



Penrith High School

2012
Trial HSC Examination

Business Studies

General Instructions

- Reading time - 5 minutes
- Working time – 3 hours
- Write using blue or black pen
Black pen is preferred
- Draw diagrams using pencil
- Board approved calculators may be used
- Write your student number where required

Section I

20 marks

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

Section II

40 marks

- Attempt Questions 21 - 25
- Allow about 1 hour and 15 minutes for this section

Section III

20 marks

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

Section IV

20 marks

- Attempt Question 27 or Question 28
- Allow about 35 minutes for this section

Section I

(20 marks)

Attempt questions 1 - 20

Allow about 35 minutes for this section.

Use the separate multiple-choice answer sheet.

1. What type of risk management strategy is being used when an Australian exporting business enters into a forward agreement to reduce the risk of currency fluctuations?
 - A) Global pricing
 - B) Letter of credit
 - C) Hedging
 - D) Global branding

2. A business has relaunched its slogan and logo as a part of the process of product renewal. Of which element of the marketing mix is this an example?
 - A) Positioning
 - B) Price
 - C) Branding
 - D) Packaging

3. A major global car manufacturer has a number of production plants in several countries that produce parts for its range of vehicles. Which of the following best describes this situation?
 - A) Global outsourcing
 - B) Global positioning
 - C) Global web
 - D) Global branding

4. Which of the following is a process of acquisition?
 - A) Ensuring that there are stable workforce levels
 - B) Familiarising a new employee with the workplace
 - C) Educating an employee in the skills and processes of a job
 - D) Observing any legal requirements such as occupational health and safety rules

5. Which of the following is a list of performance objectives?
 - A) Quality, speed, dependability and cost
 - B) Quality, flexibility, customisation and profit
 - C) Speed, cost, flexibility and choice
 - D) Dependability, customisation, profit and choice

Question 6 refers to information found in the following balance sheet of a business

Stock	6 000
Overdraft	3 000
Accounts payable	2 500
Cash	2 000
Goodwill	15 000
Accounts receivable	3 000
Retained Profits	6000
Vehicles	10 000

6. What is the value of working capital?
- A) \$11 000
B) \$11 500
C) \$ 4 500
D) \$ 5 500
7. A business provides after sales service and regularly contacts existing customers. What strategy best describes this activity?
- A) Goodwill promotion
B) On line marketing
C) Relationship selling
D) Position placement
8. At which stage of the human resource cycle is it important for managers to develop rewards for employees to ensure that they are motivated to work to their potential?
- A) Acquisition
B) Development
C) Maintenance
D) Separation
9. Acme Working Boots has decided to relocate its manufacturing operations overseas in order to minimise labour costs. What is the likely reason for this strategy?
- A) To gain economies of scale
B) To take advantage of regulatory differences
C) To utilise international resources
D) To avoid high exchange rates
10. A student working in a retail business on Thursday night and Saturday mornings receives holiday pay, sick leave and superannuation contributions. Which is the most likely form of employment contract being used?
- A) Flexible payment
B) Casual
C) Enterprise Agreement
D) Part time

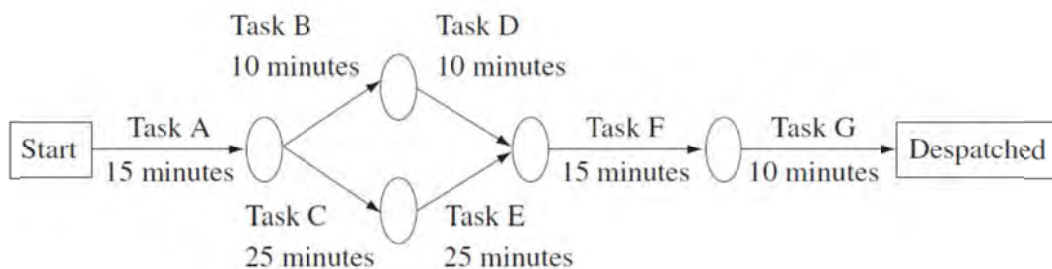
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11. Which of the following stakeholders in human resource management is concerned with the promotion of employer interests?
- A) Trade unions
 - B) Employees
 - C) Fair Work Australia
 - D) Australian Chamber of Commerce and Industry
12. In a business the accounts receivable turnover ratio is 60 days, where in the previous year it was 50 days. The business has a goal to maintain or increase profitability in the current period. Which of the following would be a suitable strategy for the business to adopt?
- A) Write off all outstanding accounts in bad debt
 - B) Sell the accounts receivable to a factoring company
 - C) Extend the credit period for payment
 - D) Impose fees or charge interest for late payments
13. A new hire car company, anxious to develop a broad customer base, is initially pricing its hire cars at a price that is below cost and below competitor prices. What term best describes this strategy?
- A) Price skimming
 - B) Loss leader
 - C) Penetration pricing
 - D) Price point discounts
14. How would sale and lease back of an asset impact upon the balance sheet of a business?
- A) Current assets would decrease
 - B) Non-current assets would decrease
 - C) Current liabilities would decrease
 - D) Liabilities would be increased
15. Which of the following is a transformed resource for a medical clinic?
- A) Medical diagnostic equipment
 - B) Patients
 - C) The doctors and nurses
 - D) Medicines and drugs
16. The minimum wages for most work situations in Australia are determined by which organisation?
- A) Fair Work Australia
 - B) The Federal Court of Australia
 - C) The Australian Council of Trade Unions
 - D) The Equal Opportunity Commission

Question 17 refers to the information below

Windsor Florist Pty Ltd as at 01/07/12	
Sales	150 000
Opening Stock	?
Purchases	87 000
Closing Stock	45 000
Gross Profit	60 000

17. What was the opening stock on the 1st July 2012?
- A) \$48000
B) \$90000
C) \$60000
D) \$42000
18. What would be a suitable strategy to increase the level of the Gross Profit ratio?
- A) Reduce overall expenses
B) Reduce stock wastage
C) Reduce the level of purchases
D) Increase the level of sales

Use the following diagram to answer question 19.



19. The diagram shows the sequencing of tasks for a business that assembles outdoor garden furniture. Which of the following represents the critical path and time needed to complete the assembling?
- A) The critical path is not shown
B) A, B, D, F, G
C) G, F, D, B, A
D) A, C, E, F, G

20. Which of the following scenarios best describes the practice of price discrimination?
- A) Cool Air Electrics sells air conditioners to consumers in different geographic locations at the same prices
 - B) B-Mart and The Discounters sell the same brand and model televisions at different prices.
 - C) Fabulous Furniture offers discounts to pensioners and consumers who pay with cash
 - D) The manufacturer of classic cars sells the cars to different car dealerships at different prices

Student number

Section II
(40 marks)

Attempt questions 21 - 25.

Allow about 1 hour and 15 minutes for this section.

Answer the questions in the spaces provided on this examination paper.

Question 21 (7 marks)

Paul's Plasma Ltd has decided to replace its labour intensive production line with a computerised robotic system.

a) Identify TWO influences that may have led to this change.

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b) Outline two reasons for possible staff resistance to this change.

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c) Explain how critical path analysis (CPA) could be used at Paul's Plasma Ltd.

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Student number

Question 22 (10 marks)

Beryl and Bob have developed a range of casual clothing aimed at buyers in the 55+ age group. Beryl and Bob have no fashion marketing experience but have been told by friends that their designs look great and will probably be very popular. The clothes will be sold through their own shop.

- a) Outline the role of market research in successfully launching a new product range.

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- b) Describe THREE factors influencing customer choice.

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Question 22 is continued on the next page

- c) Explain how consumer laws could affect the way Beryl and Bob market their range of clothing. In your answer, refer to at least TWO specific laws operating in Australia.

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Question 23 (10 marks)

Kofi Beanz, owner of an electrical appliances company in Sydney, is planning to produce a small, convenient automated coffee machine for domestic kitchens. He will need to source components globally and is currently seeking a number of reliable suppliers. He is uncertain as to whether he should attempt to create his own blueprint for the product or model his products on some of the better ones already in existence globally.

- a) Explain the concept of a supply chain.

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- b) Identify and describe one process that would allow Kofi Beanz to model his product on similar machines already in existence.

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- c) Explain the concept of Quality Management and analyse TWO approaches that Kofi could implement to achieve a high level of quality in his electronics business.

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Student number:

Question 24 (10 marks)

Balance Sheet for Jack Hammers Pty Ltd for period ending 30th June, 2010 and 2011				
	2010		2011	
	\$	\$	\$	\$
Current Assets				
Cash	5000		0	
Inventory	22 000		30 000	
Accounts Receivable	<u>18 000</u>	45 000	<u>25 000</u>	55 000
Non-Current Assets		<u>252 000</u>		<u>275 000</u>
TOTAL ASSETS		<u>297 000</u>		<u>330 000</u>
Current Liabilities				
Overdraft	0		10 000	
Accounts Payable	<u>12 000</u>	12 000	<u>25 000</u>	35 000
Non-Current Liabilities				
Mortgage		<u>85 000</u>		<u>120 000</u>
TOTAL LIABILITIES		<u>97 000</u>		<u>155 000</u>
Owner's Equity				
Net Capital	165 000		160 000	
Net Profit	<u>35 000</u>	<u>200 000</u>	<u>15 000</u>	<u>175 000</u>
TOTAL LIABILITIES & OWNER'S EQUITY		<u>297 000</u>		<u>330 000</u>
<i>Additional information - industry average liquidity ratio is 3:1</i>				

a) Calculate a liquidity ratio for both 2010 and 2011. *Show all working.*

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a) Evaluate the trend in the liquidity position of this business during the past two years.

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Question 24 is continued on the next page

- c) Explain the importance of working capital management and justify TWO strategies this business should implement to improve its liquidity position.

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Question 25 (5 marks)

Sally Romano has been appointed to head the Human Resources Department at Hughes Mega Market Pty Ltd chain of retail shoe stores. Each store has one full time manager and several teams of young, very inexperienced workers employed on a casual basis.

a) What is human resource management?

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b) Propose and justify an appropriate leadership style that Sally Romano should recommend store managers adopt.

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c) Outline how human resources management is interdependent with TWO other key functions of business at Hughes Mega Market Pty Ltd.

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Section III (20 marks)

Attempt question 26

Allow about 35 minutes for this section.

Answer the question in the writing booklet provided.

Extra writing booklets are available.

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

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

Question 26 (20 marks)

Fly Easy Airlines Ltd is a low cost Australian based domestic airline that has been exploring options to expand globally. Its domestic customers in Australia typically tend to be "backpackers" and holidaymakers aged under 30.

The business intends to begin operating flights into the highly competitive Asian market in the latter part of 2012. To achieve this, the business will have to fund the purchase of new computerised ticketing and baggage facilities at its Sydney terminal.

Management believes there is also opportunity for the airline to move all scheduled aircraft servicing and maintenance to a contractor in Singapore.

You have been employed as a consultant to Fly Easy Airlines Ltd to prepare a report for the Board of Directors. In your report, you should:

- Describe the advantages and disadvantages of outsourcing aircraft servicing and maintenance
- Discuss issues involved in raising funds through both debt and equity and make ONE appropriate recommendation to management
- Explain a range of promotion strategies that Fly Easy Airlines Ltd could implement to increase customer awareness of its brand in Asia

Section IV
(20 marks)

Attempt question 27 OR question 28.

Allow about 35 minutes for this section.

Answer the question in the writing booklet provided.

Extra writing booklets are available.

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

- demonstrate knowledge and understanding relevant to the question
 - apply relevant business case study/studies and contemporary business issues
 - communicate using relevant business terminology and concepts
 - present a sustained, logical and cohesive response
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Question 27 (20 marks)

Analyse how an understanding of the influences on human resources contribute to business success.

OR

Question 28 (20 marks)

Evaluate the impacts of the influences on financial management in achieving the financial objectives of the business.

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Student number:

Multiple Choice Answer SheetGeneral Instructions

Choose the *MOST* correct answer A, B, C, or D by filling in the response circle completely. Attempt all questions.

Question	A	B	C	D
1	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
11	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
12	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
13	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
14	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
15	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
16	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
17	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
18	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
19	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
20	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Multiple Choice:

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

23 (10 marks)

a) Explain the concept of a supply chain

Criteria	Marks
• Correctly explains the concept	2
• A general explanation of the concept	1

Suggested Answers

A supply chain refers to the associated suppliers that a business has developed and the particular relationships the business has with its suppliers.

b) Identify and describe ONE process that would allow Kofi Beanz to model his product on similar machines already in existence

Criteria	Marks
• Correctly identifies and clearly explains ONE process	2
• Correctly identifies or clearly explains ONE process	1

Suggested Answers

Kofi Beanz could model his product on existing machines based on reverse engineering. (Other possibilities could be; entering into joint venture arrangements or buying an existing business or entering into licensing agreements with patent holders.)

c) Explain the concept of Quality Management and analyse TWO approaches that Kofi could implement to achieve a high level of quality in his electronics business

Criteria	Marks
• Clearly explains the concept and clearly analyses TWO approaches	5-6
• Clearly explains the concept and clearly analyses ONE approach or clearly analyses TWO approaches only	3-4
• General explanation of the concept and/or a general explanation of ONE or TWO approaches	1-2

Suggested Answers

Quality management is the process where a business attempts to achieve a consistently safe, reliable product of merchantable quality (or service) that is fit for purpose. This is a process of continual and gradual improvement.

Approaches to achieve this high level of quality include: **quality control** with inspections, measurement and intervention, **quality assurance** with the application of international quality standards and quality improvement with **total quality management** and continuous improvement.

- a) Calculate the liquidity for Jack Hammers Hardware in 2010 & 2011 (show all working)

Criteria	Marks
• Correctly calculates liquidity with all working out	2
• Correctly calculates liquidity no working out or formula is correct only	1

Suggested Answers

- Liquidity for 2010 = current assets/current liabilities
= 45 000/12 000
= 3.75 : 1
- Liquidity for 2011 = 55 000/35 000
= 1.57 : 1

- b) Evaluate the trend in the liquidity position at Jack Hammers Hardware over the two years

Criteria	Marks
• Correctly evaluates the trend in liquidity over TWO years with reference to Industry Average	2
• Generally describes the trend in liquidity over ONE year	1

Suggested Answers

Liquidity has decreased from 3.75:1 in 2010 which is marginally higher than the industry average, to 1.57 the next year. Although still reasonably safe, this could possibly be considered a worrying trend as the business may have trouble paying its debts as they fall due if the trend continues. Factors causing this include the overdraft in 2010, the lack of cash and an increase in accounts payable.

- c) Explain Working Capital management and justify TWO strategies that Jack Hammer could implement to improve the liquidity position in the future

Criteria	Marks
• Correctly explains working capital and clearly justifies TWO strategies to improve liquidity	3-4
• Correctly explains working capital and justifies ONE strategy to improve liquidity or justifies TWO strategies only	1-2

Suggested Answers

Working capital (liquidity) management is the management and balance between current assets and current liabilities so as to achieve the business objectives of the business and to be able to pay debts as they fall due and to avoid funds not being efficiently used.

Some strategies Jack Hammer could use include: restrict the use of current liabilities such as overdrafts. If appropriate, Non-current assets could be sold to increase current assets (sale & lease back). Leasing would also free up current assets. Any of the following could also be used ; management of cash, inventories (JIT), receivables or payables. (See Text Pg's 332-339)

Question 26.

You have been employed as a consultant to Fly Easy Airlines Ltd to prepare a report for the Board of Directors. In your report, you should:

- Describe the advantages and disadvantages of outsourcing aircraft servicing and maintenance
- Discuss issues involved in raising funds through both debt and equity with a recommendation to management –
- Explain how Fly Easy could use promotion strategies to increase customer awareness of its brand in Asia

MARKING GUIDELINES:

Criteria	Marks
<ul style="list-style-type: none"> • Presents a sustained, logical and well-structured business report and clearly communicates using features of a business report with appropriate business terminology and concepts • Comprehensively describes major and relevant advantages & disadvantages of outsourcing in relation to aircraft servicing and maintenance offshore • Discusses in detail major issues in raising debt & equity funding and exhibits a clear understanding of the need to match term and source to business purpose. Makes an appropriate, justified recommendation of one type based on this principle. • Explains succinctly, several appropriate and different promotion strategies derived from the Promotions mix and/or the communication process that specifically relate to the target market 	17-20
<ul style="list-style-type: none"> • Presents a well organised business report and uses appropriate business terminology and concepts. • Describes a number of relevant advantages & disadvantages of outsourcing in relation to aircraft servicing and maintenance offshore. Shows a good understanding of outsourcing • Discusses some key issues in raising debt & equity funding and exhibits an understanding of the need to match term and source to business purpose. Makes an appropriate recommendation of one type, based on this principle. • Attempts to explain some appropriate promotion strategies derived from the Promotions mix and generally related to the target market 	13-16
<ul style="list-style-type: none"> • Includes features of a business report and uses some business terminology and concepts • Generally attempts to describes some advantages & disadvantages of outsourcing • Outlines or describes some key issues of debt & equity funding and makes a general recommendation of one type • Describes or outlines some general promotions strategies from the promotions mix with little regard for the selected target maket 	9-12
<ul style="list-style-type: none"> • Includes limited features of a business report and uses basic business terminology and concepts • Identifies generally some advantages & disadvantages of outsourcing • Identifies some general issues related to debt & equity funding and makes a general recommendation • Only identifies some general marketing strategies without regard for the selected target market 	5-8
<ul style="list-style-type: none"> • Uses only very basic business terminology with virtually no business report structure • Makes reference to only one or two general advantages & disadvantages of outsourcing • Shows very limited understanding of debt and equity funding or issues surrounding it. • Shows very limited knowledge of promotion 	1-4