

SYDNEY TECHNICAL HIGH SCHOOL



2007

Higher School Certificate

Trial Examination

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 name at the top of every page
- Your paper will be collected in **4** sections
 1. multiple choice answer sheet
 2. short answers
 3. Q26
 4. Q27 or Q28

Total marks - 100

Section I- Pages 1-8

Total marks (20)

Attempt question 1-20

Allow about 35 minutes for this section

Section II- Pages 9-13

Total Marks (40)

Attempt questions 21-25

Allow about 1 hour 15 minutes for this section

Section III- Page 14

Section IV- Page 15

Student name: _____

Name _____

Teacher _____

Section I Multiple Choice

Answer Sheet

	A	B	C	D
1				
2				
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Section 1
(20 Marks)

INSTRUCTIONS

Attempt Questions 1-20.

Allow 35 minutes for this section.

Use the answer sheet provided.

You may detach the answer sheet.

- 1 Most countries including Australia are members of the world Trade Organisation (WTO). Which of the following best describes this organisation?
- A) A bilateral agreement
 - B) A semi-government convention
 - C) A regional agreement
 - D) A multilateral agreement
- 2 In a business the accounts receivable turnover ratio is 60 days, where in the previous year it was 50 days. Which of the following would be a suitable strategy for the business to adopt?
- A) Write off all outstanding accounts in bad debt
 - B) Sell the accounts receivable to a factory company
 - C) Extend the credit period for payment
 - D) Increase the credit period for payment
- 3 Ahmed told his new employers Textal Mining that he could not read English when they gave him the safety manual. When he had an accident soon after and asked for his doctor's bills to be paid, they told him they were not liable because he had not followed safety procedures in the manual. Which legal aspect does this work issue relate to?
- A) Anti-discrimination
 - B) Occupational Health and Safety
 - C) Management Injury
 - D) EEO

- 4 Thutools are a very successful maker of machine parts, which fit a large number of machines. Which market are they in?
- A) Niche market
 - B) Industrial market
 - C) Intermediate market
 - D) Resource market
- 5 Saytha sees a great future for his small music business and plans to expand over the next 5 years. Which skills of management are being demonstrated by Saytha?
- A) People skills and the adaptability to change
 - B) Vision and strategic thinking
 - C) Ethical and high personal standards
 - D) Complex problem solving and decision making.
- 6 The Davis Sisters doubled the credit sales of hats and were so surprised to find they had no cash in the business at the end of six months to pay their bi-annual shop rent. How could they solve this problem?
- A) Change their gearing
 - B) Change their marketing mix
 - C) Change their customers
 - D) Change their payment distribution
- 7 Australian STN Metal Fabricators have been worried about their competitiveness and have decided to expand globally though they will be face with large domestic redundancy payouts. What method has been chosen to expand globally?
- A) Foreign Direct Investment
 - B) Direct Exporting
 - C) Indirect exporting
 - D) Change their payment distribution

8 A supervisor at a distribution warehouse is directly responsible for twenty workers. Which of the following best describes the situation?

- A) A broad chain of command
- B) A narrow chain of command
- C) A broad span of control
- D) A detailed quality circle

9 Computerwiz, a flat management, democratic style company making computers has wanted to buy its own retail outlets and has been approached by Mr Watkins, autocratic head of his hierarchical family business with computer shops all over Australia.

What resistance to change may occur if this takeover took place?

- A) Inertia of owners
- B) Reorganising plant layout
- C) Cultural incompatibility
- D) Redundancy payouts

Use the following information to answer questions 10 and 11

Selected data for Aja's Enterprises P/L 2006

	2006
Total Assets	\$500 000
Ratio of current assets to non-current assets	2:3
Total Liabilities	\$250 000
Ratio of current liabilities to non-current liabilities	2:3

- 10** Determine the current ratio for 2006 for Aja's Enterprises.
- A) 1:2
 - B) 2:1
 - C) 2:3
 - D) 3:2
- 11** What is the value of the Owners Equity in 2006?
- A) \$100 000
 - B) \$150 000
 - C) \$200 000
 - D) \$250 000
- 12** Comparing actual sales to planned sales would be which element of the Marketing Plan?
- A) SWOT
 - B) Establishing marketing objectives
 - C) Developing marketing strategies
 - D) Monitoring and Controlling
- 13** The increased importance of green marketing is a response to which change?
- A) A differing taxation system
 - B) An aging population
 - C) A change in attitude amongst a large section of the market
 - D) A change in consumer laws
- 14** Anna feels inferior because she has the old model IPOD, so she decides to buy the new one. Which factor influenced her choice?
- A) Socio/cultural
 - B) Economic
 - C) Psychological
 - D) Government

- 15 There is much dissatisfaction amongst the Chinese workers of an Australian subsidiary in Shanghai, because only Australian managers are employed and the Chinese now feel ready to take over these positions.

What change to staffing systems would solve this?

- A) Ethnocentric to polycentric
- B) Polycentric to ethnocentric
- C) Geocentric to ethnocentric
- D) Ethnocentric to geocentric

Question 16 refers to information found in the balance sheet of a business

S Stock	\$ 6 000
Overdraft	3 000
Creditors	2 500
Cash	2 000
Goodwill	15 000
Debtors	3 000
Retained Profits	6 000
Vehicles	10 000

- 16 What is the value of the working capital?

- A) \$11 000
- B) \$11 500
- C) \$ 4 500
- D) \$ 5 500

- 17 Which of the following management functions is associated with the observing and measuring performance and also analysing variations from particular benchmarks?

- A) Planning
- B) Controlling
- C) Tactical Management
- D) Organising

- 18** A business provides after sales service and regularly contacts existing customers.
What strategy best describes this activity?
- A) Goodwill promotion
 - B) On line marketing
 - C) Relationship selling
 - D) Position placement
- 19** Athletic Wear Pty Ltd are facing closure from the bank and decide to sell off their subsidiary premises and pay back their mortgage.
Which ratio will be changed?
- A) Expense
 - B) Solvency
 - C) Profitability
 - D) Efficiency
- 20** Which has been a driver to globalisation?
- A) Currency fluctuations
 - B) Deregulation of financial markets
 - C) Varying business ethics and practices
 - D) War and unrest

END OF SECTION I

Section II**40 Marks****Attempt Questions 21-25****Allow about 1 hour and 15 minutes for this section****Marks****Question 21** (10 marks)

Selected employment information for Moh's Motors P/L

Employment Statistics	2005	2006
Number of employees leaving	2	10
Average number of sick days/employee/year	4	20

A new manager was appointed to Moh's Motors at the beginning of 2006 and removed all the worker participation committees, making all decisions on her own.

(a) What types of Management Theory were being used in 2005 and 2006? **2**

(b) Compare and contrast TWO features of these management theories. **4**

(c) Assess the effectiveness of employment relations of the new management with reference to the table above. **4**

22 (10 marks)

Merlo's Fast Foods Ltd is being investigated as a possible takeover venture for NECO International. Maria, NECO's financial director, has worked out the following ratios from Merlo's financial statements of the last two years:

Gross profit ratio (GPR) rose by 2% to 13%; Net Profit Ratio (NPR) fell 3% to 6%.
Gearing Ratio rose from 1.5:1 to 2:1

(a) Which TWO financial statements would Maria have used to work out these ratios? 2

(b) What analysis will Maria use to decide whether Merlo's is a good takeover proposition?
Give reasons why she might not recommend it. 3

(c) Given NECO International has a gearing ratio of 1:1 and decides to go through with the takeover assess one cost and one benefit of one internal and one external source of funding, and evaluate which might be appropriate for NECO. 5

23. (6 marks)

Most businesses conduct formal induction programs for new employees. Induction programs help the employee to get to know the work environment, key personnel and procedures.

A) Explain how an induction program can reduce staff turnover. 2

B) Describe the essential features of a successful induction program. 4

Question 24 (6 marks)

Paper People Ltd markets its products to a variety of customers. These include consumer markets through individual customers purchasing from Paper People Ltd retail outlets and directly to industrial markets.

(a) Outline the differences between these two types of customers. **2**

(b) Analyse how these differences will impact on Paper People Ltd's marketing plan. **4**

25. (8 Marks)

WINDSOR CONCRETE CONTRACTORS**Balance Sheet as at 30th June 2007**

CURRENT ASSETS	\$	CURRENT LIABILITIES	\$
Accounts Receivable	6 000	Accounts Payable	20 000
Inventories	12 000	Overdraft	<u>10 000</u>
Cash	2 000		30 000
		NON CURRENT LIABILITIES	
NON CURRENT ASSETS		Bank Loan	17 000
Machinery	50 000	Mortgage	<u>120 000</u>
Buildings	102 000		137 000
Goodwill	<u>60 000</u>	OWNERS EQUITY	
	212 000	Capital	55 000
		Retained Profits	10 000
	<u>232 000</u>		<u>232 000</u>

A) Calculate and interpret a liquidity ratio for the business.

2

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B) Calculate and interpret a solvency ratio for the business.

2

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C) Recommend TWO strategies to improve short term liquidity and TWO strategies to improve long term viability for the business.

4

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END OF SECTION II

Section 111

20 marks

Allow 35 minutes for this section

26.

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

- Use your knowledge and the information provided
- Communicate using relevant business terminology and concepts
- Present a logical , well –structured answer to the question in the form of a business report
- Use paper provided

Question 26 (20 marks)

This question refers to the following case study:

Michael Roper exotic and native orchid suppliers Pty Ltd

“Michael Roper exotic and native orchid suppliers Pty. Ltd” is a specialist plant nursery located in the Sutherland Shire in Sydney. The business was started by two successful but exhausted teachers in 2000. Since that year the business has, each year, increased it’s sales, profitability and financial stability.

In 2006 the business was sold. The new owners (retired science and maths teachers) are experiencing worrying problems. The business has experienced a decline, which threatens its long-term future.

Problems facing the business include:

- Declining sales and increasing customer complaints;
- A general dissatisfaction with staff about the direction of business;
- Threats of industrial action from staff over staff retrenchments;
- Increasing absenteeism among staff;
- Debtors complaining of incorrect invoices; and
- Increase in inventory.

You have been employed as a consultant to investigate this business and write a report for the owners.

Your report should include:

- 1.an analysis of the problems facing the business;
- 2.an explanation of strategies which could be used by managers for effective cash flow management;
- 3.a recommendation of strategies to address the problems this business is facing; and
4. A description of what ethical and legal considerations may be relevant for this business.

END OF SECTION III

Section IV

Do either Q27 or Q28

Question 27

Change can be very fast and unexpected, resulting in Australian business needing to rethink their global Strategies

Identify the strategies used to manage the changing global activities and assess the responsiveness to change in the international market place of business you have studied.

Or

Question 28

“The success of a business’s international expansion activities is determined largely by the specific business strategies put in place to manage the various influences on global business.”

Outline the various methods of international expansion used by business and evaluate the effectiveness of management in dealing with changes when a business goes global.

Answers
Section1
2007 Trial HSC

1. d
2. b
3. b
4. b
5. b
6. d
7. d
8. c
9. c
10. b
11. d
12. d
13. c
14. c
15. a
16. d
17. b
18. c
19. b
20. b

Marking guidelines**Section 11****Question 21(a)****Marking guidelines**

Criteria	Marks
<ul style="list-style-type: none"> Identifies classical and behavioural types of management theory 	2

Question 21(b)**Marking guidelines**

Criteria	Marks
<ul style="list-style-type: none"> Compares and contrasts two features of classical-scientific theory and behavioural theory clearly 	4
<ul style="list-style-type: none"> Explains two features of classical-scientific theory and behavioural theory 	3
<ul style="list-style-type: none"> Describes one feature of classical-scientific theory and behavioural theory 	2
<ul style="list-style-type: none"> Lists one feature of either theory 	1

Question 21(c)**Marking guidelines**

Criteria	Marks
<ul style="list-style-type: none"> Identifies the decline in effective employment relationships by the rise in absenteeism and increase in staff turnover and links this to a more autocratic leadership style or classical theory 	4
<ul style="list-style-type: none"> Refers to both aspects of the table although does not use specific terms, but does identify deterioration and links this to change in management theory 	2/3
<ul style="list-style-type: none"> Mentions one thing on the table and links to something of the management theory 	1

Question 22(a)**Marking guidelines**

Criteria	Marks
<ul style="list-style-type: none"> Identifies revenue statement and balance sheet 	2

Question 22(b)**Marking guidelines**

Criteria	Marks
<ul style="list-style-type: none"> Identifies all comparative ratio analysis and identifies problems with this company 	3
<ul style="list-style-type: none"> Identifies some comparative ratio analysis and one problem 	2
<ul style="list-style-type: none"> Identifies problems only 	1

Question 22(c)**Marking guidelines**

Criteria	Marks
<ul style="list-style-type: none"> Assesses one cost and one benefit of one internal and one external source of funding and makes a good case as to which NECO should choose, given their circumstances. 	5
<ul style="list-style-type: none"> Explains one cost and one benefit of one internal and one external source of funding and gives a reason which should be used by NECO. 	4
<ul style="list-style-type: none"> Explains one cost and one benefit of one internal and one external source of funding and says which NECO should use, without reason 	3
<ul style="list-style-type: none"> Describes one cost and one benefit of two sources of funding. 	2
<ul style="list-style-type: none"> Identifies two sources of funding 	1

23

- A) Explain how an induction program can reduce staff turnover.
Include concepts such as business culture, sense of purpose, employee networking, and confidence and security
- B) Describe the essential features of a successful induction program.
Include aspects such as job specifications and tasks, OHS, available support, rewards and benefits, company culture, avenues for further advancement and training

Question 24(a)**Marking guidelines**

Criteria	Marks
<ul style="list-style-type: none"> Individual customers-ubiquitous, price sensitive, buyers are consumers, brand and image significant. Business customers- concentrated, prices are vital, derived demand, professional buyers, reliability and service important. 	2
<ul style="list-style-type: none"> Outlines some of the key differences. 	1

Questions 24(b)**Marking guidelines**

Criteria	Marks
<ul style="list-style-type: none"> Comprehensively discusses market segmentation, product and service, price and pricing methods, promotion and distribution to fit the customer profiles. 	4
<ul style="list-style-type: none"> Presents a thorough outline of market segmentation, product and service price and pricing methods, promotion and distribution to fit the customer profiles. 	3
<ul style="list-style-type: none"> Outlines some of the marketing strategies to fit the customer profiles. 	2
<ul style="list-style-type: none"> Gives a limited but relevant reference to marketing strategies to fit the customer profile. 	1

Question 25

A) Calculate and interpret a liquidity ratio for the business

Current ratio = CA/CL = 20 000/30 000 = 0.67:1- a safe figure will be 2:1

This is a very low and potentially dangerous figure. There would probably not be enough available funds to cover short term expenses.

B) Calculate and interpret a solvency ratio for the business.

Debt to equity ratio (gearing) = total debt/owners equity = 167 000/ 65 000 = 2.57

This means for every \$1.00 of equity there is \$2.57 of debt. This is a very dangerous gearing situation. Any figure over 1:1 means the business is very exposed.

C) Recommend TWO strategies to improve short term liquidity and TWO strategies to improve long term viability for the business

Short term liquidity: Retain more profits to pay debts, sell off non performing to pay debts, lease equipment

Long term viability: renegotiate longer term loans, increase equity e.g. new share issues, sell unnecessary assets to increase liquidity, lease building and equipment.

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Business Studies

Section III

26.

Criteria	Marks
<ul style="list-style-type: none"> • Presents a sustained, logical and well-structured business report and clearly communicates using features of a business report with appropriate business terminology and concepts. • Clearly develops strategies for cash flow management. Details a range of employment relations strategies to improve business performance with specific reference to the business concerned. • Clearly indicates a range of ethical and legal considerations for this business 	17– 20
<ul style="list-style-type: none"> • Presents a well organised business report and uses appropriate business terminology and concepts. • Indicates strategies for cash flow management • Details employment relations strategies to improve business performance with reference to the business concerned • Indicates some ethical and legal consideration 	13- 16
<ul style="list-style-type: none"> • Includes features of a business report and uses some business terminology and concepts. • Indicates some cash flow management considerations • Identifies employment relations strategies with some reference to the business concerned • Indicates some ethical and legal considerations 	9-12
<ul style="list-style-type: none"> • Includes some features of a business report and uses basic business terminology • Recognises some cash flow management considerations and/or • Identifies employment relations strategies and/or • Indicates some ethical and legal considerations 	5-8
<ul style="list-style-type: none"> • Uses basic business terminology • Some understanding of cash flow management considerations and/or employment relations and/or • Indicates some understanding of ethical and legal considerations. 	1-4

Marking criteria for questions 27

- Presents a logical and well structured business response/essay that provides clear reference to relevant business case studies
- Shows detailed knowledge of strategies used to manage the changing global activities and explains the strategies by demonstrating the understanding of global business.
- Shows high level assessment of the responsiveness to change in the international market.
- Communicates using appropriate business terms and concepts relevant to question and refers to the statement

17-20

- Presents a well organised business response/essay that provides reference to business case studies
- Identifies some strategies used to manage the changing global activities and briefly explains the strategies in relation to the global business
- Some assessment of responsiveness to change
- Communicates using appropriate business terms and concepts

13-16

- Provides an acceptable business response/essay with reference to business case studies
- Briefly explains the strategies with reference to case studies in their response
- Limited assessment of responsiveness to change in the international market
- Presents a descriptive, structured answer to the question that uses some basic terms and concepts

9-12

- Describes the strategies used to manage changing global activities and makes reference to some case study material.
- Very limited assessment of responsiveness to change in the international market
- Communicates using a poorly structured response and uses basic business terms.

5-8

- Lists some strategies with some discussion of the responsiveness to change in the international market place
- Communicates with limited use of basic business terms

1-4

Marking criteria for question 28

Criteria	Marks
<ul style="list-style-type: none">• Communicates using appropriate business terms• Presents a comprehensive, well structured answer to the question that utilises relevant business terminology and concepts• Provides a thorough outline of methods of expansion• Extensive evaluation of effectiveness of management when businesses go global	17-20
<ul style="list-style-type: none">• Communicates using appropriate business terms• Presents a comprehensive structured answer to the question that utilises relevant business terminology and concepts• Provides a very satisfactory outline of methods of expansion• Thorough evaluation of the effectiveness of management when businesses go global	13-16
<ul style="list-style-type: none">• Presents a descriptive , structured answer using some business terminology• Identifies some methods of expansion• Limited evaluation of management's effectiveness	9-12
<ul style="list-style-type: none">• Communicates using a poorly structured response, basic business terminology• Mentions some methods of expansion• Very limited evaluation	Less than 9

