"><li>● General sketch of ONE global factor that Pro Industries must consider in order to achieve a sustainable competitive advantage</li></ul>	1

Answers could include:

**Global factors (in operations):**

- Global sourcing:
  - Global sourcing as an operations strategy involves the sourcing of any resources, components or outsourcing of business functions globally that gives businesses cost advantages.

- o Global sourcing allows access to new technologies, advantages of expertise and labour specialisation and higher quality resources and inputs.
- o Global sourcing can enable advantages in the areas of cost, efficiency, productivity and technical ability.
- Economies of scale:
  - o Economies of scale refers to the cost advantages that can be gained from producing goods on a large scale.
  - o Cost savings are usually derived from spreading fixed costs over a larger output (interdependence with profitability management), as the proportional cost per unit decreases.
- Scanning and learning:
  - o Scanning and learning refers to the improvements a business can make from 'scanning' the globe for best practice and people from which trends can be 'learnt'.
  - o Scanning may also refer to analysis and benchmarking to leading businesses and competitors across the globe.
- Research and development:
  - o Research and development is critical for many businesses to create leading edge technologies and solutions, it is concerned with developing new products, technologies, methods and processes.

Sample Answer:

Research and development is a global factor that aims to produce innovative and new technological strategies. R&D can lead to significant improvements in quality by developing innovative technologies such as 3D printers or artificially intelligent robots to create the wheels for PI's skateboards. By implementing leading edge technology when creating skateboards and developing new boards, PI can reduce human error as well as developing a competitive advantage over competitors as a result of differentiating themselves as a high tech, innovative board company.

Economies of scale refers to the cost saving advantages gained as a result of increasing scale of production. By increasing the scale of production and benefiting from scale PI can reduce the per unit cost of each skateboard, for example through buying wheel bearings in bulk at a discount. This enables PI to achieve cost leadership and thus develop a sustainable competitive advantage as a result of lower expenses.

Marker feedback:

- Good responses linked to cost leadership
- 2 marks for each, and needed to link to competitive advantage
- Most students went to different syllabus areas (Global marketing or global finance)
- Needed stimulus integration, naming the company was not enough. The better responses used a stimulus specific example

### Question 22(b)

Analyse why corporate social responsibility is a key concern in operations management for Pro Industries

Criteria	Mark
<ul style="list-style-type: none"><li>● Provides why and/or how corporate social responsibility is a key concern in operations management</li><li>● Explicit and detailed application to stimulus material</li></ul>	5 - 6
<ul style="list-style-type: none"><li>● Provides characteristics and features of corporate social responsibility in relation to operations management</li><li>● Some application to the stimulus material</li></ul>	3 - 4
<ul style="list-style-type: none"><li>● Indicates the main features of corporate social responsibility</li></ul>	1 - 2

#### Answers could include:

- Corporate social responsibility
  - the difference between legal compliance and ethical responsibility
  - environmental sustainability and social responsibility

#### Sample answer:

- Corporate social responsibility refers to open and accountable business actions based on ethical behaviour and respect for the community and broader environment, it involves exceeding legal obligations.
- Pro Industries can exhibit corporate social responsibility in its transformational strategies and operational processes by:
  - responsible sourcing of inputs (e.g. timber from renewable forests to construct the skateboard decks),
  - not outsourcing the manufacturing of its skateboards overseas.
- If Pro Industries engages exhibits corporate social responsibility in its operational strategies and transformational processes, this will result in positive implications including: enhanced business image/reputation, revenue and profitability. The negative implications of engaging in CSR could include: increased costs.
- Thus, corporate social responsibility is a key concern in operations management

CSR refers to the open and accountable business activities that are ethical and demonstrate respect to society. ~~CSR~~ PI can exhibit CSR through sourcing environmentally safe wood, adopting greenhouse gas emissions targets, ~~and~~ recycling unused wood for skate boards, and adopting best practice CSR activities. This can be measured through the ISO 26000, whereby PI will be considered upon their accountability, transparency, ethical behaviour, respect to human rights, respect to the law, respect to international norms or behaviour, and respect to society. ~~As a result~~ The implications of exhibiting CSR are that it will promote a positive brand image and reputation ~~within~~ of PI's global status, ~~or~~ creating a positive perception ~~within~~ their business and environmentally friendly stakeholders, resulting in increased trust, sales and hence profitability, which can give them a competitive ~~advantage~~ (interdependence with marketing). Further this is a key concern for PI, as it will, further positively influence revenues ~~as~~ their B/S will be positively differentiated between their competitors, achieving a CS differentiation, and hence allow them to  $\uparrow$  sales through brand loyalty, and ~~hence~~ ~~profitability~~ (interdependence with marketing).

End of Question 22

**Question 23 (10 marks)**

(a) Calculate and compare the accounts receivable turnover ratio for Bettle Pty Ltd

**2**

Criteria	Mark
<ul style="list-style-type: none"> <li>• Correctly calculates the accounts receivable turnover ratio; AND</li> <li>• Provides similarities and/or differences in the accounts receivable turnover ratio for Bettle Pty Ltd</li> </ul>	2
<ul style="list-style-type: none"> <li>• Correctly calculates the accounts receivable turnover ratio; AND/OR</li> <li>• Provides similarities and/or differences in the accounts receivable turnover ratio for Bettle Pty Ltd</li> </ul>	1

**Answers could include:**

A/R Turnover Ratio =  $100,000/12,000 = 8.33$  times =  $365/8.33 = 43.82$  days or 44 days

It takes Bettle Pty Ltd approximately 44 days to collect its accounts received. This compares unfavourably to the industry average of 35 days. Therefore Bettle Pty Ltd is less efficient in collecting its accounts receivables compared to the industry average. This raises concerns into Bettle's credit policy which may require them to implement strategies such as discounts for early payment and factoring to improve their efficiency.

**4**

(b) Recommend TWO appropriate strategies to improve Bettle Pty Ltd's accounts receivable turnover ratio.

Criteria	Mark
<ul style="list-style-type: none"> <li>• Provides reasons in favour of TWO appropriate strategies to improve Bettle Pty Ltd's accounts receivable turnover ratio</li> </ul>	4
<ul style="list-style-type: none"> <li>• Provides reasons in favour of ONE appropriate strategy to improve Bettle Pty Ltd's accounts receivable turnover ratio; AND</li> <li>• Provides some relevant information on another appropriate strategy</li> </ul>	3
<ul style="list-style-type: none"> <li>• Provides reasons in favour of ONE appropriate strategy to improve Bettle Pty Ltd's accounts receivable turnover ratio; OR</li> <li>• Provides some relevant information on TWO appropriate strategies</li> </ul>	2

<ul style="list-style-type: none"> <li>● Provides some relevant information on at least ONE appropriate strategy to improve Bettle Pty Ltd's accounts receivable turnover ratio</li> </ul>	1
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Answers could include:

Discounts for early payment, factoring, stricter credit policies, cash only policies

**Factoring:**

- By having immediate access to funds, Bettle will improve its cash flow and efficiency
- Bettle is not responsible for collecting accounts or costs involved in the process

**Discounts for early payment:**

- Provides an incentive for Bettle's customers to pay earlier
- Can assist with building a positive rapport with customers

**Sample response:**

Bettle could use factoring to improve their accounts receivable turnover ratio. This would require Bettle to sell their accounts receivable of \$12,000 to a factoring company who would provide Bettle with 80-90% (depending on recourse) of their accounts receivable usually within 24-48 hours. This would also be beneficial as Bettle wouldn't have to focus their attention on collecting accounts receivable and can instead focus on core business. Bettle could also use discounts for early payment which would provide their customers with an incentive to pay monies owed to Bettle faster. This would be beneficial for the customer as they would receive a discount, saving them money. It would also benefit Bettle as it would assist with building a positive relationship with their customers. Overall, factoring and discounts for early payment are effective strategies for improving the accounts receivable turnover ratio and improving efficiency.

**Markers Feedback:**

- Overall, this question was done very well
- Factoring and discounts for early payment were the most common
- Student needed to link the strategy to accounts receivable turnover ratio. This meant that not all cash flow management strategies were accepted.



- (c) Explain how timing issues and capitalizing expenses are considered a limitation to financial reports.

Criteria	Mark
Relates cause and effect to how debt repayment AND capitalising expenses are considered a limitation to financial reports	4
Relates cause and/or effective to how debt repayment AND/OR capitalising expenses are considered a limitation to financial reports	2-3
Provides some relevant information on how debt repayments and/or capitalising expenses are considered a limitation to financial reports	1

Answers could include:

#### Timing Issues

- \_\_\_ Since Bettle manufacture ice-cream, timing issues may have been a limitation as they may have experienced seasonal fluctuations within their sales.
- \_\_\_ Higher sales may have been experienced during summer while lower sales may have been experienced during winter
- Must make reference to the stimulus material

#### Capitalising expenses

- Refers to when Bettle's financial manager put an expense (income statement – i.e. Research and Development) into the asset (balance sheet) category, when it is clearly an expense, this would make the year's profits seem greater than what they really are
- This is a concern as next year's profits won't be as good, which can be deceptive to current and potential investors
- Must make reference to the stimulus material
  - Bettle hasn't capitalized their expenses as they have left Research and Development on the income statement
  - Demonstrates how they have been able to act in an ethical manner

#### Sample response:

Timing issues would be a limitation for Bettle as ice-cream tends to see fluctuations in sales throughout the year with consumers more likely going to purchase ice-cream in the hotter/summer months. Since financial statements are usually over a financial year, this might not provide an accurate reflection of Bettle's financial performance, thus misleading stakeholders such as potential investors. Capitalising expenses is also a limitation for Bettle as Research and Development (\$2,000) has been located on the income statement. This means that Bettle has not capitalised expenses. However, if they did move Research and Development over to the Balance Sheet (under non-current assets), this would reduce expenses - thus increasing net profit which could potentially mislead investors on the amount of profit that Bettle has made during the financial year.

**Markers Feedback:**

- This question was done quite poorly with a number of students needing to revise the content on limitations on financial report
- Due to the vast range of approaches in this question, this question was marked more holistically
- To achieve full marks, students were required to accurately and clearly explain (relate cause and effect) to both timing issues and capitalising expenses, AND make use of the stimulus material (i.e. timing issues - seasonal fluctuations; capitalising expenses - research and development)
  - A lot of students received a 2 or 3 due to not clearly displaying all of these factors
  - Wording was very important as a lot of students were more explaining other limitations such as normalised earnings or debt repayments
- Overall stimulus integration was lacking
- Please revise limitations as only a few students were able to clearly state that Bettle has operated in an ethical manner as they haven't capitalised expenses (as it is on the income statement) AND that demand for ice-cream would fluctuate throughout the year as it would most likely be in higher demand during summer months

**Question 24 (10 marks)**

'Fair Dinkum Burgers' is a successful fast food restaurant chain with locations across Australia. They are considering an expansion to the US.

- (a) Explain the importance of people and processes when developing the marketing plan for the US 4

Criteria	Mark
Details the strategies of people and processes and their impact on Fair Dinkum Burgers.	4
Provides characteristics and features of the strategies of people and processes at Fair Dinkum Burgers.	3
Details the strategy of people OR processes and its impact at Fair Dinkum Burgers OR Some information on people and processes.	2
Limited information on people or processes.	1

Answers could include:

**People** – Fair Dinkum Burgers must ensure that US staff have the right knowledge, skills to help achieve business objectives. The quality of interaction between the US customers and those within the business will be critical in terms of the customer experience and word of mouth. Building loyalty and repeat sales are more likely if a customer is treated well and feels a connection. Fair Dinkum Burgers must ensure they have qualified and competent staff.

**Processes** - refers to the systems in place to ensure a service is delivered in a way that best suits the customers' needs. For example, processes to allow automated and customised ordering both in-store and online. Processes and systems to build a database of customer e-mail/mobile phone numbers for purposes of e-marketing – building loyalty and repeat sales. Marketing should work interdependently with Operations to ensure that kitchen processes (scheduling and sequencing) are such that food is prepared 'fast'. Quick turnaround will be critical to the customer experience at Fair Dinkum Burgers.

Sample answer

People refers to the interaction between the staff of FDB and the customers. As FDB is a fast food restaurant, it is vital that FDB have well trained and knowledgeable staff who excel in customer service, in particular taking orders and dealing with customer complaints. By developing a reputation for customer service and ensuring the quality of interaction between customer and staff, FDB will be able to build customer loyalty, positive word of mouth and ultimately increase the number of sales.

Processes refers to the systems in place ensuring a service is delivered in a way that meets customers needs. By implementing an automated ordering platform, FDB will be able to ensure the ordering process is streamlined and as efficient as possible. This can ensure the burgers are delivered in a timely manner, ensuring high quality food is produced by FDB thus meeting customers expectations. By meeting and exceeding customers expectations, FDB will build a positive reputation and develop customer loyalty which can translate into repeat sales.

Markers Comments:

Students went to the wrong syllabus area. More stimulus integration needed, just naming FDB is not enough. The better responses included stimulus specific examples.

- (b) The management team of Fair Dinkum Burgers is deciding whether to use customisation or standardisation as its marketing strategy for the expansion.

6

Analyse how marketing and finance would be linked in management's decision to customise or standardise.

Criteria	Mark
Clearly draws out and relates implications of the link between marketing and finance when deciding to customise or standardise.	5-6

Explains the link between marketing and finance in Fair Dinkums Burgers to customise or standardise.	3-4
Sketches in general terms information about marketing and finance	1-2

**The management team of Fair Dinkum Burgers is deciding whether to use customisation or standardisation as its marketing strategy for the expansion.**

**Answers could include:**

**Marketing and Finance at FDB must work interdependently to achieve the goal of profit maximization. Customising the marketing strategy means that FDB will change the marketing mix/strategies currently used in Australia to suit the US market. A decision to customise may ensure that US customer needs are better met and therefore lead to higher sales and achievement of the financial objective of growth. However, the customisation of products, branding and promotion will be more expensive as FDB cannot use existing strategies and take advantage of economies of scale. On the other hand, standardisation will be less expensive but it could result in lower sales. Finance will need to conduct a cost-benefit analysis and consider which marketing approach will maximise profit – the most critical financial objective. Finance must also work independently with Marketing in regard to the customisation of pricing strategies. For example, Finance must understand the short term and long term implications of Marketing wishing to use a price penetration or loss leader strategy when FDB expand into the US market. This will require a balance between short term profit and longer term sales/market share.**

**Could also include:**

- **More initial funding requirements if customised eg. more market research and product development costs**
- **Provision of financial data, forecasts/budgets/projections (although this would be required for both S and C.**

**Markers comments:**

**Common errors:**

- **Responses were too generic and did not distinguish between the decision to either S or C. For example, not enough to just say ‘finance will be required to source and allocate finance to fund the expansion’ or ‘finance will be required to provide forecasts’.**
- **There was some confusion in regard to niche v mass. Some students thought that customization equates to niche and standardization to**

**mass. Not so. You might need to customize IN ORDER to appeal to the mass market in the US.**

- **Responses that structured under the ‘sub-headings’ of Finance and Marketing often found it difficult to demonstrate interdependence. Better to structure around S and C.**
- **Too many students made statements like ‘standardisation will involve lower marketing costs and therefore will increase profitability’. The best responses clearly showed an understanding that profit is a function of BOTH Sales/Revenue and Costs/Expenses. They would not jump to ‘profit’ before also assessing the impact on Sales. For example, in the case of standardization, sales may not be maximized because it may not be adequately take US tastes and preferences into consideration.**

Question 24 (continued)

The management team of 'Fair Dinkum Burgers' is deciding whether to use customisation or standardisation as its marketing strategy for the expansion.

- (b) Analyse how marketing and finance would be linked in management's decision to customise or standardise.

6

Management for 'Fair Dinkum Burgers' must consider that a customised marketing campaign will incur greater expenses to the business, financially, which may impact profitability & revenue. However, if the marketing campaign captures the target market better than a standardised campaign this would be appropriate due to the fact they may drive greater sales and therefore the extra expense incurred financially for the business would be outweighed by ~~the~~ greater sales & customer visibility. ✓

on web  
Furthermore, if the business did decide to utilise a standardised approach they must recognise that ~~upfront~~ whilst upfront financial cost wouldn't be required, they may fail at capturing their target market & risk not gaining market share. It will also strain their finances considerably in the longer term. Therefore a ~~marketing~~ standardised marketing plan will be more cost effective in the short term however in the long term may lead to a failure to capture market share & therefore result in lost sales & profitability.

End of Question 24

Question 24 (continued)

The management team of 'Fair Dinkum Burgers' is deciding whether to use customisation or standardisation as its marketing strategy for the expansion.

- (b) Analyse how marketing and finance would be linked in management's decision to customise or standardise.

(FDB) 6

6

JUST ABOUT PERFECT

Customisation involves for 'Fair Dinkum Burgers' the treating of the US and Australian market as ~~the same~~ <sup>different</sup> and thus employing ~~the same~~ <sup>a</sup> ~~unique~~ <sup>unique</sup> marketing plan. ~~The implication~~ <sup>The implication</sup> of this global marketing strategy on finance is that customisation ~~is~~ <sup>provides</sup> a significant cost for the business as ~~unique~~ <sup>unique</sup> ~~marketing~~ <sup>marketing</sup> ~~mixes~~ <sup>mixes</sup> and marketing mix is employed. For example, FDB would need to fund two separate advertising campaigns, one for the US and Australian market, negatively affecting ~~the~~ <sup>the</sup> profitability of the business. Further, FDB would develop new products to fit the customers' desires in the US market, ~~incurring~~ <sup>incurring</sup> significant cost for market ~~research~~ <sup>research</sup> and product development. However, customisation may lead to increased sales and market share in the US market as it meets the markets demands, ~~therefore~~ <sup>therefore</sup> the impact of this is increased ~~profit~~ <sup>profit</sup> long-term profitability for the business, thus positively influencing the finance department!

End of Question 24

Standardisation involves for FDB the treating of the US and Australian market as the same and thus employing the same marketing plan globally. The implication of this <sup>is</sup> reduced costs for FDB as the same promotional campaign is used. Further, the use of the same products can lead to economies of scale and thus reduced costs, and increased profits for FDB. However, standardisation does not account for differences in market preference, meaning FDB may not achieve ~~the~~ <sup>the</sup> required sales and market share, impacting the long-term profitability ~~and~~ <sup>and</sup> survival of FDB.





## Section III

### Question 25 (20 marks)

Criteria	Mark
<ul style="list-style-type: none"> <li>● Comprehensively relates cause and effect of the conflict between short and long term financial management objectives of VitalHealth</li> <li>● Comprehensively provides points for and against two appropriate sources of finance to fund growth</li> <li>● Comprehensively draws out and relates implications of operations processes that VitalHealth need to consider</li> <li>● Makes effective use of the information provided, demonstrating extensive knowledge and understanding relevant to the question</li> <li>● Presents a sustained, logical and cohesive business report integrating relevant business terminology and concepts</li> </ul>	17 - 20
<ul style="list-style-type: none"> <li>● Relates cause and effect of the conflict between short and long term financial management objectives of VitalHealth</li> <li>● Provides points for and against two appropriate sources of finance to fund growth</li> <li>● Draws out and relates implications of operations processes that VitalHealth need to consider</li> <li>● Makes some use of the information provided, demonstrating some knowledge and understanding relevant to the question</li> <li>● Presents a logical and cohesive business report using relevant business terminology and concepts</li> </ul>	13 - 16
<ul style="list-style-type: none"> <li>● Provides characteristics of the conflict between short and long term financial management objectives</li> <li>● Provides characteristics and features of sources of finance to fund growth</li> <li>● Provides characteristics and features of operations processes for VitalHealth to consider</li> <li>● Includes features of a business report and uses some business terminology and concepts</li> </ul>	9 - 12
<ul style="list-style-type: none"> <li>● Sketches in general terms short term and long term objectives</li> <li>● Some information on sources of funds</li> <li>● Some information on operations process</li> <li>● May include some features of a business report and uses basic business terminology</li> </ul>	5 - 8
<ul style="list-style-type: none"> <li>● Refers to financial objectives</li> <li>● Refers to finance</li> <li>● Refers to operations</li> <li>● Uses basic business terminology</li> </ul>	1 - 4

- Explain a conflict between short term and long term objectives of financial management
- Discuss TWO sources of finance that VitalHealth could use to fund the growth plans

- Analyse the operations processes that the business must consider to address concerns

### **Conflict between short term and long term objectives:**

Expansion plans –growth in long term will conflict with the short-term goal of profitability and thus further impact the dividend payments that shareholders are receiving if retained profits will be used to fund (or part fund) the expansion. VH need to effectively communicate the need for a lower dividend/profit levels to shareholders in the short term, in order for VH to achieve the long-term objective of growth. The growth and expansion of VH into the US market, if managed and performed effectively should also lead to an increase in profits in the long term. This will lead to a higher dividend for shareholders in the future.

Additionally, VH's solvency may worsen in the short term if debt is used to fund the expansion, and ultimately achieve the long-term objective of growth. In order to fund the \$40 million expansion, VH may choose to do so through debt finance. In the short term, the solvency will worsen as VH will be taking on more debt and total liabilities will increase. If not managed correctly, VH may be at risk of not meeting financial objectives.

### **Sources of Finance that VitalHealth could use to fund the growth plans:**

*influences on financial management*

- external sources of finance
  - debt –long-term borrowing (mortgage, debentures, unsecured notes, leasing)
  - equity – ordinary shares (new issues, rights issues, placements, share purchase plans), private equity
- 
- VH is already a public company so the most appropriate options include: rights issue, placements and share purchase plans (equity) or mortgage, unsecured note, debenture and leasing (long term debt). Due to the large amount of funds (\$20 million) required to fund the overseas expansion, VH may decide to fund the expansion with a combination of debt and equity to minimize financial risk.
- 
- Rights issue: In order to raise additional funds, VH may organise a rights issue. This is offered to shareholders to buy new shares in the same company and is optional. This occurs after the IPO and provides existing shareholders with the opportunity to purchase more shares. Usually the current shareholders will have the right to purchase new shares in proportion to the number of shares they currently own. The advantage of this is that existing VH shareholders already are familiar with the business model and are therefore more inclined to invest in the company (especially if it has enjoyed a degree of success). Alternatively, VH must consider the disadvantages of offering a rights issue. BY issuing additional shares, the existing shareholders will experience a dilution of share value. Furthermore, VH must issue a prospectus. This can be a very lengthy and time consuming process, and there is the risk that existing shareholders do not take the option of purchasing the new shares. This would significantly impact VH's ability to raise the \$20 million necessary to expand into the US.

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- Placements: VH could raise funds by offering additional shares to specific institutions or specific investors. The benefit of doing this is that VH may organise this without a formal prospectus, it will not need general shareholder approval to do this and will assist in funding the expansion activities. Although existing shareholders may not be pleased with this option as their shares will be diluted in the process. Additionally, a discount is often offered as an inducement. This is a fairly quick process which means VH can quickly and fairly easily access finance to fund its activities, and will not increase the debt commitments of VH.

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- Share purchase plans: VH could make an offer to existing shareholders the opportunity to purchase more shares in that company without brokerage fees (these can be offered at a discount). This may address dilution concerns and can be an effective way to raise funds (although VH would have to fund the brokerage fees as an incentive). The shares can also be offered at a discount as further inducement. Another advantage is that these can be issued by VH without issuing a prospectus.

Mortgage: VH could take out a mortgage to fund the US expansion, in particular, to fund the purchase of property. A mortgage is a secured loan that is to be repaid with interest over a predetermined time frame. VH will be required to make regular repayments, which will assist in planning throughout the expansion process. The interest repayments are a tax deduction, and will positively impact VH's overall profitability. Additionally, the interest rate VH will be subject to is lower than other forms of debt, reducing VH's interest expense and having a positive impact on the profitability of the firm. VH must consider the disadvantages of mortgages as a method of debt finance. VH must repay the principal plus interest irrespective of their business performance. Furthermore, if a variable interest rate is used, VH may be exposed to unfavorable fluctuations if the economic climate changes and interest rates are increased.

Debentures: The process of issuing debentures could assist VH in their entry into the US market. A debenture is a financial instrument issued by VH for a fixed rate of interest for a fixed time period. VH must pay the principal amount plus interest in full, and usually pays this amount over half yearly or quarterly intervals, assisting VH with planning due to the predictable nature of payments. This method of debt finance is advantageous as VH will not further dilute share ownership/value of shares and VH is able to raise a significant amount of funds. Nevertheless, VH must issue a prospectus, which can be a lengthy and resource intensive process and VH must pay interest regardless of business profits. Additionally, VH's gearing will increase as they take on extra debt.

Unsecured note: An unsecured note could be used by VH in order to fund their expansion plans. Unsecured notes are issued by companies for a specified time. VH must pay the principal amount plus the interest in full. The rate of interest would be higher than a debenture as VH would not offer any security on the investment made by investors. The benefit of this debt instrument is access to significant funds allowing VH to enter the US market, interest repayments being tax deductible and no change to the ownership of the company and therefore no dilution to the value of shares. However, the success of the

issue of unsecured notes will be dependent on VH's reputation and creditworthiness. Moreover, VH must make the interest repayments irrespective of profits and by using a debt instrument VH will be increasing their gearing.

Leasing: VH could utilize a lease of equipment or property in the US. As apart of the expansion into the US market, VH will be required to acquire both property and machinery in order to expand the production of vitamins. A lease would require VH to pay for the use of equipment and property and would enable VH to utilise assets without needing to outlay large amounts of money to purchase the assets. Furthermore, the lease payments are tax deductible, having a positive impact on VH's profitability. Leasing could also enable VH to keep up to date with leading edge technology, by upgrading the equipment every couple of years –if VH was to own the equipment outright, the cost of the equipment could act as a barrier to upgrading the machinery used as new technology is released. Moreover, VH must also recognise that payments need to be made regardless of business profits, requiring effective cash flow management. Similarly, VH will not own the asset, reducing the value of non-current assets.

### **Operations processes that the business must consider to address the concerns:**

#### **Inputs:**

- Inputs are the resources used in the transformation process such as labour, raw materials, machinery, technology and energy, they can be classified as transforming or transformed resources.
- Transforming resources (HF):
  - Inputs that carry out the transformation process and that are used to initiate or provide catalyst for change and act as agents of transformation.
  - Human resources and facilities.
- Transformed resources (MIC):
  - Inputs that are changed in the operations process.
  - Materials, information, customers.

Due to quality concerns, VH need to examine the human resources and the facilities used in the production process. VH may need to take corrective action, improving the skills of the employees or upgrading the technology to improve the quality of herbal supplements.

Additionally, the quantity of inputs used in the operations process will increase as VH attempts to meet the needs of the US market, increasing production by 200%.

### **Transformation processes**

#### **Monitoring, controlling & improvement**

As a consequence of sub-standard herbal supplements, it is vital that VH ensures they monitor, control and improve the transformation process. Monitoring refers to the analysis of the performance levels of various components and the production process holistically, and assessing this actual performance against planned performance. Through the use of KPIs and SLAs, VH will effectively be able to monitor the quality of inputs and outputs as well

as the level of defective goods. The implication of this will be VH identifying where in the transformation process issues with quality arise. Furthermore, once the specific issue has been identified, for example, poor quality inputs, or the damage of herbs throughout the transformation process, VH will be able to control, and thus take corrective action. This will be vital as VH looks to increase output by 200%.

Through the control of the transformation process, VH will take action in response to the data collected and analysed in the monitoring process. VH may be required to source inputs, such as their herbs from different suppliers, or implement strategies that maintain the quality of the herbs throughout the transformation process. The implication of controlling will be achieving higher operational quality and produce a higher quality output more efficiently. Furthermore, through a higher quality herbal supplement, VH can correct the image of a low quality herbal supplement provider and better satisfy consumer demand.

Furthermore, VH can implement a philosophy of improvement within VH's corporate culture. Improvement refers to the systematic business culture and strategies to improve product quality. The implication of adopting a 'kaizen' approach, VH will increase operational efficiency and improve the quality and dependability of the supplements produced.

#### **Outputs:**

The output refers to the final good and or service produced by VH, in this instance health supplements. It is critical that VH manufacture a high-quality product that complies with health regulations/legislation, and that their product meets the quality expectations of their market. The negative implications of not complying with health legislation could be negative publicity which would be damaging to the VH brand. This would be quite costly to correct and VH may find it difficult to regain the trust of customers.

Given the recent concerns of quality of the herbal supplement, VH must examine their inputs and transformation process in order to ensure the output produced is of the highest quality. The implications of a low-quality product include a drop in sales due to low customer satisfaction and negative word-of-mouth, damage to the reputation of VH's brand and ultimately, it could lead to difficulty entering the US market.

VH's customer service and warranty policies are areas VH must address in order to become a market leader. Customer service is how well VH meets and exceeds the post-sale needs and expectations consumers may hold, whereas warranty is a legal commitment made by a business to correct any defects in a good or service delivered, or to replace the defective product entirely. Due to the low quality herbal supplement and increase in customer complaints, VH needs to ensure an effective warranty and returns policy is in place whilst they are resolving the quality issues. The implications of a successful customer service and warranty process include VH developing and fostering long term relationships with customer, which can result in positive word-of-mouth, have a positive effect on the brand's reputation and in the long run can translate to higher sales.

#### **Conclusion**

## Section IV

### Question 26 (20 marks)

*How does a situational analysis, market research and identifying target markets impact the marketing strategies used by a business?*

Marking criteria	Mark
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<ul style="list-style-type: none"> <li>● Comprehensively details components and the relationship between them; draws out and relates implications of a situational analysis, market research and target markets on strategies of a business</li> <li>● Applies relevant case study/studies and contemporary business issues</li> <li>● Presents a sustained, logical and cohesive response and communicates clearly using relevant business terminology and concepts</li> </ul>	17 - 20
<ul style="list-style-type: none"> <li>● Details some components and the relationship between them; draws out and relates implications of a situational analysis, market research and target markets on strategies of a business</li> <li>● Uses relevant case study/studies and contemporary business issues</li> <li>● Presents a logical and cohesive response using relevant business terminology and concepts</li> </ul>	13 -16
<ul style="list-style-type: none"> <li>● Provides characteristics and features of a situational analysis, market research and target markets and marketing strategies of a business</li> <li>● May refer to case study/studies and contemporary business issues</li> <li>● Communicates using business terminology and concepts</li> </ul>	9 - 12
<ul style="list-style-type: none"> <li>● Sketches in general terms a situational analysis, market research and target markets or marketing strategies</li> <li>● May refer to case study/studies and contemporary business issues</li> <li>● Communicates using some business terminology and concepts</li> </ul>	5 – 8
<ul style="list-style-type: none"> <li>● Makes limited reference to marketing</li> <li>● May identify case study/studies</li> <li>● Uses basic business terminology</li> </ul>	1 - 4

Answers could include:

**Marketing process:**

**Situational analysis:**

- Sets out the present state of the business including an analysis of the environment in which the business is operating.
- By understanding the current state and environment of the business, an analysis of such data can be used to develop appropriate strategies and take corrective action.
- SWOT:
  - Strengths – internal (things that can be further utilised or grown).
  - Weaknesses – internal (things that a business should try to mitigate the effects of).
  - Opportunities – external (things a business should capitalise upon).
  - Threats – external (should be carefully monitored and effects should be minimised).
- Product life-cycle (PLC):
  - Allows a business to analyse its products at various stages throughout the life cycle

Need to link to strategies and give specific examples e.g. pricing strategies (e.g. adjusting price as move through the PLC), product strategies (introduction of new product if existing product is entering decline), promotion strategies (more intensive promotion strategies such as sales promotion/advertising to counteract threat from new competitor entering the market).

**Market research:**

- Market research is the systematic process of collecting, recording and analysing information and data concerning a specific marketing issue.
- Market research yields both qualitative and quantitative data that allows a business to develop appropriate marketing strategies and take corrective action.
- Determining information needs:
  - What information is required to solve the problem.
- Data collection:
  - Primary research:
    - Involves original research to solve the problem, e.g. focus groups (for in depth discussion) or surveys (for cost effective collection).
  - Secondary research:
    - Facts and figures that have already been collected for other purposes.
    - May be:
      - Internal.
      - External.
    - ADVANTAGE:
      - May be cheaper for the business.
    - DISADVANTAGE:
      - May not be specific or specifically address the issue.
- Data analysis and interpretation:
  - Analysis for meaning and relationships between and in the data.
  - Statistical analysis and interpretation.
  - Conclusions and results need to be drawn.

Link to strategies e.g. Product (helps with product development and alter product features to meet the markets needs (based on feedback from MR), change packaging based on MR ect), promotion (test advertising campaign on focus group, use secondary research e.g. past sales figures/analysis to help with ad campaign for this season).

#### **Identifying target markets:**

- The target market refers to the group of actual or potential buyers of the product.
- Customers within a target market share similar characteristics such as age, income, gender or lifestyle.
- By understanding a target market, a business can then develop and focus new (new) products and marketing strategies to meet the needs of that target market.

Link to strategies e.g. place (TM will impact location of stores and channel choice selected –exclusive/specific TM vs broad/large TM), price (demographics of TM will impact pricing strategy selected e.g. high SES vs low SES –skimming vs penetration or cost based), promotion (mix of promotion strategies needs to reflect the TM e.g. social media for a younger TM, where advertisements are displayed –needs to reach TM or ineffective use of funds for a marketing campaign).



**Question 27 (20 marks)**

*Analyse how the processes of human resource management can indicate the effectiveness of human resources.*

Marking criteria	Mark
<ul style="list-style-type: none"><li>● Details components and the relationship between them; draws out and relates implications on the human resources process of a business</li><li>● Applies relevant case study/studies and contemporary business issues</li><li>● Presents a sustained, logical and cohesive response and communicates clearly using relevant business terminology and concepts</li></ul>	17 - 20

<ul style="list-style-type: none"> <li>● Details some components and the relationship between them; draws out and relates implications on the human resources process of a business</li> <li>● Uses relevant case study/studies and contemporary business issues</li> <li>● Presents a logical and cohesive response using relevant business terminology and concepts</li> </ul>	13 - 16
<ul style="list-style-type: none"> <li>● Provides characteristics and features of the human resources process</li> <li>● May refer to case study/studies and contemporary business issues</li> <li>● Communicates using business terminology and concepts</li> </ul>	9 - 12
<ul style="list-style-type: none"> <li>● Sketches in general terms the human resources process</li> <li>● May refer to case study/studies and contemporary business issues</li> <li>● Communicates using some business terminology and concepts</li> </ul>	5 - 8
<ul style="list-style-type: none"> <li>● Makes limited reference to human resources</li> <li>● May identify case study/studies</li> <li>● Uses basic business terminology</li> </ul>	1 - 4

**Answers could include:**

**Acquisition:**

- Acquisition refers to the hiring or recruitment of new employees or movement of existing employees to fill a created or existing job vacancy.
- Identifying staffing needs:
  - Job vacancy:
    - A job vacancy that must be filled through the process of acquisition may arise either due to an existing employee leaving the business or the creation of a new job.
  - Internal and external analysis: Analysis allows a business to effectively determine the skills and quantity of labour it needs to acquire.
    - Link to accidents, dispute levels and staff turnover
- Recruitment:
  - Recruitment is the process of identifying and attracting the appropriate quantity and quality of applicants to apply for employment vacancies or anticipated vacancies.
  - Recruitment may be performed internally or externally
  - Effective recruitment ensures applicants are adequately informed in regards to the nature and demands of the job, and that the recruitment is performed in line with the complementary strategies and goals of the business.
    - Link to absenteeism, worker satisfaction, accidents, dispute levels and staff turnover
- Selection:
  - Selection refers to the process of gathering information pertaining to each applicant and subsequently using this to choose the most desirable applicant, and similarly to recruitment, can occur internally or externally.
  - Effective selection includes:
    - Hiring qualified job applicants whose motivation, goals, values and attitudes align with those of the business.
    - A fair, non-discriminatory and legally compliant selection policy and process.

- Link to absenteeism, worker satisfaction, accidents, dispute levels and staff turnover

### **Development:**

- Development refers to the programs, policies, strategies and training used to increase the skills and knowledge of employees.
- Induction:
  - Induction refers to the policies, procedures and strategies used to ensure the smooth, effective and efficient transition of a new employee into the business.
  - An effective induction program:
    - Provides an employee with confidence and a positive attitude to their new employment.
    - Stresses the major safety and other key business policies.
    - Establishes productive working relationships with colleagues and supervisors.
- Training:
  - Training involves the procedures used to promote a long-term improvement in an employee's skills, knowledge and attributes so as to correspondingly improve their productivity and contribution to the business.
  - So as to ensure effectiveness, training programs should be consistently monitored and controlled.
  - Importance and effectiveness of training:
    - Importantly allows business to better adapt to new technology and best practice.
    - Increases staff retention due to increased employee satisfaction (significant cost savings).
    - Businesses can target weaknesses, develop strengths and promote staff commitment, and can therefore give a business a competitive advantage. This is because increased training improves the productivity (by up to 230%) of employees thus leading to a higher and higher quality business output.
- Organisational development:
  - Organisational development refers to the policies and procedures utilised to develop an employee's skillset and knowledge through differentiating their role or responsibility within the business.
  - The ability of businesses to implement organisational development has been limited by the increasing prominence of flatter organisational structures, nonetheless, the following strategies still exist.
    - Job rotation (employees are provided with a variety of job experiences)
    - Job enlargement (employees are given more to do in the same job).
    - Job enrichment (employees are given more challenges and independence in their job).
    - Job sharing.
- Mentoring and coaching:
  - Focussed on improving the skills, performance and management of roles of employees.

- Can be effective in motivating and forming corporate relationships and can lead to higher staff retention, higher worker satisfaction and lower absenteeism rates
- Performance appraisal:
  - Performance appraisal is a systematic process of analysing and evaluating employee performance for strengths, weaknesses and opportunities for development (able to provide feedback, thus increase long term performance).
  - Performance appraisal involves four main objectives:
    - To provide feedback from management to employees regarding work performance.
    - To act as a measurement against which promotion and pay rises can be determined.
    - To help the business monitor its employee selection.
    - To identify employees' training and development needs.
  - Can help achieve productivity objectives (take corrective action) and increased staff motivation, which could result in lower absenteeism rate and a lower staff turnover.

#### **Maintenance:**

- Maintenance refers to the processes employed by a business to retain staff, manage their wellbeing at work is concerned with building a long term relationship with the employee.
- Rewards:
  - Rewards refer to the additional remuneration, either monetary or non monetary that an employee receives from the business, and is usually reflective of an employee's productivity value, likewise, rewards can be effective motivators for increases in employee productivity.
  - Monetary: Refers to those rewards that are financial in nature, and may include → May be more effective in targeting younger employees who are more motivated by money.
  - Non-monetary: Refer to those rewards that are non financial and may be more tangible in nature.
    - Link to staff turnover, absenteeism, worker satisfaction
- Communication and corporate culture:
  - Effective communication systems can promote more cohesive workplaces, resulting in lower conflict and staff turnover rates (less disputes)
  - Firms may specifically implement strategies to build trust, friendship and a positive culture between employees to facilitate a more productive workplace.
- Employee participation:
  - Employee participation refers to the facilitation of employees in the decision making of a business, and can be an effective process in stimulating employee commitment to improving quality and efficiency.
  - Methods of promoting employee participation:
    - Involvement in meetings, including board of directors' representation.
    - Participation through (share) ownership.
    - Participation in collective bargaining.
    - Employee surveys and feedback on performance appraisals.

- Effective as through involving employee's in decision making processes, employees feel more valued and thus maintenance is maximised, leading to an improved workplace culture.
- Flexible working arrangements:
  - The provision of flexible working arrangements can stimulate workplace productivity and positive corporate culture.
  - Business cooperation with employees' desires for more flexible workplace arrangements are effective in staff retention (thus decreasing acquisition costs) and promoting a more positive business brand image.
- Legal compliance and CSR in relation to maintenance:
  - Maintenance has a strong commitment to upholding workplace legislation, particularly in relation to health and safety, antidiscrimination and dispute resolution.
  - Through effective and preventative HR and maintenance management, a business can minimise its exposure to legal risk and possible financial implications

### **Separation:**

- Separation refers to where an employee involuntarily or voluntarily leaves the business.
- Involuntary separation:
  - Involuntary redundancy
  - Retrenchment
  - Dismissal: Dismissal refers to where an employee's employment at a business is involuntarily terminated due to poor performance or serious breach of contract.
    - Summary dismissal
    - Dismissal-on-notice
    - Unfair dismissal
  - Legal compliance with involuntary dismissal:
    - Involuntary separation in particular must be scrupulously managed by the business in accordance with legislation and industrial instruments so as to prevent legal action.
- Voluntary separation:
  - Resignation
  - Retirement
  - Voluntary redundancy
    - High levels of voluntary separation may suggest a problem in acquisition (not hiring staff whose values ect align with the business)
    - Manage separation process in a way as to not damage reputation of business