

2012 HSC Trial Exam

BUSINESS STUDIES

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Board-approved calculators may be used
- Write using blue or black pen

Section I

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

20 marks

Section II

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

40 marks

Section III

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

20 marks

Section IV

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

20 marks

Section I

20 marks

Attempt Questions 1–20

Allow about 35 minutes for this section

Answer the questions on a separate sheet.

1 Which of the following could be viewed as management meeting their occupational health and safety obligations?

- (A) Provision of a nine day working fortnight
- (B) Discounted mobile phone plans
- (C) Training for employees in proper manual handling techniques
- (D) An agreement to fund employees TAFE studies in accounting procedures

2 Ivan's Importing has had two poor weeks of sales and subsequently does not have enough funds in their general bank account to cover all of this week's wages.

Which finance option would be most appropriate?

- (A) Debentures
- (B) Overdraft
- (C) Mortgage
- (D) Term Loan

3 Rambo Recycling has reduced its waste output by 20% this year as a result of a new law passed by the federal government.

How is this influence best described?

- (A) Ethical
- (B) Legal
- (C) Moral
- (D) Social

4 Andrew has been stopping people in the shopping mall and asking them to taste a new soft drink and complete a short survey.

What marketing process is Andrew engaging in?

- (A) Sugging
- (B) Collecting primary data
- (C) Collecting secondary data
- (D) Personal selling

- 5 Which of the following statements best represent the key changes in the employment relations environment in the past 3 decades in Australia?
- (A) Decreasing unionisation, more casual positions, declining female employment rate
 - (B) Increasing unionisation, more casual positions, rising female employment rate
 - (C) Increasing unionisation, less casual positions, declining female employment rate
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- 6 International Irrigation recently spent \$200,000 on training their workforce to use the new company computer system. The finance manager has decided to put this payment in the company accounts as an asset rather than an expense.

What is this an example of?

- (A) Unaudited accounts
 - (B) Timing issues
 - (C) Debt repayment
 - (D) Capitalising expenses
- 7 Which of the following best represent "inputs" in the operations process?
- (A) Materials and labour
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 - (C) Warranties and after sales service
 - (D) Marketing and public relations
- 8 Australian Auto Parts import parts from Asia for the local market. They price them by adding a 20% margin.

Which type of pricing is this?

- (A) Break-even pricing
 - (B) Market Skimming
 - (C) Cost Plus pricing
 - (D) Penetration pricing
- 9 The Federal Government now offers a \$2000 rebate to convert a standard petrol car to an LPG system. This has seen a sustained rise in the conversion industry.

What is the likely major factor influencing this change in consumer behaviour?

- (A) Socio Cultural
- (B) Government
- (C) Psychological
- (D) Physiological

10 Which of the following is a form of short term finance?

- (A) Overdraft
- (B) Term Loan
- (C) Mortgage
- (D) Debenture

11 Which of the following statements from job advertisements is an example of illegal discrimination?

- (A) "Must be prepared to work overtime"
- (B) "Must be mature"
- (C) "Must have experience"
- (D) "Must not be a member of a Trade Union"

12 LIFO and FIFO are examples of what type of system in operations?

- (A) Rostering
- (B) Scheduling
- (C) Inventory
- (D) Quality assurance

13 Flamingoes Fatty Burgers has decided that it will not advertise during children's programs on television.

What factor has most likely influenced this decision?

- (A) Psychological
- (B) Sociocultural
- (C) Ethical
- (D) Technological

14 The management at Worldwide Widgets has recently been shown a new piece of technology that will reduce costs by 10%. Two of the managers are against the change, saying "we should just keep doing it the way we always have".

What type of resistance are these two managers displaying?

- (A) Inertia
- (B) Inactivity
- (C) In operation
- (D) Inability

15 Macro Meats has recently placed an advertisement for three apprentices to join the company.

To what stage in the human resources process does this task belong?

- (A) Acquisition
- (B) Development
- (C) Maintenance
- (D) Separation

16 One objective of financial management is profitability. Which of the following ratios best indicates business profitability?

- (A) Current ratio
- (B) Return in equity ratio
- (C) Debt to equity ratio
- (D) Accounts receivable turnover ratio

17 McDonut's franchises across Australia now offer 100% vegan donuts as part of their range.

What type of market are they attempting to meet?

- (A) Mass
- (B) Resource
- (C) Niche
- (D) Intermediate

18 Which of the following indicates that a business may be experiencing problems with staff?

- (A) High staff turnover, high worker satisfaction, low absenteeism
- (B) Low staff turnover, high worker satisfaction, high absenteeism
- (C) High staff turnover, low worker satisfaction, low absenteeism
- (D) High staff turnover, low worker satisfaction, high absenteeism

19 Engadine Extrusions has recently developed a technique of shipping their product that has reduced this expense by 35%.

What type of advantage is this?

- (A) Cost leadership
- (B) Advertising
- (C) Human resources
- (D) Marketing

20 What report should be used to ascertain the value of assets that a business owns?

- (A) Balance sheet
- (B) Cash flow statement
- (C) Income statement
- (D) Bank statement

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.

Question 21 (7 marks)

Mid Coast Mining – Balance Sheet 30/6/2012			
ASSETS		LIABILITIES	
Cash at Bank	12,000	Accounts Payable	50,000
Inventory	18,000	Short Term Loan	100,000
Accounts Receivable	50,000	Long Term Loan	365,000
Factory	400,000	TOTAL LIABILITIES	515,000
Plant and Equipment	80,000		
Vehicles	75,000	OWNERS EQUITY	120,000
TOTAL ASSETS	635,000		

- a) What is the debt to equity ratio for Mid Coast Mining at 30/6/2012?

1 mark

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- b) Analyse the gearing position of this business, given the industry average is 2:1 and last year's debt to equity ratio was 2.5:1.

3 marks

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c) Discuss TWO potential issues that may arise in a highly geared business.

3 marks

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Question 22 (7 marks)

a) Define the “operations” function in a manufacturing business.

1 mark

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b) Outline the difference between operations in the secondary industry sector (manufacturing) and the tertiary industry sector (services).

3 marks

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c) Explain why corporate social responsibility is a key concern in operations management.

3 marks

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Question 23 (10 marks)

Igloo Ice Cream has been manufacturing ice cream in Australia for 40 years. It has always used the original recipe and hasn't changed its packaging or logo for over a decade.

Sales of Igloo Ice Cream have been declining steadily for the past 6 years.

Management believe the following factors may have contributed-

- Relatively high fat content in product
- Higher price compared to imports
- More sophisticated dining and eating habits of consumers

With reference to the information above and your knowledge of business studies, answer the following questions.

a) Outline ONE reason why a marketing plan is essential.

1 mark

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b) Describe the stage on the product life cycle Igloo Ice Cream is presently at, giving TWO reasons why.

3 marks

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Question 24 (8 marks)

Western Extractions is a mining company with 145 employees. It has recently had two serious accidents which resulted in injury to several workers.

Management are concerned about these accidents, but feel they are “a part of the industry” and that a safety solution would be too expensive. “It would slow our work down, reduce profits and the shareholders wouldn’t be happy” said one of the management team.

a) Identify at least THREE stakeholders.

1 mark

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b) Outline the occupational health and safety responsibilities of management.

3 marks

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c) Analyse the management response to the accidents. Suggest a better way management could deal with such issues.

4 marks

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- c) Explain how operations strategy was used in this business. Analyse its role in helping sustain a competitive advantage.

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Section III

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Attempt Question 26

Allow about 35 minutes for this section

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

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

- use your knowledge and the information provided
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 - present a logical, well-structured answer to the question in the form of a business report
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Question 26 (20 marks)

“Continental Car Components” is a manufacturing company based in the Brisbane. It has been making and selling car components to automotive manufacturers since 1987, both domestically and internationally. “Continental Car Components” has 94 employees, and, recently, a consulting group has found the following issues:

- Low levels of worker satisfaction,
- Management insistence on "unpaid overtime" from mid level managers
- Increased costs of production including labour, electricity and staff costs
- Outdated operations technology and
- Increased competition from overseas.

You have been asked by management to prepare a report.

In your report, examine the probable impact of globalisation on this businesses operations, analyse the ethical and legal responsibilities the business has towards its workforce and suggest how this business may employ outsourcing to improve overall performance.

Section IV

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Attempt *either* Question 27 or Question 28

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- Outline the principles of effective working capital management (including control of current assets and liabilities) and discuss how these principles impact on other key business functions.

OR

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Describe the causes of industrial conflict and analyse the possible financial consequences of such conflict on profitability.

END OF PAPER

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Plant and Equipment	80,000		
Vehicles	75,000	OWNERS EQUITY	120,000
TOTAL ASSETS	635,000		

- a) What is the debt to equity ratio for Mid Coast Mining at 30/6/2012?

1 mark

$$\frac{515,000}{120,000}$$

$$10324:1$$

- b) Analyse the gearing position of this business, given the industry average is 2:1 and last year's debt to equity ratio was 2.5:1.

3 marks

The Mid Coast Mining company is becoming a highly geared enterprise. In the past financial year the level of gearing experienced by the business has doubled, gearing should be relatively equal as seen in the industry average, this directly influences the overall productivity of the business, however a reasonably high level of gearing is acceptable for business that attain large amounts of revenue.

- c) Discuss TWO potential issues that may arise in a highly geared business.

3 marks

A high level of gearing provides the business with a greater vulnerability to economic downturn, hereby they are relying primarily on their liabilities to act as a cushion for the majority of business functions. The high level of gearing also plays a significant impact on increasing the businesses level of insolvency, hereby they are restricted in their future cash flow potential and develop long term liquidity issues.

Question 22 (7 marks)

- a) Define the “operations” function in a manufacturing business.

1 mark

Operations is the conversion on inputs into outputs through the production process in order to make a profit.

- b) Outline the difference between operations in the secondary industry sector (manufacturing) and the tertiary industry sector (services).

3 marks

The main difference is the conversion into a good in the case of the secondary industry compared to a service. Operations in the secondary industry often takes place on a large scale, where tangible goods are produced, whereas the tertiary industry operates on a small scale as part on independent providers providing intangible products or services. The processes involved differ as well secondary industry involves machinery and specific inputs whilst the tertiary industry mainly relies on the inputs and processes of completing the task; cutting hair or mowing the lawn.

- c) Explain why corporate social responsibility is a key concern in operations management.

Corporate Social Responsibility plays a vital role in operations management. This is primarily what will shape a customers perception on the product. CSR in relation to operations relates to the sourcing of materials, Apple has recently been targeted for improper conduct as it outsources it manufacturing process to Foxconn in China who paid its workers the equivalent of \$9 per day. Recent initiatives to improve reputations include Cadbury placing green fair trade stickers on all its products to provide a higher reputation of CSR.

3 marks

Question 23 (10 marks)

Igloo Ice Cream has been manufacturing ice cream in Australia for 40 years. It has always used the original recipe and hasn't changed its packaging or logo for over a decade.

Sales of Igloo Ice Cream have been declining steadily for the past 6 years.

Management believe the following factors may have contributed-

- Relatively high fat content in product
- Higher price compared to imports
- More sophisticated dining and eating habits of consumers

With reference to the information above and your knowledge of business studies, answer the following questions.

- a) Outline ONE reason why a marketing plan is essential.

1 mark

A marketing plan is essential in order to successfully identify the chosen target market for the business and plan how to successfully market towards this specific group.

- b) Describe the stage on the product life cycle Igloo Ice Cream is presently at, giving TWO reasons why.

3 marks

Igloo Ice Cream is now in the maturity phase in particular the decline phase of the product lifecycle. This is due to the decreasing amount of sales with a large range of existing competitors being able to better capture the intended market and taking large portions of the overall market share.

- c) Suggest TWO product strategies and ONE price strategy that you would recommend Igloo Ice Cream adopts to increase sales.

6 marks

Igloo Ice Cream can adopt several strategies in order to rope in more customers. This can be by altering the products packaging: this can be achieved through the alteration of the sizing and appearance to make the packages more aesthetically pleasing and more enticing for customers to purchase. Additionally the branding of the company can be better positioned and be eye catching in order to gain the attention of different people within the community and draw them to the business. A significant pricing strategy to improve sales includes loss leader, here they can provide discounts and incentives in order to get more purchases made by individuals, for example discounts for each additional item purchased or loyalty cards in order to improve customer loyalty and build a stronger customer base.

Question 24 (8 marks)

Western Extractions is a mining company with 145 employees. It has recently had two serious accidents which resulted in injury to several workers.

Management are concerned about these accidents, but feel they are “a part of the industry” and that a safety solution would be too expensive. “It would slow our work down, reduce profits and the shareholders wouldn’t be happy” said one of the management team.

- a) Identify at least THREE stakeholders.

Shareholders of this business would include; employers, employees, society and shareholders of the business.

1 mark

- b) Outline the occupational health and safety responsibilities of management.

Management has an obligation to ensure the safety, health and welfare of all employees in providing a safe and supportive working environment. This then ensures that all employees are covered for on the job accidents through workers compensation insurance.

3 marks

- c) Analyse the management response to the accidents. Suggest a better way management could deal with such issues.

4 marks

Management is taking an inconsiderate approach to dealing with accidents occurring within the workplace. OH&S states they must provide a safe workplace, therefore their current attitude focusing solely on the productivity of the business, this approach leaves Western Extractions in breach of OH&S legislation and leaving themselves open to fines in excess of \$50,000. Therefore the more effective management process for accidents should be a precautionary approach where awareness is raised through signage and workplace discussions. This has the potential to raise awareness and knowledge on how to manage certain situations. Specific onsite regulations should also be put into place in order to manage the safety of employees such as protective equipment to be worn by employees in certain places and licenses for operating machinery.

Question 25 (8 marks)

With reference to a relevant business case study you have studied in class and your knowledge of business studies, answer the following questions

- a) What product / service did the business offer?

Westfield operates in providing retailing services, construction and project management. As they have a range of prime functions its most well-known function is providing retail hubs for a range of stores.

1 mark

- b) Outline the interdependent relationship between the businesses operations function and other key business functions.

The Westfield group relies heavily on the interdependence between key business functions. This is essential in the management of a large firm.

Operations and Marketing – this relationship is important so that the marketers are able to promote current and upcoming stores within certain regions, it also allows for the promotion of special events occurring at the different stores.

Operations and Finance – this is essential so that forecasts can be established in order to meet the financial demands of construction and maintenance of the outlets, it also ensures that rent and income can come into the business.

Operations and Human Resource Management – this allows the business to allocate specific personnel to different tasks and outsource operations such as interior design and construction to more specialized companies.

3 marks

- c) Explain how operations strategy was used in this business. Analyse its role in helping sustain a competitive advantage.

Through its interrelationship with other key business functions and in particular its operations strategy Westfield is able to gain a competitive advantage. This is achieved through creating a superior experience than its competitors. There is an increasing level of strategic construction within the global economy, the most recent famous Westfield occurred in 2012 at the site of the London Olympics in Stafford City, this allowed Westfield to be viewed in a prominent light, they all provide sponsorship of numerous places in order to raise awareness of the business. It is one of the most prominent and more widely found retail hubs across the world, this ensures they have primary choice of retail outlets to supply their centres with. This is often strategically adapted depending upon the venues location, for example more luxury brands such as Chanel and Gucci are found within the higher end stores.

4 marks

Section III

20 marks

Attempt Question 26

Allow about 35 minutes for this section

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

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

- use your knowledge and the information provided
 - communicate using relevant business terminology and concepts
 - present a logical, well-structured answer to the question in the form of a business report
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“Continental Car Components” is a manufacturing company based in the Brisbane. It has been making and selling car components to automotive manufacturers since 1987, both domestically and internationally. “Continental Car Components” has 94 employees, and, recently, a consulting group has found the following issues:

- Low levels of worker satisfaction,
- Management insistence on "unpaid overtime" from mid level managers
- Increased costs of production including labour, electricity and staff costs
- Outdated operations technology and
- Increased competition from overseas.

You have been asked by management to prepare a report.

In your report, examine the probable impact of globalisation on this businesses operations, analyse the ethical and legal responsibilities the business has towards its workforce and suggest how this business may employ outsourcing to improve overall performance.

Continental Car Components has started to experience turbulence within its daily business functions.

Section IV

20 marks

Attempt *either* Question 27 or Question 28

Allow about 35 minutes for this section

Answer the question in a SEPARATE writing booklet. Extra writing booklets are available.

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

- use your knowledge and relevant business case study/studies
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Outline the principles of **effective working capital management** (including control of current assets and liabilities) and discuss how these principles **impact on other key business functions**.

OR

Question 28 (20 marks)

Describe the causes of industrial conflict and analyse the possible financial consequences of such conflict on profitability.

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