

Student Number: \_\_\_\_\_



# Business Studies

## 2018

### Mid-Course Examination

#### General Instructions

- Reading time – 5 minutes
- Working time – 2 hours
- Write using black or blue pen

**Total Marks – 80**

#### Section I – Multiple Choice

- **Allow about 20 minutes for this section**
- 20 marks
- Attempt all Questions 1-20
- Answer all questions on the BLUE multiple choice answer sheet provided

#### Section II – Short Answers

- **Allow about 55 minutes for this section**
- 40 marks
- Attempt all Questions 21-24
- Answer all questions in the spaces provided on this question paper

#### Section III – Business Report

- **Allow about 45 minutes for this section**
- 20 marks
- Attempt Question 25 *OR* 26
- Write your response in the writing booklet(s) provided

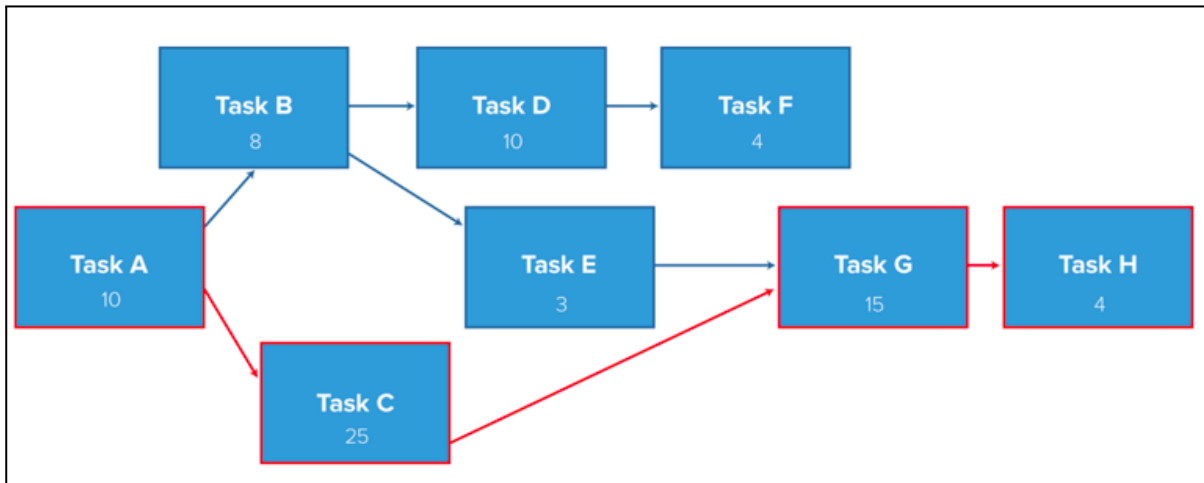
## Section 1 – Multiple Choice

(20 marks)

Select the most correct response. Answer all questions on the BLUE multiple-choice answer sheet provided.

1. Which financial institution enables public companies to sell shares in order to raise funds?
  - (a) Investment bank
  - (b) Finance company
  - (c) Superannuation fund
  - (d) Australian Securities Exchange

Refer to the critical path diagram below to answer Question 2. The time taken for each task is measured in minutes.



2. What is the length of the critical path for this project?
  - (a) 32 minutes
  - (b) 40 minutes
  - (c) 44 minutes
  - (d) 54 minutes
3. Which of the following are objectives of financial management?
  - (a) Profitability, growth, reliability and solvency
  - (b) Growth, reliability, solvency and liquidity
  - (c) Reliability, solvency, liquidity and efficiency
  - (d) Solvency, liquidity, efficiency and growth

4. Which of the following is a transforming resource?

- (a) Materials
- (b) Information
- (c) Intermediate goods
- (d) Human resources

5. To ensure output meets required standards, many businesses carry out inspections on the total volume of production.

Inspections are a characteristic of which quality management strategy?

- (a) Quality control
- (b) Quality assurance
- (c) Quality improvement
- (d) Total quality management

6. A mining company recently sold one of their mines for \$62 million, which greatly increased their yearly income. When completing their financial reports, the company

removed the income earned from this sale in order to give a more accurate representation of the business's performance,

The mining company engaged in which of the following processes?

- (a) Valuation of assets
- (b) Normalised earnings
- (c) Capitalising expenses
- (d) External auditing of accounts

7. The economic outlook forecasts an increase in global economic growth and an increase in domestic and global interest rates.

What are the likely consequences for Australian businesses?

- (a) Increased demand for Australian exports and an increase in the cost of borrowing
- (b) Increased demand for Australian exports and a decrease in the cost of borrowing
- (c) Decrease demand for Australian exports and an increase in the cost of borrowing
- (d) Decrease demand for Australian exports and a decrease in the cost of borrowing

8. Fabulous Furniture Pty Ltd wishes to reduce their warehousing costs.

Which system of inventory management would help them to reduce their warehousing costs?

- (a) Just-in-time (JIT)
- (b) First-in-first-out (FIFO)
- (c) Last-in-first-out (LIFO)
- (d) Holding stock

9. A business has offered existing shareholders an opportunity to buy additional new shares in the company at a discounted rate.

What type of shares are these?

- (a) New issues
- (b) Placement
- (c) Right issue
- (d) Private equity

10. The consistency and reliability of a business's products relates to which key performance indicator (KPI)?

- (a) Cost
- (b) Quality
- (c) Dependability
- (d) Customisation

11. An accountant decides to use the services of a cleaning company for one day per week.

This is an example of?

- (a) Development
- (b) Downsizing
- (c) Global contracting
- (d) Outsourcing

12. Which ratio is used to measure a business's profitability?

- (a) Current Ratio
- (b) Expense Ratio
- (c) Debt to Equity Ratio

(d) Return on Equity Ratio

13. What is a benefit to a business of using a GANTT Chart?

- (a) It recognises the amount of time needed to perform each task without allowing a business to implement quality control processes
- (b) It identifies the number of tasks involved in production but does not allocate key staff responsible for each activity
- (c) It lists the sequence of tasks which must be performed without specifying the number of tasks to complete the project
- (d) It states the planned completion date for each task yet clearly identifies the impact of delays on future tasks within the production process

14. Why would a business seek to distribute payment of expenses throughout the month, rather than pay all expenses at all the one time?

- (a) To increase profits
- (b) To improve solvency
- (c) To reduce expenses
- (d) To improve cash flow

15. Marks' Kitchens recorded its spending on research and development as an asset rather than cost to the business.

Which limitation of financial reporting does this illustrate?

- (a) Normalised earnings
- (b) Valuing assets
- (c) Capitalising expenses
- (d) Debt Repayment

16. A large car manufacturing company has decided to make changes to their operations due to the passage of the *Clean Energy Act* and because they have noticed that global consumers are demanding similar products.

What TWO factors have influenced the business's operations?

- (a) Globalisation and legal regulation
- (b) Legal expectations and quality expectations
- (c) Environmental sustainability and globalisation
- (d) Quality expectations and environmental sustainability

17. Observe the following cash flow statement.

*Kelleher Confectionery Pty Ltd*  
Cash flow statement 30 June 2017

Opening cash statement	40 000
Sales receipts	80 000
Payments to suppliers	40 000
Interest from investments	60 000
Utilities	30 000
Asset Purchased	20 000

What is the closing cash balance?

- (a) \$90 000
- (b) \$110 000
- (c) \$210 000
- (d) \$250 000

18. What is a disadvantage of holding stock?

- (a) The stock can become obsolete
- (b) Reduced lead times between order and delivery
- (c) Stock gives the business the opportunity to generate immediate revenue
- (d) Older stock can be sold at reduced prices which may improve cash flow

19. Which international method of payment poses the greatest risk for an exporter?

- (a) Bill of exchange
- (b) Clean payment
- (c) Letter of credit
- (d) Payment in advance

20. A service organization transforms inputs into which of the following?

- (a) Intangible products
- (b) Intermediate goods
- (c) Non-perishable goods
- (d) Primary products

*End of multiple-choice section*

**Section II – Short Answers**

**(40 marks)**

*Answer all questions in the spaces provided. A spare page has been attached if you need more room.*

**Question 21.**

**10 Marks**

**The Balance Sheet as at 30/06/2017 for *Devenish Enterprises***

<b>Assets</b>		<b>Liabilities</b>	
<b>Current Assets</b>		<b>Current Liabilities</b>	
Cash at Bank	150 000	Accounts Payable	160 000
Accounts Receivable	200 000		
<b>Non-Current Assets</b>		<b>Non-Current Liabilities</b>	
Vehicles	210 000	Bank Loan	750 000
Equipment	900 000		
		<b>Owner's Equity</b>	
		Owner's Capital	200 000
		Re-invested Net Profit	495 000
<b>Total</b>	<b>1 605 000</b>	<b>Total</b>	<b>1 605 000</b>

**Income Statement for the period ending 30/6/2017 for *Devenish Enterprises***

Operating Income (Sales)	2 300 000
COGS	700 000
Gross Profit	1 600 000
Expenses	1 000 000
Net Profit	600 000

**Industry Averages**

Liquidity Ratio: 2:1

Expense Ratio: 30%

Accounts Receivable Turnover Ratio: 21 days

(a) Calculate the current ratio (current assets ÷ current liabilities). Show working. **2**

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(b) Outline the liquidity position for *Devenish Enterprises*. **2**

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(c) Calculate the average number of days *Devenish Enterprises* takes to collect their accounts receivable using the accounts receivable ratio (sales ÷ accounts receivable). Show all working. **2**

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(d) Examine the efficiency of *Devenish Enterprises*. Use the data to support your answer.

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***End of Question 21***

**Question 22.**

**10 Marks**

*Corporate Wear Pty Ltd* is a men and women's clothing company. During the last two years, *Corporate Wear Pty Ltd* has made a profit of \$200 000. The company is looking to expand by establishing another outlet in a growing suburb, which requires the purchase of another property, furniture and fixtures.

(a) Identify ONE type financial institution that can provide funds to *Corporate Wear Pty Ltd*. **1**

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(b) Identify ONE internal source of funds that can be used for this expansion. **1**

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(c) Describe ONE financial consideration for *Corporate Wear Pty Ltd* when selecting an appropriate source of funds. **2**

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(d) Outline how *Corporate Wear's* finances can impact on another key business function. **2**

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(e) Recommend ONE external debt and ONE external equity option that this business could use to pay for this expansion. **4**

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***End of Question 22***

**Question 23.**

**10 Marks**

(a) Identify ONE plant layout that a business can use. **1**

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(b) Outline ONE reason for a business manager being resistant to change. **2**

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(c) Describe how a business can measure the quality of its outputs. **3**

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(d) Explain how a business can achieve cost leadership through the use of supply chain management strategies **4**

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**Question 24****10 Marks**

*JJ Marks* is an Australian manufacturer of luxury cars. Until recently, all of their cars have been designed and assembled in Australia. Many of the inputs, however, are sourced from overseas. *JJ Marks* has decided to outsource their design process to a Korean company.

- (a) Outline how the operations function of a business is interdependent with the finance business function. **3**

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- (b) Explain ONE sequencing/scheduling tool that *JJ Marks* could use in their operations. **3**

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## Section II – Extra writing space

*Ensure that you indicate which question you are answering.*

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**Section III – Extended Response****(20 marks)**

*Attempt either Question 25 or Question 26.*

*Allow about 45 minutes for this section.*

*Write your response in the writing booklet(s) provided.*

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*Your answer 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 25 (20 marks)**

Analyse the influence of the government and the global market on financial management.

**OR**

**Question 26 (20 marks)**

How can different sources of funds help a business to achieve its financial objectives?

***End of examination***



# **HSC Business Studies Task 2 2018**

## **Multiple Choice Answer Sheet**

Student Number: \_\_\_\_\_

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.

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
<b>1</b>				
<b>2</b>				
<b>3</b>				
<b>4</b>				
<b>5</b>				
<b>6</b>				
<b>7</b>				
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<b>16</b>				
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<b>18</b>				
<b>19</b>				
<b>20</b>				