



Candidate No.

Sydney Boys High School

2014
Higher School Certificate
Trial Examination
Value=30%

Business Studies

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Board approved calculators may be used
- Write using black or blue pen
- Write your student number at the top of every page

Total marks – 100

Section I – Pages 2–9

20 marks

Attempt Questions 1–20

Allow about 35 minutes for this section

Section II – Pages 10–16

40 marks

Attempt Questions 21–25

Allow about 1 hour and 15 minutes for this section

Section III – Page 17

20 marks

Attempt Question 26

Allow about 35 minutes for this section

Section IV – Page 18

20 marks

Attempt either Question 27 OR Question 28

Allow about 35 minutes for this section

This paper MUST NOT be removed from the examination room

Section I

20 marks

Attempt Questions 1–20

Allow about 35 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.

	A	B	C	D
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1 A company has recently decided to offer a discount for early payment of accounts. What is the likely result?

- (A) Decreased profits and improvement in cash flow
- (B) Decreased profits and worsening of cash flow
- (C) Increased profits and improvement in cash flow
- (D) Increased profits and worsening of cash flow

2 Ajax Pty Ltd *has* provided the following information for the last month.

Sales \$120,000

COGS \$40,000

Expenses \$25,000

What is the net profit ratio (net profit / sales) for this business (to the nearest two decimal places)?

- (A) 33.33%
- (B) 66.66%
- (C) 20.83%
- (D) 45.83%

3. A service organisation transforms inputs into which of the following?

- (A) Intangible products
- (B) Intermediate goods
- (C) Non-perishable goods
- (D) Primary products

4. A factory has recently implemented an inventory management system which has lowered the lead time on stock acquisition and reduced holding costs.

What type of inventory management system would this likely be?

- (A) Computer Aided Design
- (B) First In First Out
- (C) Last In First Out
- (D) Just In Time

5. A mobile phone manufacturer introduces a revolutionary new model with technological features far superior to any other existing mobile phone. It decides to charge the highest price in the market for this new model.

What pricing strategy is this?

- (A) Loss leader
 - (B) Penetration
 - (C) Price points
 - (D) Skimming
6. Who administers workplace health and safety laws and workers compensation in NSW?
- (A) Fair Work Australia
 - (B) Work Cover
 - (C) Trade Practices Act
 - (D) The Ombudsman
7. Which of the following terms refers to businesses purchasing supplies or services? without being constrained by location?
- (A) Global sourcing
 - (B) Interdependence
 - (C) Operations
 - (D) Total quality management
8. Which of the following refers to open and accountable business actions based on respect for people?
- (A) Corporate social responsibility
 - (B) Production approach
 - (C) Relationship marketing
 - (D) Sales approach
9. Which of the following is a primary source of data collection in the marketing process?
- (A) Customer feedback
 - (B) Internet sites
 - (C) Sales reports
 - (D) Surveys

- 10.** Which distribution strategy will be used by a business wishing to saturate the market with its product?
- (A) Exclusive distribution
 - (B) Intensive distribution
 - (C) Selective distribution
 - (D) Skimming distribution

11. Question 11 refers to the following information

Jan's Coaching Services Pty Ltd has provided the following data based on the profit and loss statement ending 30 June 2013.

Total revenue	\$10000
Net profit ratio	5%
Gross profit ratio	60%

What is the value of the cost of goods sold for Jan's Coaching Services Pty Ltd?

- (A) \$ 4 000
- (B) \$ 6 000
- (C) \$ 8 000
- (D) \$ 10 000

12 Which of the following is associated with logistics?

- (A) Cost of technology
- (B) Material handling and packaging
- (C) Insurance and security of stock held
- (D) Checking quality of outputs

13 Snap Cameras Pty Ltd uses inspections of their cameras at selected points in the production process. Which quality management strategy is the business using?

- (A) Quality control
- (B) Quality assurance
- (C) Total Quality Management
- (D) Quality improvement

Use the following information to answer questions **14 & 15**

Virginia's Event Management Pty Ltd

	Jan	Feb	March	April	May
Cash receipts \$	12 000	11 000	7 000	5 000	3 000
Cash Payments \$	8 000	5 000	6 000	6 000	8 000

The opening balance in January was \$2,000.

- 14.** What is the closing balance for May?
- (A) \$7 000
 - (B) \$9 000
 - (C) \$3 000
 - (D) \$5 000.
- 15.** Which of the following would be a suitable strategy for Virginia to use to help deal with the cash flow situation?
- (A) Factor outstanding sundry creditors
 - (B) Reduce the proportion of casual staff
 - (C) Retain higher amounts of profit
 - (D) Spread annual payments throughout the year
- 16.** Which element of the marketing mix involves creating and maintaining consumer awareness and interest in the output of a business?
- (A) Product
 - (B) Price
 - (C) Promotion
 - (D) Place
- 17.** Flexible work structures is a common method employed by which of the following?
- (A) Job analysis
 - (B) Job description
 - (C) Job Design
 - (D) Job Recruitment

18. Which of the following is an example of covert industrial action?

- (A) A lockout
- (B) A strike
- (C) The implementation of a grievance procedure
- (D) Increased absenteeism

19. Which leadership style is most likely to be found in a para military organisation?

- (A) Autocratic
- (B) Collegial
- (C) Democratic
- (D) Laissez-faire

20.

Question 20 refers to information found in the following financial report of a business

Stock	35 000
Overdraft	8 000
Cash at bank	23 000
Mortgage	77 000
Owner's capital	40 000
Accounts payable	8 000
Cars and vehicles	50 000
Accounts receivable	20 000
Drawings by the owner	6 000

What is the value of working capital?

- (A) \$ 8 000
- (B) \$ 16 000
- (C) \$ 62 000
- (D) \$ 78 000

Section II

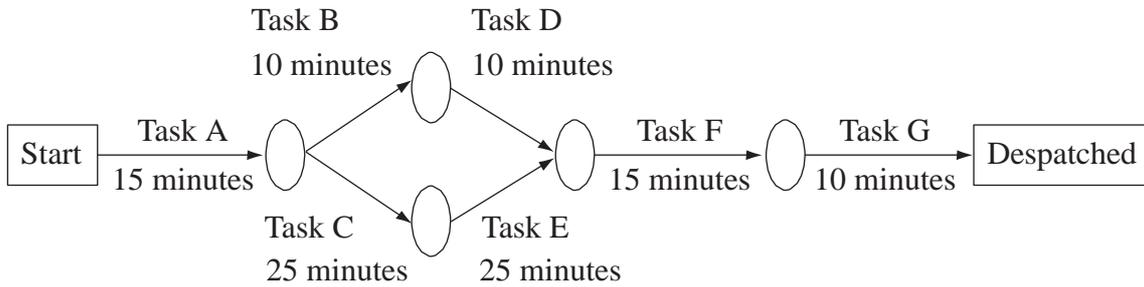
40 marks

Attempt Questions 21–25

Allow about 1 hour and 15 minutes for this section

Question 21 (10 marks)

- (a) Vroom Pty Ltd assembles electronic motors from imported parts. The diagram below shows the sequencing of tasks in the assembly of the motors.



- (i) Calculate the critical path for Vroom Pty Ltd. **1**

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- (ii) Distinguish between transforming and transformed resources for this business. **3**

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Question 22 (10 marks)

Marks

Gazines Galore Pty Ltd is a specialist magazine publisher with over two hundred titles. In the past it has monitored obscure clubs and societies around the country and assessed the viability of providing a monthly magazine. In recent times the company has realised that on line metadata is providing a ‘gold mine ‘of information for its purposes. It can track the obscure interests of millions of internet users and bundle them together to create separate defined markets for their products.

(a) *What* is marketing? **1**

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(b) Outline three types of markets. Which market is Gazines Galore Pty. Ltd targeting? **3**

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(c) Distinguish between a sales (selling) approach and a marketing approach. **2**

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Question 23 (10 marks)

Marks

Observe the following information.

'Neverland Pty Ltd'			
As at 30 June 2014			
	\$		\$
<i>Current assets</i>		<i>Current liabilities</i>	
Cash	4 450	Overdraft	13 500
Accounts receivable	8 500	Accounts payable	11 600
Inventory	13 600		
<i>Non-current assets</i>		<i>Non-current liability</i>	
Equipment	37 550	Mortgage	280 000
Property	410 000		
Vehicles	91 000		
		<i>Owner's equity</i>	
		Capital	165 000
		Net profit	95 000
<i>Additional Information</i>			
2013 debt to equity ratio: 0.8:1			
2013 return on owner's equity: 5.3%			
2013 net profit: \$323 000			

- (a) Calculate the current ratio (current assets /current liabilities) for Neverland Pty Ltd in 2014.

..... **1**

- (b) Comment on the change in gearing (total Liabilities / Owners Equity) between 2013 and 2014.

..... **2**

- (c) Outline ONE possible reason for the change in return on owner's equity (Net Profit / Total Owners Equity) between 2013 and 2014. **2**

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Question 24 (10 marks)

Marks

Joe Pesciona owns and manages a popular suburban pizza and pasta restaurant. For years the business has been doing well, but in recent months due to harder economic times and competition, business profits have declined, staff hours have been cut, morale is low absenteeism is high and staff turnover has greatly increased. Joe is thinking about setting up an enterprise agreement with his workers but his accountant has told him that it would be cheaper just to hire casual and part-time staff.

(a) What is an enterprise agreement? **1**

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(b) Outline three obligations that Joe Pesciona owes his workers. **3**

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(c) Outline three obligations owed to Joe Pesciona by his employees. **3**

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Section III

20 marks

Attempt Question 26

Allow about 35 minutes for this section

Answer the question on the booklet provided. Extra booklets are available.

Expected length of response is *approximately* six written pages or 800 words.

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

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

Question 26

Plastiche Industries Pty.Ltd is a large domestic manufacturer of plastic products. Since the Global Financial Crisis in 2008 it has struggled to compete with cheaper imports while facing rising domestic costs, including the carbon tax. Sales have declined and low profitability levels have put at risk the financial viability of the business.

A new General Manager has been appointed and he plans to restructure the business so as to increase profitability and efficiency. An increased level of investment in the business will be required if the restructure is to be successful.

An internal audit commissioned by the new General Manager has identified the following problems;

- Increases in the level of customer complaints about poor service.
- Increases in the number of faulty products being manufactured.
- Cash flow and liquidity problems due to excessive credit sales and bad debts.
- Cost over runs and inaccurate revenue forecasting.

Plastiche Industries Pty. Ltd is looking to:

- Develop a more effective profitability management strategy.
- Improve performance objectives.
- Improve its quality management process.
- Secure investment funds to finance the restructure.

You have been employed as a consultant to prepare a report for the General Manager

In your report;

- Outline influences that might impact on the Operations Management and Financial Management of this business.
- Propose and justify appropriate operational and financial management strategies that could be implemented to achieve a successful restructure of the business.

Section IV

20 marks

Attempt EITHER Question 27 OR Question 28

Allow about 35 minutes for this section

Answer the question on the booklet provided. Extra booklets are available.

Expected length of response is *approximately* six written pages or 800 words.

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 business terminology and concepts
 - present a sustained, logical and cohesive response
-

EITHER

Question 27 (20 marks)

How can the processes of HRM respond to the economic and technological influences on business? Describe related strategies that a business might utilise to gain a sustainable competitive advantage. Assess the effectiveness of these strategies.

OR

Question 28 (20 marks)

How can the processes of Marketing respond to the economic and technological influences on business? Describe related strategies that a business might utilise to gain a sustainable competitive advantage. Assess the effectiveness of these strategies.

End of paper

**SBHS.HSC Business Studies
2014 Trial Examination - Marking Guidelines**

Section I Multiple Choice

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

Section II

Question 21 (10 marks)

(a)i Calculate the critical path for Vroom Pty. Ltd

Criteria	Mark
ACEFG. 15+25+25+15+10 = 90 mins.	1

(a)ii Distinguish between transforming and transformed resources for this business.

Criteria	Mark
Identifies transformed resources as materials, information, customers and refers to imported parts for Vroom Pty Ltd. Identifies transforming resources as human resources and facilities and refers to the workers, machinery or factory of Vroom Pty Ltd.	3
Identifies both transformed and transforming resources but does not refer to the business.	2
Only identifies one of transformed and transforming correctly.	1

(b) Describe the process of monitoring, control and improvement for this business.

Criteria	Mark
Provides characteristics and features of each of monitoring, controlling and improvement for this business.	5 - 6
Provides characteristics and features of each but does not clearly relate to the business.	3 - 4
Provides general information sometimes confused and inaccurate	1 - 2

Suggested answer could include:

Monitoring is the process of measuring actual performance against planned performance. This is done through the use of Key Performance Indicators (KPI's). Vroom Pty Ltd might look at defect rates and repair rates after assembling electronic motors.

Control occurs when KPI's are assessed against predetermined targets and corrective action is taken if required. If IT and maintenance costs are above budget guidelines then corrective action would be taken.

Improvement is the systematic reduction of inefficiencies, wastage, poor work practices and the elimination of any bottlenecks. Time taken by Vroom Pty Ltd employees to change over shifts could be minimised.

Question 22 (10 marks)

(a) What is marketing?

Criteria	Mark
A total system of interacting activities designed to plan, price, promote and distribute products to present and potential customers.	1

Suggested answer could include:

(b) Outline three types of markets. Which market is Gazines Galore Pty Ltd targeting?

Criteria	Mark
Sketches in general terms any of the following; Resource - primary production, mining, agriculture etc. Industrial – purchase of product to use in production. Intermediate – wholesalers and retailers. Consumer – individuals Mass – seller mass produces, mass distributes and mass promotes. Niche – narrowly selected target market segment. Gazines Galore Pty Ltd is targeting a niche market.	3
Outlines 3 of the above but does not identify Gazines Galore Pty Ltd as targeting a niche market.	2
General comment of limited detail	1

(c) Distinguish between a sales (selling) approach and a marketing approach.

Criteria	Mark
Recognises differences between the following; Sales approach – emphasis on selling because of increased competition. Increased spending on advertising. Persuading customers to buy. Marketing approach – what do customers want? Use of market research. Satisfying needs.	2
	1

(d) Describe three marketing objectives for this business and identify how they might be measured?

Criteria	Mark
Provides characteristics and features of the following marketing objectives; Increasing market share – increasing the size of total industry sales Expanding the product range – increased range of products offered for sale Maximising customer service – increased response to the needs of customers. Measured through use of specific targets i.e. 10% increase in sales etc	4
Provides characteristics and features of three marketing objectives but no reference to measurement.	3
Provides characteristics and features of two marketing objectives but no reference to measurement.	2

Question 23 (10 marks)

(a) Calculate the current ratio (current assets / current liabilities) for Neverland Pty. Ltd.

Criteria	Mark
26,550 / 25,100 = 1.06	1

(b) Comment on the change in gearing (TL / OE) between 2013 and 2014

Criteria	Mark
2013 = 0.8 : 1 2014 = 1.17 : 1 (305,100 / 260,000) Gearing has deteriorated and increased from 80c to \$1.17 in external debt for every \$1 of OE. Too much debt therefore a riskier position.	2
Miscalculation and /or no comment.	1

(c) Outline one possible reason for the change in return on owners' equity (NP/TOE) between 2013 and 2014.

Criteria	Mark
2013 = 5.3%, 2014 = 95,000 / 260,000 = 36.5 %	2
N.B. These figures make no sense! Therefore 2 marks awarded to all!	

(d) With reference to this business discuss the limitations of financial reports.

Criteria	Mark
Discuss (identify issues and give points for and /or against) Identifies the major limitations of financial reports (5) Relates to the business The financial information given made no sense!	4 - 5
Limited examples of both limitations and reference to the business.	2 - 3
	1

Suggested answer could include:

Limitations of financial reports-

- normalised earnings
- capitalising expenses
- valuing assets
- timing issues
- debt repayments
- notes to the financial statements

Question 24 (10 marks)

(a) What is an enterprise agreement?

Criteria	Mark
Collective agreement made at the workplace level between an employer and a group of employees about terms and conditions of employment	1

(b) Outline three obligations that Joe Pesciona owes his workers.

Criteria	Mark
Sketch in general terms; Providing work, no 'stand downs.' Payment of income and expenses (specifically related to conduct of work). Meeting requirements of legislation both IR and OHS. Duty of care. Relates to the business.	3
Outlines only 2 obligations may not refer to business.	2
Only 1 obligation	1

(b) Outline three obligations owed to Joe Pesciona by his employees

Criteria	Mark
Sketch in general terms; Obey lawful and reasonable commands Use care and skill in carrying out duties Act in good faith Relates to the business	3
Outlines only 2 obligations and may not refer to the business	2
Only 1 obligation	1

(d) Joe Pesciona has decided to sack all his female employees and replace them with inexperienced, untrained juniors and pay them \$5 per hour. Which legislative policies have been breached and why?

Criteria	Mark
Must cover all specific legislation relevant to the scenario given and outline the breach committed and why.	3
Refers generally to the legislation and may not cover key aspects of the scenario	2
General comments with no legislation	1

Suggested answer could include:

Minimum wage rates- national minimum wage reviewed annually by Fair Work Australia. (juniors being underpaid)
OHS AND WHS Act 2011 (duty of care, lack of training)
Sex Discrimination Act 1984 (only female workers sacked)
Equal Employment for Women in the Workplace.
(Affirmative Action only applies to businesses employing more than 100 employees)
Provisions of the Fair Work Act 2009 (modern awards)

Section III

Question 25 (20 marks)

- Outline influences that might impact on the Operations Management and Financial Management of this business.
- Propose and justify appropriate operational and financial management strategies that could be implemented to achieve a successful restructure of the business.

Criteria	Mark
<ul style="list-style-type: none"> ▪ Presents a sustained, logical and cohesive business report integrating relevant business terminology and syllabus concepts. ▪ Makes effective use of the information provided, demonstrating extensive knowledge and understanding relevant to the question. ▪ Outlines influences that might impact on the operations and financial management of this business. ▪ Proposes and justifies appropriate operational and financial management strategies that could be implemented for this business. 	17-20
<ul style="list-style-type: none"> ▪ Presents a logical and cohesive business report that uses relevant business terminology and syllabus concepts. ▪ Makes some use of the information provided, demonstrating knowledge and understanding of the question. ▪ Outlines influences that might impact on operations and financial management. ▪ Proposes appropriate operational and financial management strategies that could be implemented for this business. 	13-16
<ul style="list-style-type: none"> ▪ Presents a logical report that uses some relevant business terminology and syllabus concepts. ▪ Makes limited use of the information provided. ▪ Outlines some influences. ▪ Proposes operational and financial strategies with limited reference to the business. 	9-12
<ul style="list-style-type: none"> ▪ Includes some features of a business report and uses basic business terminology. ▪ Does not use the information provided. ▪ Identifies influences. ▪ Proposes operational and/or financial strategies. 	5-8
<ul style="list-style-type: none"> ▪ Non –serious attempt 	1-4

Suggested answer could refer to:

Operational and Financial Management influences could include:

Operational Influences	Financial Influences
globalisation, technology. quality expectations. cost-based competition. government policies. legal regulation. environmental sustainability.	Internal sources of finance – retained profits. External sources of finance debt – short-term borrowing (overdraft, commercial bills, factoring) long-term borrowing (mortgage, debentures, unsecured notes, leasing) equity – ordinary shares (new issues, rights issues, placements, share purchase plans), private equity
Corporate social responsibility - The difference between legal compliance and ethical responsibility. Environmental sustainability and social responsibility.	Financial institutions – banks, investment banks, finance companies, super funds, life insurance companies, unit trusts and the Australian Securities Exchange.
	Influence of government – Australian Securities and Investments Commission, company taxation
	Global market influences – economic outlook, availability of funds, interest rates.

Operational and Financial Management strategies could include:

Operations Strategies	Financial Strategies
performance objectives quality, speed, dependability, flexibility, customisation, cost new product or service design and development supply chain management – logistics, e-commerce, global sourcing outsourcing – advantages and disadvantages technology – leading edge, established inventory management – advantages and disadvantages of holding stock, LIFO (last-in-first-out), FIFO (first-in-first-out), JIT (just-in-time) quality management – control – assurance – improvement overcoming resistance to change – financial costs, purchasing new equipment, redundancy payments, retraining, reorganising plant layout, inertia global factors – global sourcing, economies of scale, scanning and learning, research and development	cash flow management – cash flow statements – distribution of payments, discounts for early payment, factoring working capital management – control of current assets – cash, receivables, inventories – control of current liabilities – payables, loans, overdrafts – strategies – leasing, sale and lease back profitability management – cost controls – fixed and variable, cost centres, expense minimisation – revenue controls – marketing objectives global financial management – exchange rates – interest rates – methods of international payment – payment in advance, letter of credit, clean payment, bill of exchange – hedging – derivatives

Students may take an alternative approach, which, if correct, should be rewarded.

Section IV

Question 27 (20 marks)

How can the processes of HRM respond to the economic and technological influences on business? Describe related strategies that a business might utilise to gain a sustainable competitive advantage. Assess the effectiveness of these strategies.

Criteria	Mark
<ul style="list-style-type: none">▪ Presents a sustained, logical and cohesive response that communicates relevant business terminology and syllabus concepts with skill and understanding.▪ Provides a clear, detailed and comprehensive analysis of how specific HRM processes can respond to the economic and technological influences on business.▪ Describes related strategies that might be utilised by a business to gain a sustainable competitive advantage and assesses their effectiveness▪ Integrates relevant case study/studies and contemporary business issues with skill and understanding.	17-20
<ul style="list-style-type: none">▪ Presents a logical and cohesive business report that uses relevant business terminology and syllabus concepts.▪ Provides a clear and detailed overview of how specific HRM processes can respond to the economic and technological influences on business.▪ Describes strategies that might be utilised by a business to gain a sustainable competitive advantage.▪ Uses relevant case study/studies and contemporary business issues.	13-16
<ul style="list-style-type: none">▪ Communicates using business terminology and concepts▪ Provides a general overview of how specific HRM processes can respond to the economic and technological influences on business.▪ Outlines strategies that might be utilised by a business to gain a sustainable competitive advantage.▪ May make some reference to case study/studies and contemporary business issues	9-12
<ul style="list-style-type: none">▪ Communicates using some business terminology and concepts▪ Sketches in general terms some aspects about HRM processes.▪ Outlines strategies that might be utilised by a business.▪ May make limited reference to case study/studies and contemporary business.	5-8
<ul style="list-style-type: none">▪ Non Serious Attempt	1-4

Suggested answer could refer to:

Key influences

- economic
- technological

Processes of human resource management could include:

- Acquisition - identifying staffing needs, recruitment, selection
- Development - induction procedures, training
- Maintenance - performance appraisal, rewards, monetary (extrinsic) and non-monetary (intrinsic)
- Separation - voluntary and involuntary, redundancy and dismissal

Strategies in human resource management

- leadership style
- job design – general or specific tasks
- recruitment – internal or external, general or specific skills
- training and development – current or future skills
- performance management – developmental or administrative
- rewards – monetary and non-monetary, individual or group, performance pay
- global – costs, skills, supply
- workplace disputes
 - resolution – negotiation, mediation, grievance procedures, involvement of courts and tribunals

Effectiveness of human resource management

- indicators
 - Corporate culture
 - Benchmarking key variables
 - Changes in staff turnover
 - Absenteeism
 - Accidents
 - Levels of disputation
 - Worker satisfaction

Students may take an alternative approach, which, if correct, should be rewarded.