

**BOARD OF STUDIES**  
NEW SOUTH WALES

**2003**

**HIGHER SCHOOL CERTIFICATE  
EXAMINATION**

# Business Studies

## General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black or blue pen
- Draw diagrams using pencil
- Board-approved calculators may be used
- Write your Centre Number and Student Number at the top of pages 9, 11, 13, 15 and 19

**Total marks – 100**

**Section I** Pages 2–8

**20 marks**

- Attempt Questions 1–20
- Allow about 35 minutes for this section

**Section II** Pages 9–21

**40 marks**

- Attempt Questions 21–25
- Allow about 1 hour and 15 minutes for this section

**Section III** Page 23

**20 marks**

- Attempt Question 26
- Allow about 35 minutes for this section

**Section IV** Page 24

**20 marks**

- Attempt either Question 27 or Question 28
- Allow about 35 minutes for this section

## Section I

20 marks

Attempt Questions 1–20

Allow about 35 minutes for this section

Use the multiple-choice answer sheet.

Select the alternative A, B, C or D that best answers the question. Fill in the response oval completely.

**Sample:**  $2 + 4 =$  (A) 2 (B) 6 (C) 8 (D) 9  
A  B  C  D

If you think you have made a mistake, put a cross through the incorrect answer and fill in the new answer.

A  B  C  D

If you change your mind and have crossed out what you consider to be the correct answer, then indicate the correct answer by writing the word **correct** and drawing an arrow as follows.

A  B  C  D   
*correct* ↙

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**1** Frank purchased a dishwasher so that his family could spend more time together.

What factor influencing consumer choice applies to this decision?

- (A) Economic
- (B) Government
- (C) Organisational
- (D) Sociocultural

**2** In an attempt to resolve a dispute between an employee and an employer, the union has recommended a confidential discussion of issues in the presence of a neutral third party.

Which dispute resolution process has the union recommended?

- (A) Arbitration
- (B) Common law action
- (C) Conciliation
- (D) Mediation

**3** A–Z Rubber Products has decided to relocate its manufacturing operations overseas because it is seeking an advantage by operating a larger manufacturing plant.

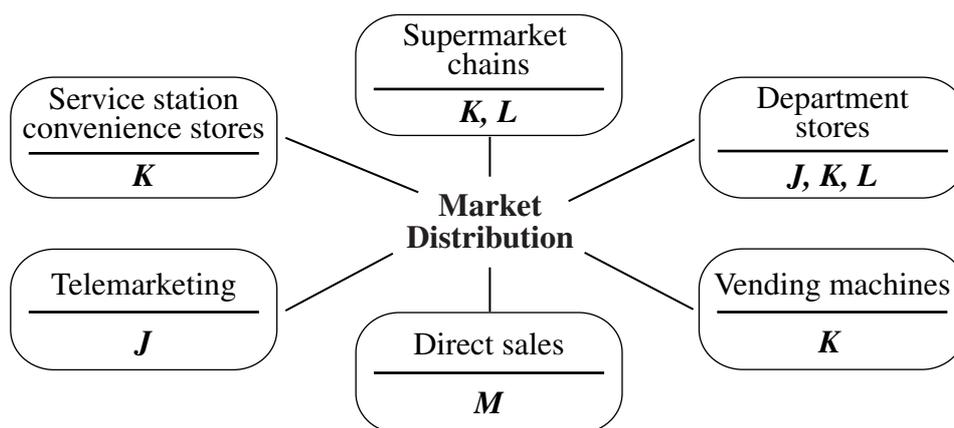
What is the reason for this decision to expand internationally?

- (A) To minimise taxation
- (B) To gain economies of scale
- (C) To cushion the economic cycle
- (D) To take advantage of regulatory differences

**4** Which of the following aspects of marketing is NOT addressed by consumer law?

- (A) Warranties
- (B) Positioning
- (C) Implied conditions
- (D) Deceptive advertising

- 5 The following diagram illustrates the market distribution of products *J*, *K*, *L* and *M*.



Which of the following statements is correct?

- (A) Product *J* is distributed intensively and Product *L* is distributed selectively.  
 (B) Product *J* is distributed exclusively and Product *M* is distributed selectively.  
 (C) Product *K* is distributed intensively and Product *M* is distributed exclusively.  
 (D) Product *K* is distributed exclusively and Product *L* is distributed selectively.
- 6 Which of the following would best describe the role of a merchant bank?
- (A) To monitor the activities of publicly-listed companies  
 (B) To act as banker and financial agent to the federal government  
 (C) To provide borrowing and lending services, primarily to the business sector  
 (D) To provide loans to the corporate sector through receipts of insurance premiums
- 7 The employment relations department of a small manufacturing business has provided the following data from its annual audit.

	2002	2003
<i>Number of employees</i>	20	20
<i>Number of days lost due to disputes</i>	250	100
<i>Absenteeism (average days/employee)</i>	5	20
<i>Staff turnover</i>	10%	10%

Which of the following would describe the changing state of employment relations in this business?

- (A) The staff may be taking covert action to demonstrate their dissatisfaction.  
 (B) The staff turnover levels indicate increased levels of job dissatisfaction of workers.  
 (C) The change in the number of work days lost to disputes and absenteeism indicates increased job satisfaction of workers.  
 (D) There has been an overall improvement in employment relations, indicating that grievance procedures are now working.

- 8 Clean Cut Mowers has invented and is marketing a silent lawn mower. There is no other mower like it on the market. Vanessa, the Marketing Director, has decided to charge the maximum price possible for this mower.

What type of pricing strategy is Vanessa using?

- (A) Cost pricing
- (B) Penetration
- (C) Price points
- (D) Skimming

9

<b>Balance Sheet of Acrid Waste Services as at 30 June 2003</b>		
	(\$)	(\$)
Current Assets		
Cash	3 000	
Accounts Receivable	5 000	
Inventory	1 000	9 000
Non-current Assets		7 000
		<u>16 000</u>
Current Liabilities		
Accounts Payable		9 000
Non-current Liabilities		3 000
Owners' Equity		
Capital	2 500	
Net Profit	1 500	4 000
		<u>16 000</u>
<i>Industry Averages</i>		
Working Capital Ratio	1.5 : 1	
Debt to Equity Ratio	2 : 1	

Which of the following statements describes the performance of Acrid Waste Services?

- (A) Debt to Equity Ratio is below the industry average
- (B) Debt to Equity Ratio exceeds the industry average
- (C) Working Capital Ratio exceeds the industry average
- (D) Working Capital Ratio is equal to the industry average

- 10 New Fields Developments is proposing to develop a shopping complex on vacant parkland. Complaints from local residents about the reduction of open space have been resolved by deciding to include a play area as part of the complex.

Which of the following describes the reason for this decision?

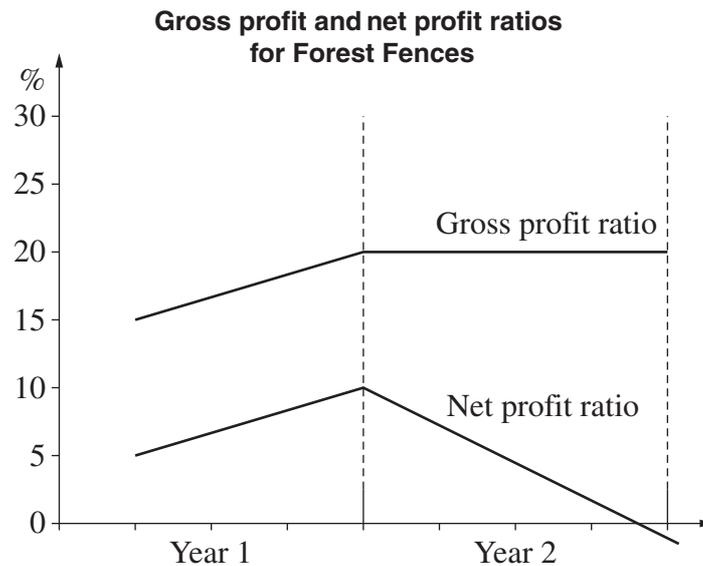
- (A) Applying democratic leadership style
- (B) Ensuring ecological sustainability
- (C) Exercising an informational role
- (D) Reconciling conflicts of interest

- 11 Management decisions within Pearson's Plastics Ltd are directly influenced by the personal power of some individuals.

What type of management theory is dominant in this business?

- (A) Behavioural
- (B) Classical-scientific
- (C) Contingency
- (D) Political

12



Which statement best describes the situation represented in the graph?

- (A) Year 1 was a period of decreasing expenses and Year 2 was a period of increasing expenses.
  - (B) Year 1 was a period of increasing expenses and Year 2 was a period of decreasing expenses.
  - (C) Year 1 was a period of improved sales performance and Year 2 was a period of increasing expenses.
  - (D) Year 1 was a period of improved sales performance and Year 2 was a period of decreasing expenses.
- 13 A cash-flow statement for a retail business would include which of the following?
- (A) Cash sales
  - (B) Credit purchases
  - (C) Credit sales
  - (D) Receivables

- 14** Highflight Travel is a successful chain of travel agencies that enjoys international recognition. It has decided to enter into arrangements that will allow other independent foreign travel agencies to use the 'Highflight' name in exchange for a fee. Highflight will also provide professional advice and assistance.

Which of the following describes the nature of this agreement?

- (A) Diversification
  - (B) Economies of scale
  - (C) Management contract
  - (D) Foreign direct investment
- 15** The General Manager of Yeo Enterprises meets with directors once a month to compare actual and planned financial performance.

Which of the following best describes this management process?

- (A) Controlling
  - (B) Organising
  - (C) Planning
  - (D) Staffing
- 16** Crocodile Gear Ltd has decided to contract a number of local clothing manufacturers to produce its range of sport shirts and shorts. The clothing will then be marketed and sold as an exclusive brand.

Which of the following structural responses to change best describes these arrangements?

- (A) Flat
- (B) Global web
- (C) Hierarchical
- (D) Network

- 17** Austin manages a successful confectionery business that has been free from industrial action. He attributes this to the active role played by unions and management in solving conflict.

What perspective on conflict has Austin demonstrated?

- (A) Covert
- (B) Pluralist
- (C) Radical
- (D) Unitary

- 18** Fortunes Financial Advisory Service offers free entry in a competition to win a jet ski. The free entry is in return for the completion of a short survey that asks a range of questions about financial and personal details.

Following the completion of surveys, Fortunes Financial Advisory Service contacts all the entrants to arrange a visit by an adviser to promote their services.

What is the unethical marketing method being used by Fortunes Financial Advisory Service?

- (A) Sugging
- (B) Implied conditions
- (C) Below-the-line promotion
- (D) Deceptive or misleading advertising

- 19** Which of the following legal aspects of employment relations is designed to protect an employee from being dismissed due to a physical disability?

- (A) Unfair dismissal
- (B) Anti-discrimination
- (C) Equal Employment Opportunity
- (D) Occupational Health and Safety

- 20** Staple Stationery Supplies decides to use factoring to improve cash flow.

This strategy would involve which of the following?

- (A) Selling accounts receivable to a collection agency
- (B) Selling goods on credit but with a specified date for payment
- (C) Selling the factors of production for cost, plus a small mark-up
- (D) Selling unused factory equipment to make up for the short-fall in cash flow

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Centre Number

Section II

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Student Number

40 marks

Attempt Questions 21–25

Allow about 1 hour and 15 minutes for this section

Answer the questions in the spaces provided.

Marks

Question 21 (4 marks)

The head office of Countrywide Bank has announced that one of its suburban branches will be closing. Angry local residents are protesting outside the bank.

- (a) Identify TWO stakeholders who might be affected by the protest. 1

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- (b) Identify TWO skills of management that the branch manager would require in this situation. 1

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- (c) Describe the informational role of the branch manager in addressing the concerns of a stakeholder in relation to the branch closure. 2

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Centre Number

Section II (continued)

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Student Number

Marks

Question 22 (10 marks)

Ajax Computers Ltd is considering making a takeover bid for a controlling block of shares in Gigabyte Computers Ltd. The financial report obtained from Gigabyte Computers includes the following information:

- Return on owners' equity has averaged 10% for the past two years (industry average is 15%).
- The accounts payable turnover period is 37 days (credit period is 21 days).
- Inventory turnover has increased from 27 days to 35 days in the last 12 months.
- Plant and equipment is valued at \$1.75 million.
- The current ratio is 1.5 : 1 (industry average is 2.5 : 1).

- (a) Outline TWO indicators of problems with effective cash-flow management experienced by Gigabyte Computers Ltd. 2

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- (b) Explain ONE strategy that Ajax Computers Ltd could implement to improve the profitability of Gigabyte Computers following the takeover. 2

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Question 22 continues on page 12

Question 22 (continued)

- (c) Following the takeover, Ajax Computers Ltd is considering closing down Gigabyte Computers Ltd and selling off its assets valued at \$1.75 million. Analyse the implications of this option. **6**

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**End of Question 22**

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Centre Number

Section II (continued)

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Student Number

Marks

Question 23 (10 marks)

Watermelon Electronics is considering setting up a subsidiary in a developing country to manufacture some of its components. It could benefit from tax advantages and lower production costs, yet faces potential problems of a shortage of skilled labour and differences in labour law.

- (a) Outline ONE employment relations strategy that Watermelon Electronics could use to overcome the problem of a shortage of skilled labour. 2

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- (b) Compare TWO types of organisational structure that Watermelon Electronics may adopt to cater for this subsidiary. 4

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Question 23 continues on page 14

Question 23 (continued)

- (c) Evaluate a possible management response from Watermelon Electronics to a labour law variation that may exist in the developing country. **4**

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**End of Question 23**

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Centre Number

Section II (continued)

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Student Number

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Question 24 (10 marks)

Please turn over

**Question 24** (10 marks)

Expo Publications produces and sells a monthly four-wheel drive magazine across New South Wales. Reader profiles of the four-wheel drive segment of the magazine market, and the total motoring magazine market, are shown below.

**Reader profiles**

	<i>Four-wheel drive segment of the magazine market</i>	<i>Total motoring magazine market</i>
Age	40–50	16–70
Gender	Male	Male
Income	\$400–\$600 per week	\$200–\$1000 per week
Residence	Outer suburbs and rural areas	Outer suburbs and rural areas
Frequency of purchase	Monthly	Six magazines per year

- (a) List TWO characteristics of the four-wheel drive segment of the magazine market. **1**

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**Question 24 continues on page 17**

Question 24 (continued)

- (b) Recommend a promotional strategy to expand Expo Publications' reader profile to include males aged from 25 to 40. **3**

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- (c) Evaluate TWO product strategies that Expo Publications could implement to increase magazine sales. **6**

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**End of Question 24**

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Centre Number

Section II (continued)

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Student Number

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Question 25 (6 marks)

Please turn over

**Question 25** (6 marks)

Truman has inherited some money and is considering investing in a retail business. He has been studying the financial reports of two possible businesses and has extracted the following data.

<i>Margie's Kitchen Shop</i>		<i>Lim's Fabric Store</i>	
	(\$)		(\$)
Revenue	12 000	Revenue	20 000
Expenses	8 000	Expenses	16 000
Current assets	80 000	Current assets	30 000
Current liabilities	40 000	Current liabilities	30 000
Non-current assets	20 000	Non-current assets	70 000
Non-current liabilities	20 000	Non-current liabilities	30 000

- (a) Calculate a profitability ratio for Margie's Kitchen Shop. **1**

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- (b) Calculate and interpret a liquidity ratio for Lim's Fabric Store. **2**

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**Question 25 continues on page 21**

Question 25 (continued)

- (c) Based only on the financial information provided, recommend the business that would be the most appropriate investment for Truman. **3**

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**End of Question 25**

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## Business Studies

### Section III

20 marks

Attempt Question 26

Allow about 35 minutes for this section

Answer the question in a writing booklet. Extra writing booklets are available.

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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
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#### Question 26 (20 marks)

Aussie Thongs Pty Ltd has been selling beach footwear in Australia for 20 years and believes that it has reached the point of market saturation, with little growth in market size over the past three years.

Aussie Thongs has decided to expand its operations overseas to capitalise on the popular Australian beach culture. It has decided to maintain production in Australia, as it believes that this will add to product appeal.

In order to achieve its goals for expansion, Aussie Thongs must raise considerable finance to enlarge its manufacturing operations and market the product overseas. Aussie Thongs currently has a debt to equity ratio of 1.2 : 1.

Aussie Thongs is particularly concerned about the following aspects of its proposed global expansion:

- choice of appropriate funding to finance the expansion;
- the process for developing a marketing plan for the global product launch;
- the management of marketing on a global scale; and
- financial management as the business moves into global markets.

As a consultant, you have been asked to write a business report to the owners of Aussie Thongs Pty Ltd. In your report, outline appropriate alternatives for funding the proposed expansion, propose a process for the development of a new marketing plan, and recommend strategies for the successful financial management of a global business.

**Please turn over**

## **Section IV**

**20 marks**

**Attempt either Question 27 or Question 28**

**Allow about 35 minutes for this section**

Answer the question in a SEPARATE writing booklet. Extra writing booklets are available.

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

- use your knowledge and relevant business case study/studies
  - communicate using relevant business terminology and concepts
  - present a logical, well-structured answer to the question
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### **Question 27 (20 marks)**

Describe how business can manage change effectively, and evaluate the effectiveness of employment relations strategies in achieving change.

**OR**

### **Question 28 (20 marks)**

Describe the nature and sources of change in business, and evaluate their impact on employment relations.

**End of paper**