

# Singleton High School



2015

## Higher School Certificate Preliminary Examination

# Business Studies

### General Instructions

- Reading time – 5 minutes
- Working time – 2 hours
- Write using BLACK or BLUE pen only

**Weighting: 20%**

**Total marks – 80**

**Section I – Pages 2 – 7**

**20 marks**

- Attempt Questions 1 – 20
- Allow about 25 minutes for this section

**Section II – Pages 8 - 14**

**40 marks**

- Attempt Questions 21 – 24
- Allow about 1 hour for this section

**Section III – Page 15 - 19**

**20 marks**

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

STUDENT NAME: .....

**Section I – Multiple Choice - 20 marks**

**Attempt Questions 1 – 20**

**Allow about 35 minutes for this section. Answer on the multiple choice answer sheet provided.**

1. Which of the following is an external source of influence on the business environment?
  - a) Location
  - b) Resources
  - c) Technology
  - d) Business culture
  
2. *Businesses are responding to the growing concerns of consumers by ensuring that they are meeting their present needs, without endangering the ability of future generations to have the same standard of living.*

Which social goal is being addressed?

- a) Community service
  - b) Environmental sustainability
  - c) Provision of goods and services
  - d) Provision of social justice
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3. Which of the following is known as the accounting equation of the balance sheet?
    - a) Liabilities = Profit – Loss
    - b) Assets = Liabilities + Owner's Equity
    - c) Owner's Equity = Profit + Assets
    - d) Liabilities = Assets + Owner's Equity

4. Which key business function is associated with value adding?
- a) Human resources
  - b) Finance
  - c) Marketing
  - d) Operations
5. A niche market:
- a) Is a broadly selected target market segment
  - b) Involves a business directing its marketing efforts to two or more target market segments
  - c) Is a narrowly selected target market segment
  - d) Involves a business directing its marketing efforts to an international target market
6. A business borrows money and pays an interest rate of 8 per cent. Over the following year this increases to 12 per cent. Where would this change be reflected?
- a) The revenue statement under cost of goods sold
  - b) The revenue statement under expenses
  - c) The balance sheet under assets
  - d) The balance sheet under liabilities
7. Tow Truck Motors aims to increase its market share by 4% by 2025. What type of plan is this?
- a) Directional
  - b) Operational
  - c) Strategic
  - d) Tactical

8. A business that uses higher profits to *lower* prices of goods and services, is likely to reduce the conflict between which two groups of stakeholders?

- a) Customers and the government
- b) Employees and unions
- c) Owners and customers
- d) Employees and employers

9. An accounting firm has recently introduced a family friendly program which allows parents to work from home one day a week. Which factor influenced this decision?

- a) Social influence
- b) Legal influence
- c) Geographical influence
- d) Economic influence

10. Which of the following is a response to an internal influence on a business?

- a) Lowering prices to match competitors
- b) Dismissing employees that are not productive
- c) Lowering the price of cost because of a delayed winter
- d) Raising wages to comply with Fair Work Australia's ruling

11. To ensure products consistently meet the needs of customers is one of the key responsibilities of a manufacturing business. Which of the following describes the process that ensures products meet the needs of customers?

- a) Identifying the target market
- b) Establishing the flow process chart
- c) Quality control
- d) Inventory control

12. Megan is a dressmaker who makes expensive, one-off designer ladies garments. What will most likely be Megan's competitive advantage?

- a) Quality
- b) Value
- c) Price
- d) Location

13. Labelling and packaging of a product are activities undertaken in which area of the marketing mix?

- a) Product
- b) Price
- c) Promotion
- d) Place

14. Vet Supplies P/L has purchased \$4,000 worth of stock on credit from a supplier. What will the effect of this transaction on Vet Supplies balance sheet be?

- a) Stock increases by \$4,000 and accounts receivable increases by \$4,000
- b) Stock increases by \$4,000 and bank overdraft increases by \$4,000
- c) Stock increases by \$4,000 and cash decreases by \$4,000
- d) Stock increases by \$4,000 and accounts payable increases by \$4,000

15. Profit is best described as:

- a) The income resulting from sales
- b) What the owners receive by way of a dividend
- c) The excess of revenue over expenses
- d) The money left after paying taxation

Refer to the following table to answer questions 16 and 17

**Extract from the balance sheet of Gold Trimmings Photography 2015**

	\$
Stock	15 000
Accounts receivable	8 000
Accounts payable	4 000
Credit card debt	10 000
Overdraft	6 000
Cash in the bank	2 000
Office computers	10 000

16. What is the value of current assets?
- a) \$12 000
  - b) \$16 000
  - c) \$28 000
  - d) \$35 000
17. From the data above, which strategy would increase the level of current assets?
- a) Implement a marketing campaign to sell excess stock
  - b) Transfer the credit card debt into longer term (cheaper) debt
  - c) Purchase more computers on supplier credit
  - d) Invite more equity from partners to purchase more equipment
18. The process by which raw materials are converted into outputs is called:
- a) A planned system
  - b) Production
  - c) The input process
  - d) The organisation process

19. Technology is assisting in the rapid expansion of telecommunications. Which industry will this impact most?

- a) Primary
- b) Secondary
- c) Quinary
- d) Quaternary

20. The contingency approach to management refers to:

- a) Seeking continuous improvement in employee performance and productivity levels
- b) Setting pre-determined goals and formulating strategies to generate possible solutions
- c) The need for flexibility and adaptation of management practices and ideas to suit changing circumstances
- d) A situation where the main emphasis of management is to improve the interpersonal skills within the management teams

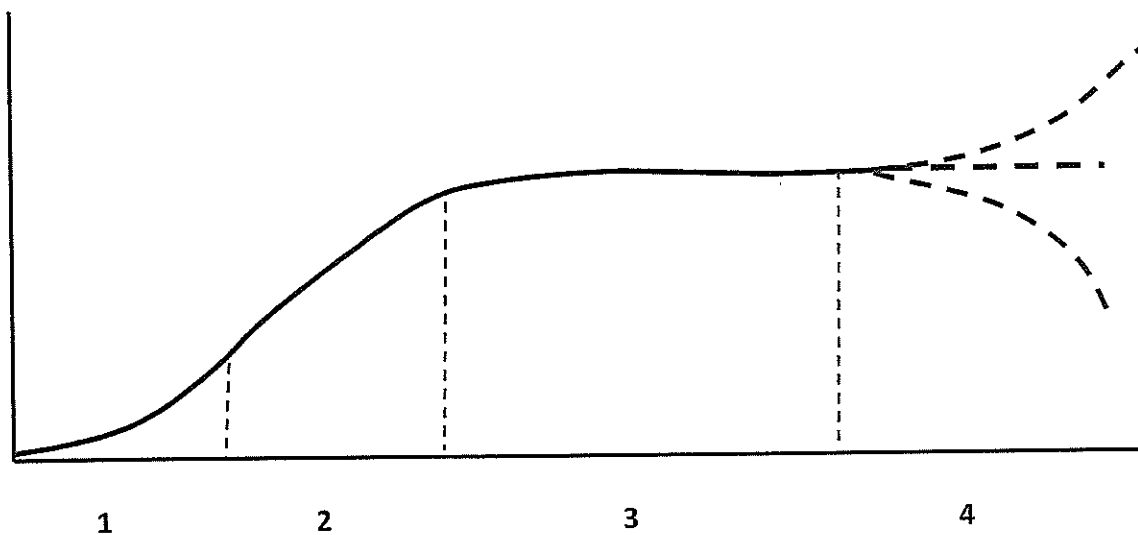
Section II - Short Answers - 40 marks

Attempt Questions 21 – 24

Allow about 50 minutes for this section.

Question 21 (10 marks)

Stages in the Business Life Cycle



a) Identify the four stages of the business life cycle from the above diagram. (2 marks)

- 1. \_\_\_\_\_
- 2. \_\_\_\_\_
- 3. \_\_\_\_\_
- 4. \_\_\_\_\_

Question 21 continues on the next page



b) Describe ONE characteristic and ONE challenge a business may experience during the second stage of the life cycle. (4 marks)

Characteristic : \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Challenge: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

c) Examine TWO strategies that a business can adopt as part of the renewal phase of the life cycle. (4 marks)

(i) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(ii) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Question 22 (10 marks)**

*A business will have a number of goals that it aims to achieve at any one time. The success of achieving these goals will be influenced by both internal and external factors.*

a) Outline THREE financial goals of a business. (6 marks)

(i) \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(ii) \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(iii) \_\_\_\_\_

\_\_\_\_\_

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**Question 22 continues on the next page**

b) Describe ONE internal and ONE external influence on a business. (4 marks)

Internal: \_\_\_\_\_

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External: \_\_\_\_\_

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**Question 23 (5 marks)**

a) Explain why quality control is important to a business. (2 marks)

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b) Distinguish between Quality Control, Quality Assurance and Total Quality Management (TQM). (3 marks)

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**Question 24 (10 marks)**

Observe the following financial statement.

<b>Beck Manufacturing Pty Ltd</b>			
<b>As at June 30 2015</b>			
<b>Assets</b>	<b>(\$)</b>	<b>Liabilities</b>	<b>(\$)</b>
<b>Current assets</b>		<b>Current liabilities</b>	
Cash	1 500	Accounts payable	9 200
Accounts receivable	6 200	Overdraft	3 300
Inventory	14 000		
<b>Non-current assets</b>		<b>Non-current liabilities</b>	
Equipment	65 000	Mortgage	105 000
Property	100 000		
Cars	22 000		
		<b>Owner's equity</b>	
		Net profit	?
		Capital	45 000

a) Identify this type of financial statement. (1 mark)

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b) Use the accounting equation to calculate *net profit* for Beck Manufacturing. (2 marks)

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**Question 24 continues on the next page**

c) Recommend ONE quality management strategy and ONE promotional marketing strategy that Beck Manufacturing can use to increase sales and profits. (4 marks)

Quality management strategy: \_\_\_\_\_

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Promotional marketing strategy: \_\_\_\_\_

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d) Distinguish between ETMs and STMs in regards to value adding. Give an example of each. (3 marks)

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### Section III – Extended Response - 20 marks

Allow about 35 minutes for this section.

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

- Demonstrate knowledge and understanding relevant to the question
- Use the information provided
- Communicate using relevant business terminology and concepts
- Present a sustained, logical and cohesive response in the form of a business report

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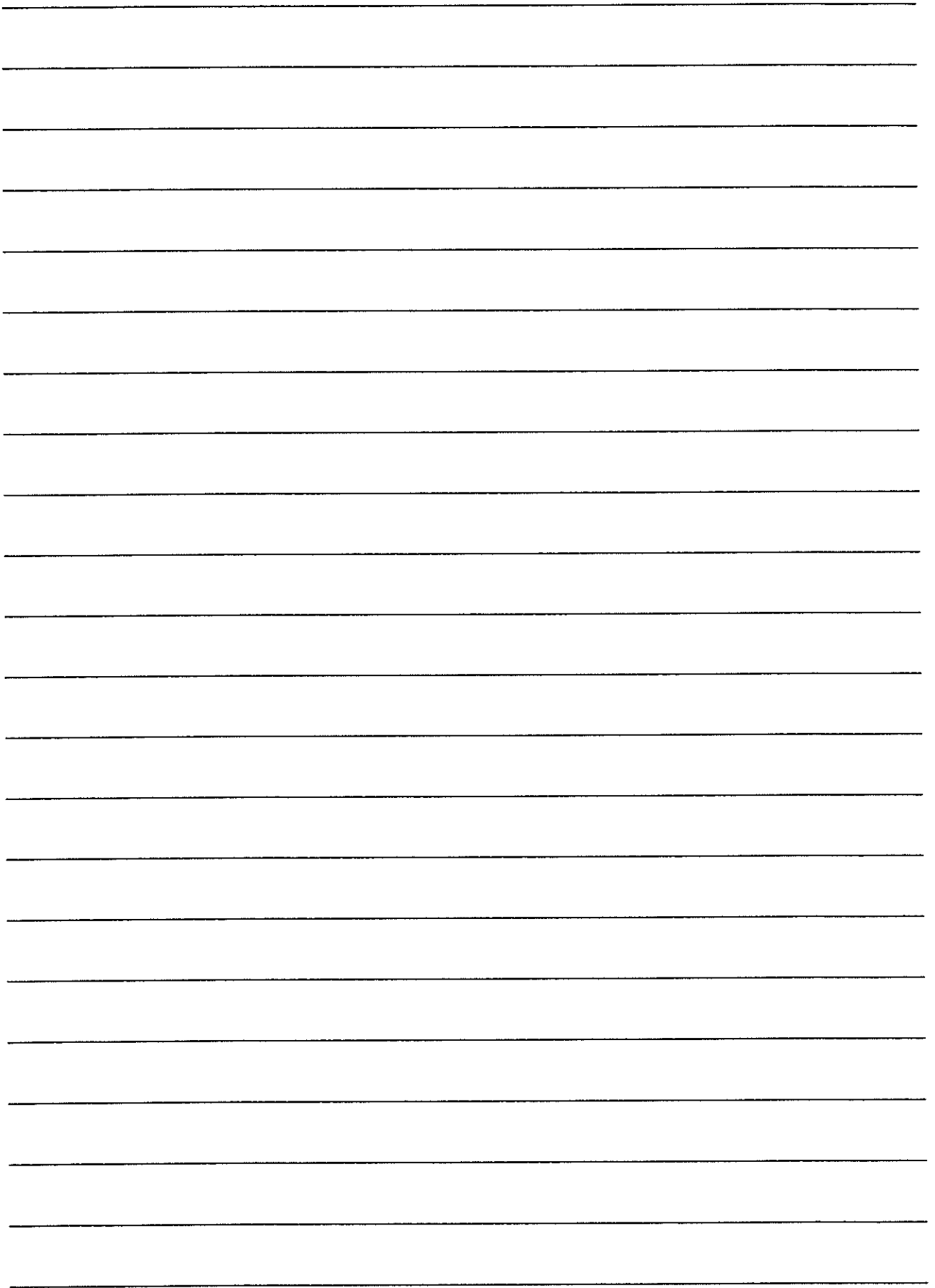
A large manufacturing company has been operating in Australia for over 10 years. During the past two years, they have experienced an increase in the cost of production, due to a price increase from suppliers. Sales have fallen and an increase in competition has resulted in the company losing some of its market share. The board of directors has recently decided to change the direction of the business. The new managers have decided to implement the following:

- Outsourcing some of their production overseas
- Changing the production method by using new technology to reduce costs
- Looking for new suppliers to reduce costs
- Reducing the size of the workforce in Australia

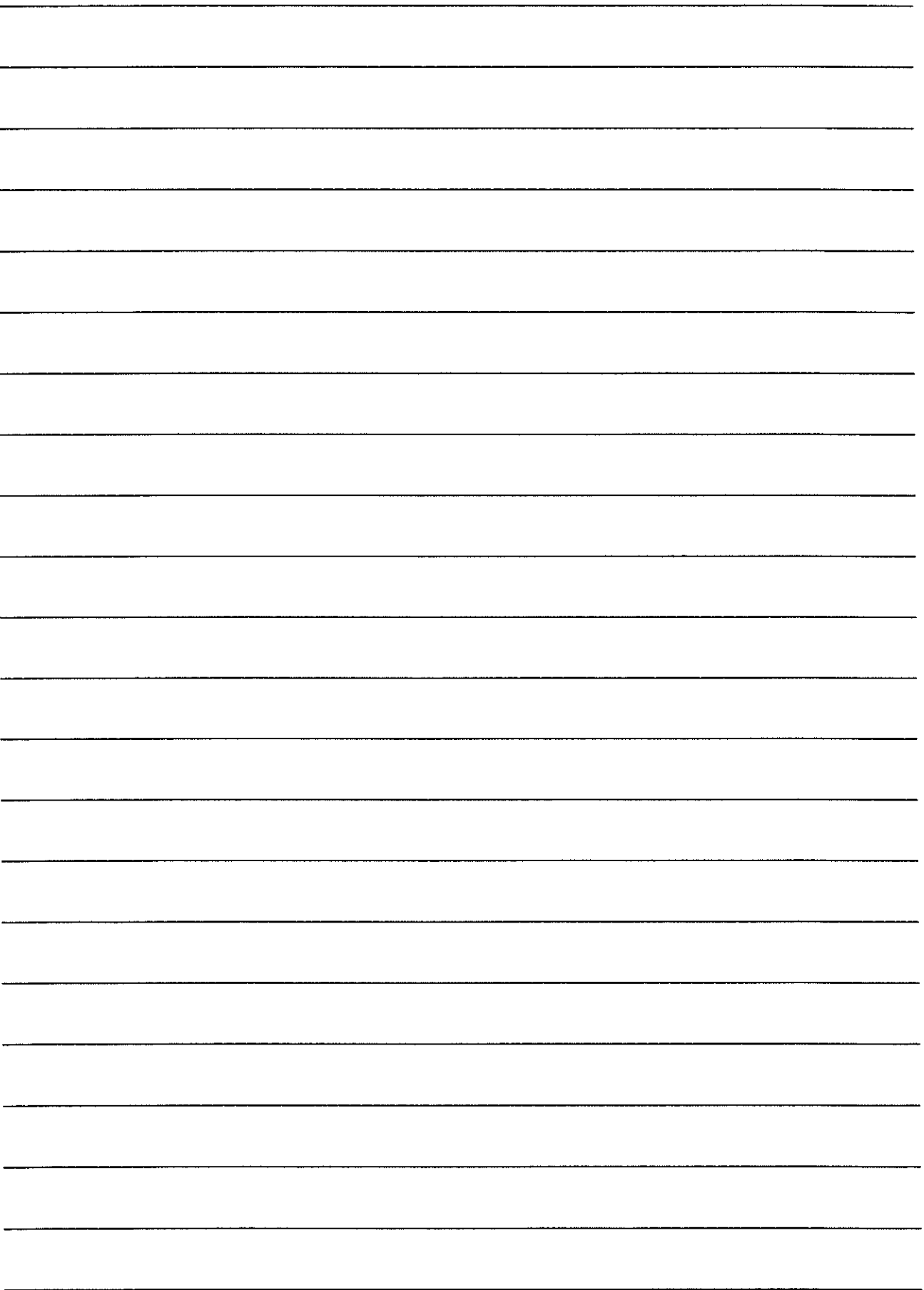
*Assume that you have been hired by Beck Manufacturing as a business consultant and have been asked to prepare a report.*

Write a report that addresses EACH of the following:

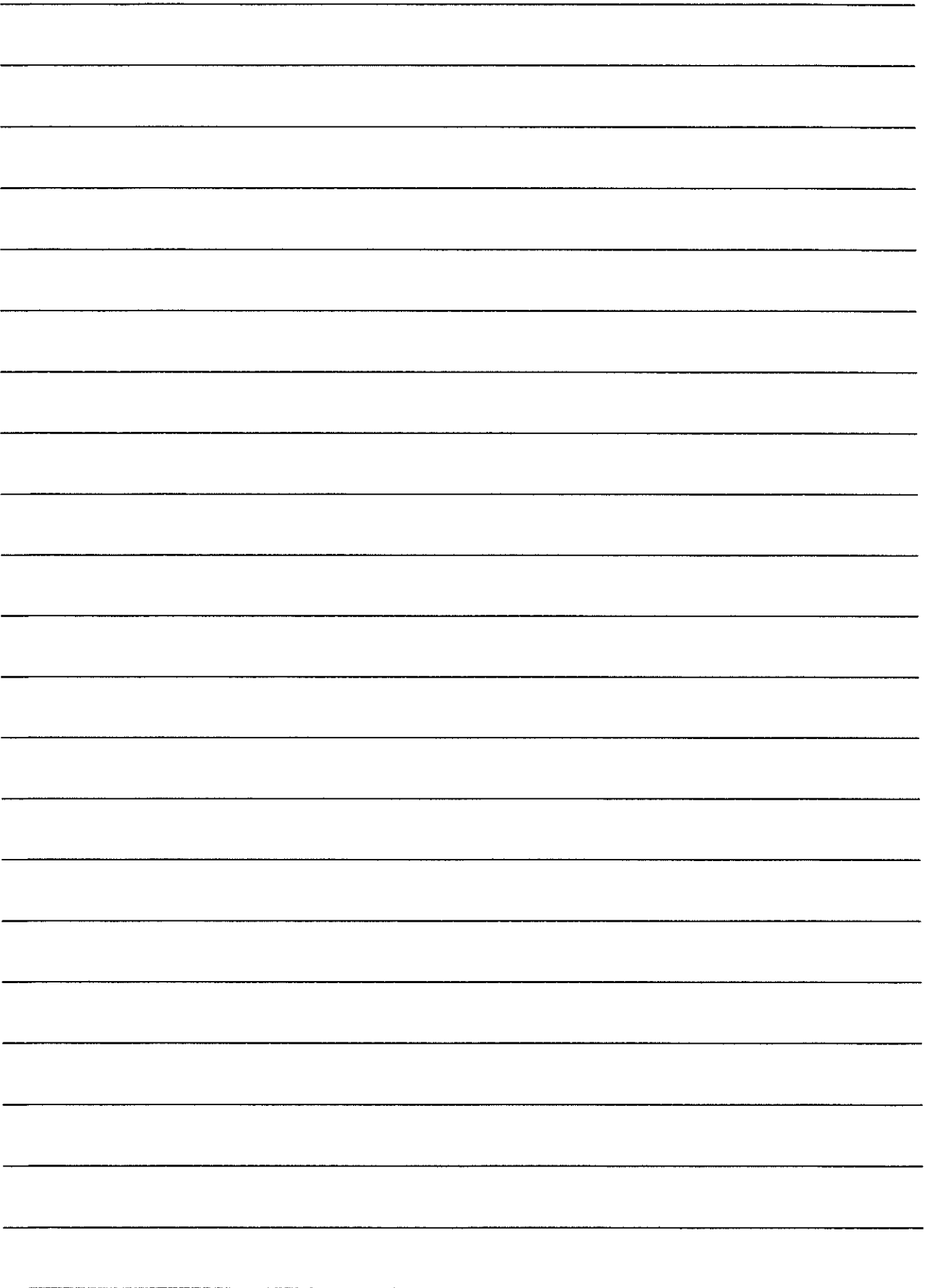
- Outline TWO important skills of management
- Evaluate THREE critical issues that may contribute to success and failure of this business
- Assess the importance of business to the Australian economy. Include THREE examples.













**Section I**

**20 marks**

**Attempt Questions 1 – 20**

**Allow about 25 minutes for this section**

Select the alternative A,B,C or D that best answers the question and indicate your choice with a cross (X) in the appropriate space on the grid below.

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

