



2022 Higher School Certificate Trial Examination

Business Studies

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black pen
- Draw diagrams using pencil
- Write your student number on the paper and multiple-choice answer sheet
- NESA approved calculators may be used

Total marks:

100

Section I - 20 marks

- Attempt Questions 1-20 (pages 2-8)
- Allow about 35 minutes for this section

Section II - 40 marks

- Attempt Questions 21-24 (pages 9-16)
- Allow about 1 hour 15 minutes for this section

Section III - 20 marks

- Attempt Question 25 (page 20)
- Allow about 35 minutes for this section

Section IV - 20 marks

- Attempt either Question 26 or 27 (page 21)
- Allow about 35 minutes for this section

THIS PAPER MUST NOT BE REMOVED FROM THE EXAMINATION ROOM

Disclaimer:

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Section I
20 marks

Attempt Questions 1-20

Use the Multiple Choice Answer Sheet for Questions 1-20

Allow about 35 minutes for this section

- 1 *Mario's Pizza* is a pizza restaurant based in Perth. It is looking to expand into all major cities in Australia.

Which of the following is most likely to be an accurate comment about *Mario's Pizza's* pursuit of growth?

- A. During *Mario's Pizza* growth stage the business may see deteriorating net working capital levels.
 - B. The growth of *Mario's Pizza* will result in lower gross profit over the long term.
 - C. As *Mario's Pizza* executes its growth strategy it is unlikely to experience any conflict with the achievement of other objectives.
 - D. *Mario's Pizza* will be unable to achieve economies of scale as it grows.
- 2 Which of the following is NOT a common marketing objective?
- A. Increased sales
 - B. Increased market share
 - C. Maximise customer service
 - D. Target market identification
- 3 Which of the following is a benefit of reducing the number of accidents within the workplace?
- A. Reduced accidents will see the business listed as a top paying employer.
 - B. An increased ability to attract top performing office workers during the acquisition stage of the Human Resource cycle.
 - C. Lower accident rates are associated with lower costs through reduced Work Cover insurance premiums helping profitability.
 - D. An increase in costs as businesses need to reward workers for following Workplace Health and Safety regulations.

- 4 *Surf Shot photography* is a Brisbane based surf photography business that sells its luxury photos globally. *Surf Shot photography* uses the same business logos and symbols in all countries and offers the same product range.

Which two global marketing strategies are being used by this business?

- A. Global pricing and customisation
- B. Global pricing and standardisation
- C. Global branding and customisation
- D. Global branding and standardisation

- 5 *Cheap Wing Airlines* has been in a dispute with its flight ground crew over working conditions and the renegotiation of their enterprise agreement. The dispute resulted in a strike and industrial action being taken to the Fair Work Commission.

Which dispute resolution strategy has been used?

- A. Tribunal - when it is taken to a higher power - stage 4
- B. Mediation - stage 3 (third party sometimes)
- C. Negotiation - stage 2
- D. Compromise - stage 1

- 6 Redundancy occurs at which stage of the Human Resource process?

- A. Acquisition
- B. Development
- C. Maintenance
- D. Separation

- 7 Materials and information are examples of

- A. Outputs
- B. Transformed resources
- C. Transforming resources
- D. Transformation processes

8 A business changes its product offering in response to falling income levels in its target market.

Which of the following is influencing the marketing management of this business?

- A. Ethical Issues
- B. Consumer Laws
- C. Government factors that impact consumer choice
- D. Sociocultural factors that impact consumer choice

Refer to the following information to answer questions 9 and 10.

Financial Information for <i>Surf Ski and Sail Pty Ltd</i>	
Sales	\$4 500 000
Cost of Goods Sold	\$2 200 000
Gross Profit	?
Expenses	?
Net Profit	\$450 000
Industry average gross profit ratio (gross profit/sales)	30%
Industry average net profit ratio (net profit/sales)	16%

9 The gross profit ratio for this business is (**sales - COGS = GP - Expenses = Net Profit**)

- A. above the industry average. - 0.511111 (51%)
- B. below the industry average.
- C. acceptable.
- D. unable to be determined.

10 Which of the following applies to *Surf Ski and Sail Pty Ltd*? (**Net Profit/Sales = Ratio**)

- A. *Surf Ski and Sail Pty Ltd's* net profit ratio is acceptable within the industry and the business has no clear areas in need of controlling.
- B. *Surf Ski and Sail Pty Ltd's* net profit is strong and the business should pursue improvements in its working capital.
- C. *Surf Ski and Sail Pty Ltd's* net profit is below the industry average and the business should reduce expenses to improve its position within the industry. (10%)
- D. *Surf Ski and Sail Pty Ltd's* net profit is above the industry average and the business should increase its expenses to pursue growth.

11 *Lifestyle Clothing* has recently changed suppliers to only use businesses that meet a predetermined environmental standard in production.

Which influence on Operations is this business responding to?

- A. Globalisation
- B. Legal regulations
- C. Corporate Social Responsibility - ethical (PPP - people, place, planet)
- D. Government policies

12 Refer to the financial statement to answer the following question.

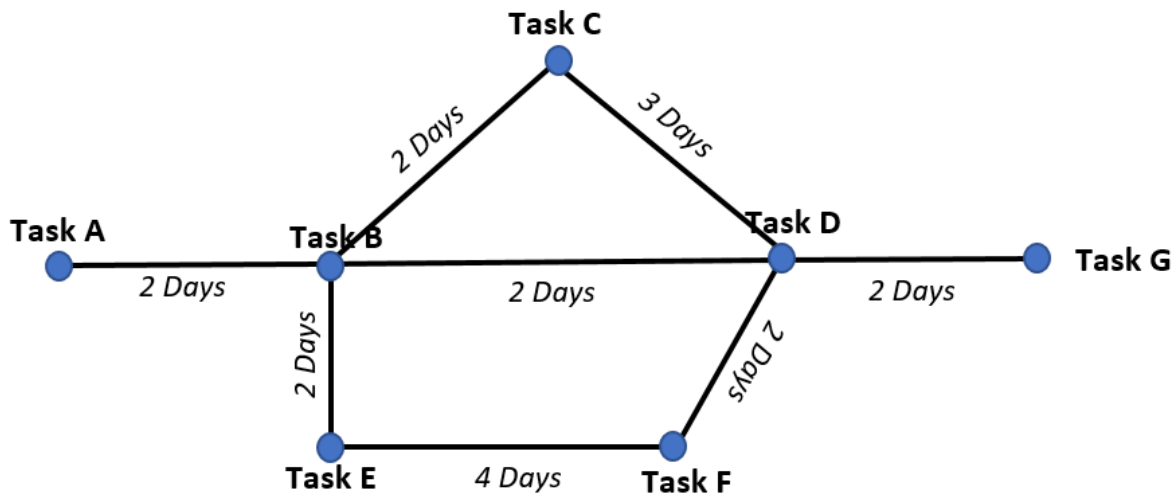
Balance Sheet for <i>Pete's Pasta</i> as at June 2021			
Current Assets		Current Liabilities	
Cash	12 000	Overdraft	2 000
Stock	10 000	Accounts Payable	6 000
Accounts Receivable	1 200		
Non-Current Assets		Non- Current Liabilities	
Property	800 000	Mortgage	750 000
Machinery	45 000		
Vehicles	22 000		
		Owners' Equity	
		Capital	?
Return on equity (net profit/owners' equity) industry average = 1.05:1			

Pete's Pasta has generated \$125 000 in net profit with a net profit ratio (net profit/sales) of 0.3 after operating for one year. **The industry average net profit ratio is 0.2.**

Which of the following is most correct?

- A. *Pete's Pasta* is a profitable business and has generated above average returns on equity for its owners.
- B. *Pete's Pasta* is a profitable business but has generated below average returns on equity for its owners.
- C. *Pete's Pasta* is an unprofitable business and has generated below average returns on equity for its owners.
- D. *Pete's Pasta* is an unprofitable business but has generated above average returns on equity for its owners.

Questions 13 and 14 refer to the following diagram.



13 The critical path is

- A. 6 days
- B. 12 days
- C. 14 days
- D. 17 days

14 There is a delay in the production process between Task C and Task D. This delay causes the time taken between these two tasks to increase by 4 days.

How does this impact the critical path?

- A. There is no impact to the critical path.
- B. Delivery of the final product is delayed by 1 day.
- C. Delivery of the final product is delayed by 4 days.
- D. Delivery of the final product is delayed by 7 days.

15 Which of the following employment contracts are determined by the **Fair Work Commission** and are industry specific?

- A. Enterprise Agreements
- B. National Employment Standards
- C. Awards
- D. Common Law Contracts

- 16 A business uses performance management for the **purpose of determining bonuses and pay rises at the end of the financial year.**

Which of the following is true for this type of performance management?

A.	Administrative	Will act as an incentive for workers to be more productive
B.	Administrative	Will make all workers feel comfortable and reduce work pressure which may impact worker satisfaction
C.	Developmental	Will help identify areas for workers to improve their skills and be used in determining training
D.	Developmental	Will enhance the level of worker satisfaction through career planning

- 17 Inspections during the production process are an example of which type of quality management?

- A. Quality control
- B. Quality assurance
- C. Quality improvement
- D. Total quality management

- 18 *JRW's Accounting Pty Ltd* is a small Sydney based firm offering specialized accounting services to businesses and high income households. *JRW* is commencing an expansion into all major Australian cities and the business is concerned about its ability to find new clients and effectively manage multiple locations.

Which of the following sources of finance will be most effective for Jeremy?

	Source of Finance	Reason
A.	Commercial Bill	Long term debt that allows the owners to retain complete control of the business.
B.	Mortgage	The only type of finance that will enable the acquisition of property in multiple cities.
C.	Private equity	New owners may be able to assist in bringing in new clients and assist with the management of the business.
D.	Public equity	This is a quick and relatively cheap way of raising funds for the business expansion.

19 *PlaySpot* is a cutting edge virtual reality gaming console company. The business plans on an initial product release with limited stock followed by larger releases.

Which pricing strategy should be recommended for *PlaySpot* to maximise its profits?

- A. Loss leader
- B. Price points
- C. Price penetration - based on competitors (lower prices)
- D. Price skimming - making it the highest price

20 A car manufacturer purchases semi-finished parts as components from various suppliers.

Which market type are these components purchased in?

- A. Resource
- B. Target
- C. Intermediate - semi finished product that gets sold to a place that will complete them
- D. Consumer

End of Section I

Section II

40 marks

Attempt Questions 21-24

Allow about 1 hour and 15 minutes for this section

Answer the questions in the spaces provided. These spaces provide guidance for the expected length of response

Extra Writing Booklets are available.

Question 21 (10 marks)

(a) Define the term 'price discrimination.' 2

Price discrimination is the setting of different prices for a product in separate markets. The difference in price is possible because the markets are geographically separated, for example, city and country prices. Another reason is that there is product differentiation within the one market, for example, different electricity prices for domestic and business users.

- Involves charging the customers different prices for the same good or service.
- Based on what the seller thinks they can get the customer to agree to.

(b) Explain (cause & effect) the importance of ethics in the marketing of goods and services. 4

Ethics is important in regards to marketing as people are more conscious about ethical behaviours within the businesses industry when making their purchases. Ethics is important when marketing a product as it determines whether or not consumers will agree with the decisions that are made behind the product. When a business acts ethically this then broadens their consumer base as people will have a satisfactory experience when dealing with the brand. In regards to unethical practices this is frowned upon and leads to the loss of customers and sales.

Question 21 continues on the next page

Question 21 (continued)

- (c) Explain (Cause and effect) the importance of effective market segmentation for a business. 4

Market segmentation is when the total market is divided into groups upholding common characteristics. Market Segmentation is important as it allows you to define your target market and therefore, market specifically to that market. That specified group will allow you to increase sales and have return consumers. It also helps the business determine their product range that appeals to the particular segments. This allows the business to cut costs and focus on a product which will benefit sales and lure customers in.

End of Question 21

Question 22 (10 marks)

- (a) Outline how short-term financial objectives can conflict with long-term financial objectives. **2**

A short term financial objective such as making profit can sometimes conflict with long term financial objective such as growing and expanding the business. These things would be in conflict as during the growth stage the business would endure more debt/ expenses rather than profit conflicting with the short term financial objective.

- (b) Explain the importance of matching the **sources of finance** with its purpose in financial management. **3**

Each source of finance includes different attributes that must be correctly matched in order to fit its purpose in financial management.

- ensure the source of finance has an appropriate maturity date that aligns with what capital is being raised
- Each source has its own range of costs and benefits and needs to be matched with the purpose.
- If an inappropriate source is chosen this can result in the business becoming insolvent and/or failing.

Question 22 continues on the next page

Question 22 (continued)

(c) Discuss (for & against) the impact of the government on the financial management of business. **5**
ASIC - ASIC enforces and administers the Corporations Act and protects consumers in the areas of investments, life and general insurance, superannuation and banking (except lending) in Australia.

Advantages

- reduces fraud and unfair practices

Disadvantages

Company Tax - Tax that the business must pay to the government

Advantage

- Take advantage of company tax laws internationally which may in turn minimise their tax liability

Disadvantage

- High rate of taxation meaning businesses aren't able to invest and restricts their available finance

End of Question 22

Question 23 (10 marks)

SJD Advertising is a medium sized marketing services business who have developed a reputation for creating highly effective and creative advertising campaigns. However, the business has received negative feedback from its customers due to delays in product delivery.

Currently, all business activities (such as creative planning, filming, production and editing) are completed by small teams.

(a) Discuss the benefits to *SJD Advertising* of using sequencing and scheduling tools

4

The benefits of *SJD Advertising* using sequencing and scheduling tools such as gantt charts and or critical paths will allow them to improve their operations lead times for its clients. A gantt chart allows a business to clearly outline tasks and how long they need to be completed. This then gives the business clear direction of the time that they have available to complete certain tasks in order to meet production times. On the other hand the business can also utilize a critical path analysis as a clear overview of the time taken to complete multiple tasks. The critical path analysis allows the business to determine which tasks are high priority which can improve customer service and satisfaction as they have improved their speed.

Question 23 continues on the next page

Question 23 (continued)

- (c) Analyse (components and implications) how the use of Outsourcing can impact *SJD Advertising*.

6

Outsourcing is when a business has parts of its operations process completed by another business. As SJD is an advertising company that has had problems with delays outsourcing can be beneficial. They may outsource filming, editing in order to speed up the process giving them more workers to tackle the task. Another advantage of outsourcing include heightened skills and leading edge technology which may lead to higher quality service delivery and faster completion times due to prior experience. However, SJD will need to consider carefully which outsourcing partner they choose to ensure the quality of their products are no jeopardized. This may also result in a loss of control as their business will no longer have clear control over the outsourced products.

Advantages of outsourcing

- outsourcing partners may have access to specialist skills and leading edge technology = higher quality service delivery
- complete tasks faster due to experience

Disadvantages

- quality management challenges as a result of losing degree of control

End of Question 23

Question 24 (10 marks)

Jean's Café and Restaurant is a local café/restaurant that was forced to close for a period of 3 months due to Covid Public Health Orders. All of its wait staff, chefs and bakers moved on to positions at other businesses.

(a) Describe the strategic role of Human Resources Management. **2**

(b) Outline the importance of Acquisition in Human Resources for *Jean's Café and Restaurant* as it emerges from lockdown. **3**

Question 24 continues on the next page

Question 24 (continued)

- (c) Recommend strategies that *Jean's Café and Restaurant* can implement to ensure low staff turnover as the business grows after reopening.

5

End of Section II

Extra Writing Space

Extra Writing Space

BLANK PAGE

Section III

20 marks

Attempt Question 25

Allow about 35 minutes for this section

Answer questions in the SEPARATE writing booklet provided

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 sustain, logical and cohesive response in the form of a business report
-

Question 25 (20 marks)

Word on the Meat Pty Ltd is a food truck business operating in all major cities in Australia. They are well known for their exciting and ever changing menu which produces high quality and reasonably priced street food.

Whilst sales have been strong, as the business has grown within Australia *Word on the Meat Pty Ltd* has experienced growing staff turnover and has had difficulty retaining workers. Worker satisfaction has been low due to perceived inadequacy of rewards and the business has also had issues with the Fair Work Commission over meeting Award wages and conditions.

The owners are looking to expand into North America with a focus on major cities.

The owners have a few main concerns regarding their international expansion:

- Higher levels of competition that their business will face in the North American market.
- A lack of knowledge and contacts in the North American market.
- Sourcing adequate funds associated with the large scale expansion and maintaining the businesses financial health during expansion.
- Acquiring, developing and maintaining effective workers overseas.

You have been hired as a consultant by *Word on the Meat Pty Ltd* to write a report for the business answers. In your report:

- Describe ONE influence on Human Resource management impacting the business.

Legal Requirements

The fair work commission is established by the fair work act 2009, The Fair Work Act is the main statute law covering workplaces Government organisations involved in the industrial relations process including the:

- **Fair Work Commission**

- The Commission is the independent national workplace relations tribunal. It is responsible for maintaining a safety net of minimum wages and employment conditions, as well as a range of other workplace functions and regulation.
- “ issues with the Fair Work Commission over meeting Award wages and conditions.” - Problem: attracting and retaining employees as they aren’t even meeting the minimum requirements

● **Explain** the importance of **TWO stages of the Human Resource management process** for *Word on the Meat Pty Ltd.*

- **Acquisition**, Development, **Maintenance** and Separation
- Growing staff turnover
- Difficulty retaining staff

Acquisition

Acquisition is the process of hiring and selecting appropriate staff for a required job in a business.

- Because they want to expand and because they have high staff turnover rates, the acquisition process is very important in regards to who they employ in their business
- Selective in regards to who they choose to work for them
- Choose the right candidates from the beginning to reduce any separation costs

Explain = Cause and Effect/ Show the relationship between how and why

Maintenance

Maintenance involves the retaining of workers and looking after staff in order to ensure they are satisfied in their workplace.

- Maintenance is important because they have high staff turnover
- Indicating there is an issue in this stage
- “Worker satisfaction has been low due to perceived inadequacy of rewards”
- By offering rewards such as better salaries, positive incentives this will further provide a better workplace culture

Effect

- Lower separation costs as they have successfully maintained staff
 - Cost of training is lowered as they maintain their staff
 - Better salary, Incentives
 - **Recommend** TWO sources of finance that could be used by *Word on the Meat Pty Ltd* to fund its international expansion.
 - Debenture / Leasing
 - Private Equity (Pty Ltd - Private Company) → it will help buy new equipment and expand
- Adv
- Sell part of the business to a new owner to help with the business
 - No interest to be paid with private equity
 - You don't need to pay it back because the person is included in the business
- Dis
- Lose control
 - Person they hired may not be fit for the job

Debenture Sample Paragraph

The finance raised by private equity may be insufficient to fully fund the expansion of WOTM and so the use of debenture will be helpful to ensure enough cash is in the business. A debenture is a long-term debt facility whereby a business provides a prospectus to a lender in order to acquire finance at an agreed interest rate. WOTM does not need large property acquisitions as it operates from mobile food truck locations, so a mortgage is not really an option. The strong business record of WOTM means it should be able to compile a strong prospectus and acquire the remaining required finance at an affordable interest rate which will help control costs. A key benefit of this is that the business will be able to expand without jeopardizing its cash position but also retain some degree of control as the debenture does not relinquish ownership to the lender. Debentures can be an effective source of finance with a relatively low interest rate whilst retaining a good degree of ownership and control over the business.

- Long term debt
- Business provides a prospectus to a lender in order to acquire finance at an agreed interest rate
- Prospectus: A document issued by a company that wants to raise money from the public by offering equity shares or debt securities in the company of trust

Adv

- Retain degree of control/ ownership
- Don't relinquish ownership of business
- Does Not jeopardize cash position
- Low Interest rates

Dis

- Paying interest
- Having to find a lender

End of Section III

Section IV

20 marks

Attempt EITHER Question 26 or Question 27

Allow about 35 minutes for this section

Answer in the SEPARATE writing booklet provided

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

- demonstrate knowledge and understanding relevant to the question
 - use relevant business case study/studies and contemporary business issues
 - communicate using relevant terminology and concepts
 - present a sustain, logical and cohesive response
-

Question 26 (20 marks)

Analyse the impact of quality expectations and government policies on Operations management.

OPERATIONS

- Influences: Quality expectations and Government policies
- This can be seen through CASE STUDY
- Link case study through strategies

OR

Question 27 (20 marks)

Analyse the impact of ethics and consumer laws on Marketing management.

MARKETING

End of Examination

**2022 Higher School Certificate
Trial Examination
Business Studies**

MULTIPLE CHOICE ANSWER SHEET

Select the alternative A, B, C or D that best answers the question and indicate your choice by filling in the appropriate response oval, completely. Answer using **PEN ONLY**.

1	A	B	C	D
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2	A	B	C	D
---	---	---	---	---

3	A	B	C	D
---	---	---	---	---

4	A	B	C	D
---	---	---	---	---

5	A	B	C	D
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6	A	B	C	D
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7	A	B	C	D
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8	A	B	C	D
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9	A	B	C	D
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10	A	B	C	D
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11	A	B	C	D
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12	A	B	C	D
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13	A	B	C	D
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14	A	B	C	D
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15	A	B	C	D
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16	A	B	C	D
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17	A	B	C	D
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18	A	B	C	D
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19	A	B	C	D
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20	A	B	C	D
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Business Report Sample Response

Question 25

Criteria	Marks
<ul style="list-style-type: none">• Provides detailed characteristic and features of ONE influence on Human Resource management that is impacting the business• Clearly shows the relationship (cause and effect) of TWO stages of Human Resource process and business performance• Provides detailed reasons in favour of TWO financial management strategies that can be used in the expansion of Word on the Meat Pty Ltd• Makes effective use of the information provided, demonstrating extensive knowledge and understanding relevant to the question• Presents a sustained, logical and cohesive business report integrating relevant business terminology and concepts	17-20

<ul style="list-style-type: none"> • Provides characteristics and features of ONE influence on Human Resource management that is impacting the business • Shows the relationship (cause and effect) of TWO stages of Human Resource process and business performance • Provides reasons in favour of TWO financial management strategies that can be used in the expansion of Word on the Meat Pty Ltd • Makes some use of the information provided, demonstrating extensive knowledge and understanding relevant to the question • Presents a logical and cohesive business report integrating relevant business terminology and concepts 	13-16
<ul style="list-style-type: none"> • Sketches in general terms ONE influence on Human Resource management that is impacting the business • Provides characteristics and features of TWO stages of Human Resource process • Provides characteristics and features of TWO financial management strategies that can be used by Word on the Meat Pty Ltd • Includes features of a business report and uses some business terminology and concepts 	9-12
<ul style="list-style-type: none"> • Identifies ONE influence on Human Resource management • Sketches in general terms TWO stages of Human Resource process • Sketches in general terms TWO financial management strategies that can be used by Word on the Meat Pty Ltd • May include some features of a business report and uses some basic business terminology 	5-8
<ul style="list-style-type: none"> • Refers to Human Resources and/or Finance • Uses basic business terminology 	1-4

Sample answer

Executive Summary

Word on the Meat Pty Ltd (WOTM) is a successful food truck business based in Australia looking to aggressively expand overseas. Its Human Resources management has been impacted by legal influences that help determine employment contracts. The Acquisition and maintenance stages of the Human Resource process are highly important for WOTM as the business will need new workers for its expansion and has been having trouble retaining staff. WOTM can look to employ global marketing strategies of global branding and customization to help create a successful launch into North America.

Legal Influence on Human Resources

WOTM's human resource management has been heavily impacted by legal influences that have seen it prosecuted by the Fair Work Commission (FWC). In Australia, businesses must follow the relevant Industrial Relations framework which is the *Fair Work Act 2009*. This legislation establishes what working pay and conditions businesses must meet for their workers. WOTM's employees are covered by a relevant hospitality Award which is set by the Fair Work Commission. Awards are a minimum set of pay and conditions for workers in a specific industry. WOTM has previously faced prosecution from the FWC for not meeting employment conditions set out in the

relevant Award. As a result of this, the business faced fines which meant costs increased for the business. Potential and current employees would be dissatisfied with this and the business would therefore also have a challenging time retaining and attracting workers.

Human Resource Process

Acquisition

With WOTM's impending expansion and high staff turnover rates, the process of acquiring new staff is important if the business is to continue running effectively. Acquisition refers to the process of identifying staff needs and undergoing recruitment and selection of new employees. WOTM has faced high levels of staff turnover which means they must be proactive in recruiting and selecting new staff. This process can be time consuming and expensive taking other workers away from their normal duties to review CVs and conduct interviews. Acquiring the right workers who are suitable and match the culture of the workplace is important to reduce staff turnover which can lower these costs. Workers are critical inputs in the transformation process and so acquiring workers with the right skill sets such as cooking or previous serving experience will help the business continue to offer quality products and keep customers satisfied.

Maintenance

WOTM's high staff turnover indicates that there is an issue with the maintenance stage of the human resource cycle. Maintenance in human resource management refers to the processes needed to retain workers and looking after staff wellbeing at work. WOTM's workers have reported low worker satisfaction due to perceived low levels of rewards the business offers. Offering competitive salaries and having positive incentive structures of both monetary and non-monetary rewards are important because this can help to create a more positive culture in the workplace and help workers feel more valued. The impact of this is a more satisfied workforce who are motivated to be more productive which can translate into customers being offered a higher quality of service. WOTM will also save costs of training new workers if it is better able to maintain its workforce.

Sources of Finance for Expansion

Private Equity

WOTM's expansion will require financing but will also require new contacts and skills in the North American market. Private equity refers to sourcing finance by selling part of a business to a new or external owner. The money paid by the potential new owner can be used to fund the purchasing of new capital equipment such as food trucks as well to help with marketing expenses in the North American launch. One key benefit of this type of finance is that there is no interest to be repaid and the initial investment does not have to be paid back by the business which means solvency is unaffected. Another benefit is that the new owner will have a vested interest in the success of the expansion. A well-chosen private equity partner may provide important contacts in North America which can help with supply chain, distribution and marketing which is an area of weakness for WOTM. The drawback of equity finance is that the owners of WOTM will have lost an element of control over the business as well as having to pay out a share of the profits to the new owner. Private equity is a sensible option for WOTM to raise needed funds whilst also acquiring new skills and capacity in the business in its expansion.

Debt - Debenture

The finance raised by private equity may be insufficient to fully fund the expansion of WOTM and so the use of debenture will be helpful to ensure enough cash is in the business. A debenture is a long-term debt facility whereby a business provides a prospectus to a lender in order to acquire finance at an agreed interest rate. WOTM does not need large property acquisitions as it operates from mobile food truck locations, so a mortgage is not really an option. The strong business record of WOTM means it should be able to compile a strong prospectus and acquire the remaining required finance at an affordable interest rate which will help control costs. A key benefit of this is that the business will be able to expand without jeopardizing its cash position but also retain some degree of control as the debenture does not relinquish ownership to the lender. Debentures can be an effective source of finance with a relatively low interest rate whilst retaining a good degree of ownership and control over the business.

Conclusion

WOTM has been impacted by legal influences in its Human Resource Management and must ensure it is meeting all legal requirements set out in the Fair Work Act to avoid future fines and prosecution. WOTM will need to engage in appropriate acquisition strategies as it expands globally ensuring it attracts workers with appropriate skill sets ensuring a high degree of service to all customers. Maintaining these and pre-existing workers will be of equal importance and so WOTM should embrace the use of competitive salaries and non-monetary rewards to retain quality workers and keep worker satisfaction levels as high as possible. As the business expands into North America, WOTM should carefully consider the use of private equity and debt finance to fund this expansion. Matching the terms and source of funds with its intended purpose is critical for the successful growth of this business.

Question 26

Criteria	Marks
<ul style="list-style-type: none">• Draws out clearly and relates the implication of the relationship between quality expectations and government policy and their impact on Operations management• Applies relevant case study/studies and contemporary business issues• Presents a sustained, logical and cohesive response and communicates clearly using relevant business terminology and concepts	17-20
<ul style="list-style-type: none">• Makes evident the relationship between quality expectations and government policy and their impact on Operations management• Uses relevant case study/studies and contemporary business issues• Presents a logical and cohesive response using relevant business terminology and concepts	13-16
<ul style="list-style-type: none">• Provides characteristics and features of quality expectations and government policy AND sketches the impact on Operations management• Makes reference to case study/studies and/or contemporary business issues• Communicates using relevant business terminology and concepts	9-12
<ul style="list-style-type: none">• Sketches quality expectations and/or government policy and/or the impacts on Operations management• May make reference to case study/studies and/or contemporary business issues• Communicates using some business terminology and concepts	5-8
<ul style="list-style-type: none">• Makes limited reference to Operations• May identify case study/studies• Uses basic business terminology	1-4

operations = inputs > value added transformation process > Output

Extended Response Sample

Operations management refers to the production process from sourcing and organising inputs, undertaking value added transformation processes which then create output to be sold to consumers. Operations seeks to achieve a competitive advantage through a combination of product differentiation and cost leadership. Effective Operations management is shaped by the influences of Quality expectations and government policies. Qantas, McDonalds and Apple are three businesses whose success has come from their ability to effectively respond to these influences to achieve and maintain product differentiation and cost leadership in their pursuit of long-term profit maximisation.

Quality expectations have a significant impact in shaping operations strategies to ensure production leads to satisfied customers in a cost-effective way. Quality expectations refers to the standard of a product's features and durability that consumers expect for a business' product. Businesses must conduct operations processes in order to meet or exceed quality expectations in order to ensure repeat customers building brand loyalty, sales and market share. Consumers whose quality expectations are not met are likely to switch to competitor products. A consumer's quality

expectations are often based on the price of a product, although a business can communicate through promotion and brand the expected quality of a product range.

McDonalds main product differentiation is the speed of its production process and consistent quality of its food. McDonalds employs the use of performance objectives as key performance indicators for its human resources in the production process to ensure these wait time expectations are met or exceeded. This includes using technology to reduce production time such as high-speed toasters and ovens. Quick and reliable/consistent food is critical to McDonalds product differentiation and has seen the growth in its Drive-Thru service as consumers increasingly value the convenience of the product offering. McDonalds has had to ensure that it sources the ingredients from suitable and consistent suppliers which adhere to their quality standards.

Quality expectations have a significant impact on the selection of a business's inputs. Where quality expectations are high, a business must provide high quality inputs to maintain a relevant product differentiation. Where expectations are lower, businesses can benefit by sourcing lower costs suppliers and inputs to achieve cost leadership objectives. Qantas employs a variety of Supply Chain Management strategies here. Under its premium 'Qantas' brand, the business employed globally recognised head chef to create its inflight menu and food offering. Global sourcing this labour resource helped indicate and meet quality expectations of consumers and was augmented with their airport lounges offering high quality food. This effectively differentiated Qantas from its competition and exceeded quality expectations for consumers mean the business was able to further build its loyal customer base and attract repeat sales. The businesses budget airline brand 'Jetstar' on the other hand, outsources its food service offering to lower costs. The food offering is an optional extra at added cost to the consumer and the offering is of far lower quality. This is an effective strategy for Jetstar because the low price and branding signals to its customers a low-quality offering. Whilst Jetstar won't compete on quality with other airlines such as Virgin Australia or Air New Zealand, they are not targeting this segment of the market. As such, Qantas is able to find cost advantages at the expense of quality in order to maintain profits whilst offering a low-price air travel option to consumers which has helped Qantas gain back 15% market share since Jetstar's conception.

Government Policy has recently been a significant impact on operations management in businesses throughout the world. Government policy can be defined as the position of a government on a range of issues that change over time. These policies shape changes to legislation in a range of areas from work health and safety, to taxation and most recently, public health policy and lockdowns. As policy changes it can alter the way businesses carry out their operations as they must adhere to all government policies. Lockdowns, for example, which have taken place over the past two years in response to the COVID19 pandemic, have created supply chain disruptions, impacted the availability of workers and led to the need to alter practices in all workplaces from factories to restaurants. Qantas was heavily impacted by the government policy of stopping international travel as well as state-based lockdowns and boarder closures. These government policy decisions saw operations processes cease and profitability destroyed as the business was unable to operate its international flights and only limited domestic travel. Revenues fell 58% in 2020 and the business posted a loss of \$1.7 billion in 2021.

McDonalds had to adjust their operations to these same policies with the elimination of dine in options and increased restrictions on workers. Inputs had to be reallocated towards drive-thru and take away based services including establishing more delivery partnerships and redirecting workers to drive-thru. McDonalds ability to make these adjustments whilst maintaining its supply chain

meant the business turned a net profit of \$4.8 billion in 2020 whilst many other businesses suffered significant losses. Both McDonalds and Qantas were able to benefit from significant government assistance in the JobKeeper program which gave each business \$1500 per fortnight for every worker it kept employed during the lockdown. Airlines received further support to the value of \$715 million through reduced duties and taxes on major inputs such as fuel. This helped Qantas and McDonalds control their input costs and maintain critical transforming resources to recommence more regular operations processes as lockdowns eased.

Quality expectations and government policy are critical influences on the Operations management of a business. McDonalds and Qantas are two businesses that have successfully shaped its operations strategies to remain profitable and successful in their respective industries.