

B O A R D O F S T U D I E S
NEW SOUTH WALES

2005

**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, 17 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 9–19

40 marks

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

Section III Page 21

20 marks

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

Section IV Page 22

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 →

1 As Human Resource Manager of a new business, Kim believes productivity will be increased if he organises his employees into teams.

What management theory is Kim adopting?

- (A) Autocratic
- (B) Behavioural
- (C) Political
- (D) Scientific

2 An engineering business that has been producing pollution control components for ten years, is now redesigning components to meet new environmental standards.

What marketing strategy is the business currently concerned with?

- (A) Place
- (B) Price
- (C) Product
- (D) Promotion

- 3** Academic Electronics produces microchip components for manufacturers of computer systems.

What type of market is Academic Electronics servicing?

- (A) Consumer
- (B) Industrial
- (C) Mass
- (D) Retail

- 4** The number of fathers taking leave from work following the birth of a child has increased in recent years. Management is responding to this change.

Which of the following best describes the nature of this influence on employment relations?

- (A) Global
- (B) Social
- (C) Structural
- (D) Technological

- 5** An employee has received a performance appraisal report that he considers unfair. As a result, he deliberately fails to place an order for a key component, which will hold up the production process for a week.

What type of industrial action is being taken by the employee?

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

- 6** Which of the following is an example of an external influence that may cause a company to change its strategic direction?

- (A) The outsourcing of marketing
- (B) The decision to establish web-based ordering
- (C) The introduction of new management processes
- (D) The legislation of new environmental health policies

- 7** Which of the following best describes selling-oriented marketing?
- (A) Using aggressive advertising to persuade customers to purchase products
 - (B) Satisfying the current and future preferences of customers to ensure long-term success
 - (C) Pursuing production efficiencies to deliver quality products at prices that attract consumers
 - (D) Enhancing the quality of working life to motivate staff to deliver high-quality goods and services

- 8** Company *A* is considering taking over company *B*.

Which of the following is a reason for resistance to change that management should consider in their planning?

- (A) The need to set achievable goals
 - (B) The potential for cultural incompatibility
 - (C) The opportunity to develop strategic alliances
 - (D) The ability to create more flexible working conditions
- 9** Which of the following is an example of responsible management in a global environment?
- (A) Clearing rainforests to grow crops for fast-food outlets
 - (B) Creating a tax-avoidance scheme to increase profits for shareholders
 - (C) Considering the employment practices of potential overseas suppliers
 - (D) Establishing production processes to increase employment without safety training

- 10** A clothing retailer places an order for goods from an overseas supplier for delivery within one month. The retailer negotiates to pay the account at the exchange rate existing at the time the order is placed.

Which of the following is the retailer doing?

- (A) Hedging
- (B) Factoring
- (C) Cushioning the economic cycle
- (D) Engaging in foreign direct investment

Use the following information to answer Questions 11 and 12.

Financial Statement of Brooke’s Bakery for the year ended 30 June 2005			
	(\$)	(\$)	(\$)
Sales			600 000
<i>Less cost of goods sold</i>			
Opening stock	400 000		
Purchases	250 000		
<i>Less closing stock</i>	<u>200 000</u>	450 000	
Gross profit			?
<i>Less operating expenses</i>			<u>100 000</u>
Net profit			50 000
Additional information: owner’s equity \$400 000			

11 What is the value of the gross profit ratio?

- (A) 1 : 12
- (B) 1 : 6
- (C) 1 : 4
- (D) 1 : 1.33

12 What is the return on owner’s equity?

- (A) 8.3%
- (B) 12.5%
- (C) 37.5%
- (D) 150%

- 13** Which of the following changes in employment relations is most likely to occur in a period of economic growth?
- (A) Decreased funding of family-friendly programs
 - (B) Decreased financial rewards offered to employees
 - (C) Increased number of training programs to overcome skill deficits
 - (D) Increased number of employees offered redundancy packages

Use the following information to answer Questions 14 and 15.

The cashflow forecast for Nic's Cafe highlights that there may be a liquidity problem.

	October	November	December	January
	\$	\$	\$	\$
<i>Opening balance</i>	6 000	8 000	?	?
<i>Cash inflow</i>	7 000	7 000	7 000	10 000
<i>Cash outflow</i>	5 000	16 000	3 000	2 000

- 14** In which two months might Nic's Cafe experience a liquidity problem?
- (A) October and November
 - (B) November and December
 - (C) November and January
 - (D) December and January
- 15** Which of the following strategies would be most appropriate to solve this liquidity problem at Nic's Cafe?
- (A) Issue debentures
 - (B) Obtain a mortgage
 - (C) Seek venture capital
 - (D) Apply for an overdraft

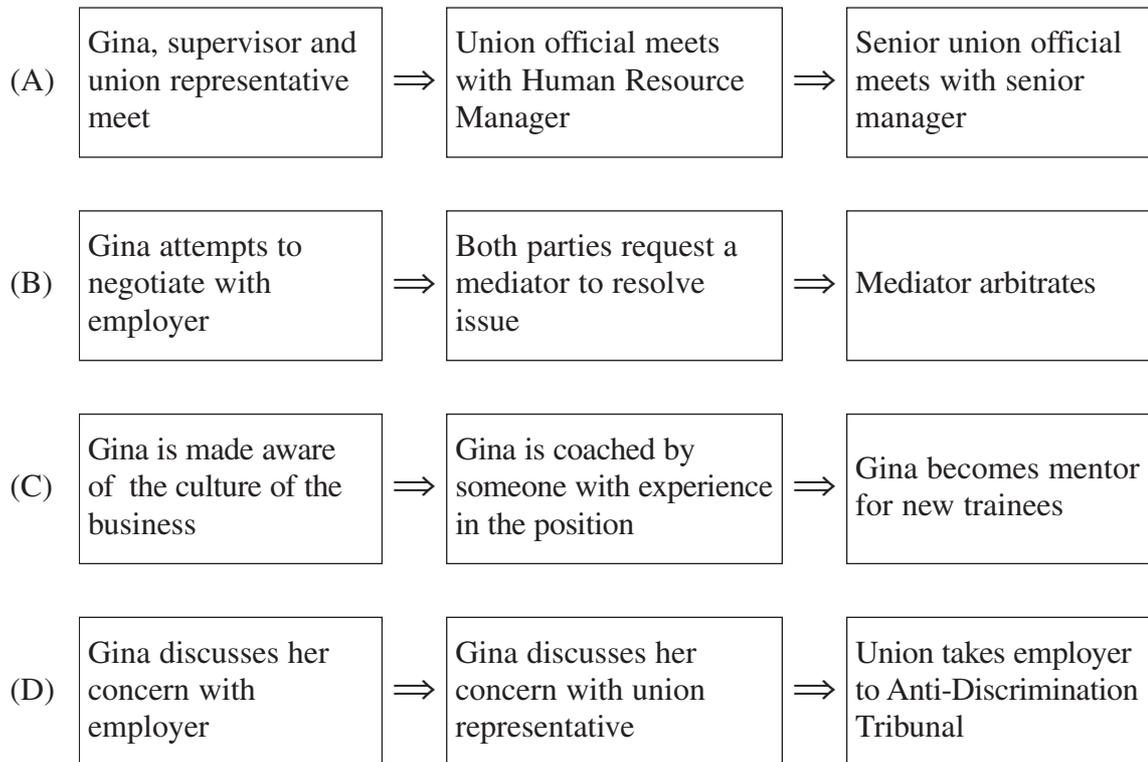
- 16 A popular rock band has released a new CD. A large department store has decided to sell this CD at below cost price.

What strategy is the store using?

- (A) Price points
- (B) Market pricing
- (C) Price skimming
- (D) Loss leader pricing

- 17 Gina has been overlooked for promotion because of her pregnancy. Gina has decided to challenge this decision.

Which of the following is the most appropriate course of action that should be undertaken before seeking a legally-binding decision?



18 An organisation is introducing a hierarchical structure based on division of labour.

Which of the following could be seen as an initial advantage?

- (A) Increased employee motivation
- (B) Greater responsiveness to innovation and external change
- (C) Greater worker participation in the decision-making process
- (D) Increased productivity due to knowledge of tasks performed

19 Domestic interest rates in Australia are below those of its trading partners. The Aussie Hat Company has borrowed funds to service the debt of an overseas subsidiary.

Which of the following will be the impact of this financial strategy?

	<i>Aussie Hat Company</i>	<i>Overseas subsidiary</i>
(A)	Increased gearing	Improved solvency
(B)	Increased gearing	Reduced solvency
(C)	Reduced accounts payable	Improved owner's equity
(D)	Reduced accounts payable	Reduced owner's equity

20 JJ's Wool Company is considering purchasing 48% of shares in Hunter Cotton Ltd. Audited accounts show that the plant and equipment of Hunter Cotton Ltd are under-valued. JJ's Wool Company hopes to profit if Hunter Cotton Ltd buys back the shares to maintain control of its company.

Which of the following lists two ethical aspects that JJ's Wool Company should consider?

- (A) Asset stripping and lease back
- (B) Asset stripping and corporate raiding
- (C) Inappropriate cut-off periods and misuse of funds
- (D) Inappropriate cut-off periods and corporate raiding

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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 (5 marks)

Patrick is the manager of a call centre. He noticed that his younger staff members were regularly late to work on Friday mornings. As a result Patrick introduced flexible starting times.

- (a) Identify a management role Patrick may have performed in making this change. 1

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- (b) Describe ONE management skill Patrick needed to deal with the situation. 2

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- (c) Describe ONE possible impact on the business that Patrick may have considered in effectively managing this change. 2

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Centre Number

Section II (continued)

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Student Number

Marks

Question 22 (10 marks)

An Australian chemical manufacturer has decided to relocate its production plant to a developing country to take advantage of regulatory differences.

- (a) Identify ONE advantage to the manufacturer of relocating its production plant. **1**

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- (b) Identify TWO stakeholders affected by the relocation, and describe an ecological conflict of interest that may arise between these stakeholders. **3**

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Question 22 continues on page 12

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Centre Number

Section II (continued)

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Student Number

Question 23 (10 marks)

Please turn over

Question 23 (10 marks)

**Financial ratios for Maurice’s Trading Company
for 2004 and 2005**

	2004	2005
Current ratio	2:1	1:1
Gross profit ratio	35%	35%
Net profit ratio	30%	25%
Accounts receivable turnover ratio	12 times per annum	6 times per annum
Return on owner’s equity	15%	10%

- (a) State the formula for calculating the current ratio. **1**

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- (b) State ONE reason for the change in the net profit ratio for Maurice’s Trading Company, and propose ONE strategy to deal with this situation. **3**

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Question 23 continues on page 15

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Centre Number

Section II (continued)

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Student Number

Marks

Question 24 (10 marks)

Vic is employed as a senior project manager. Vic's wife will soon be required to work away from home for three days a week. This will create child-minding problems for Vic and his wife, and Vic's working conditions may need to change.

- (a) Identify TWO social influences on employment relations that contributed to Vic's and his wife's situation. **2**

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- (b) Describe a legal influence that Vic's employer should consider before changing the present working conditions. **2**

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Question 24 continues on page 18

Question 24 (continued)

- (c) Describe ONE strategy Vic’s employer may suggest in response to Vic’s changed situation, and evaluate its likely impact on Vic and the business.

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End of Question 24

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Centre Number

Section II (continued)

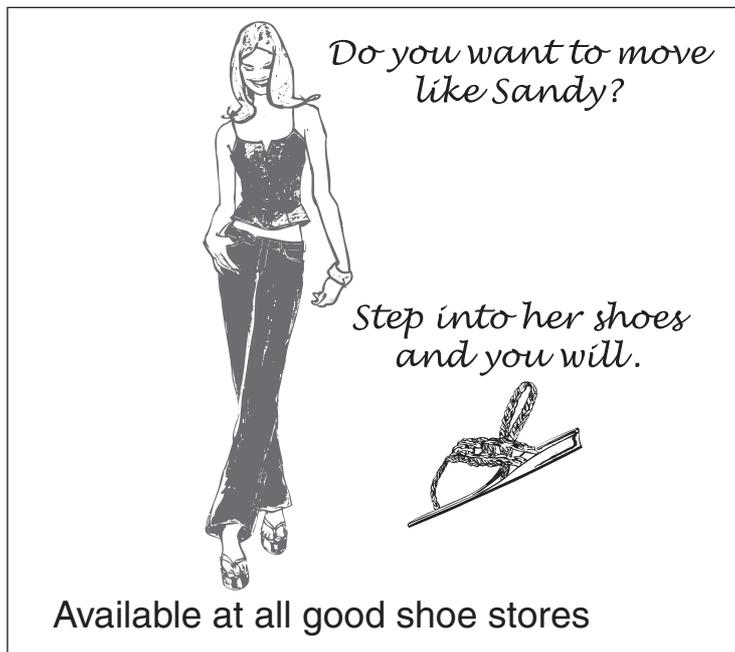
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Student Number

Marks

Question 25 (5 marks)

A shoe manufacturer has employed a high-profile teenage music star, Sandy, to launch its new fashion shoe line aimed at girls in the 8–12 age group.



- (a) Describe ONE ethical issue involved in targeting this age group. 2

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- (b) Analyse ONE legal aspect related to the use of the above advertisement. 3

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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.

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)

‘Grow global’ is the corporate vision of Seashore Pty Ltd. This canned fish manufacturer has been one of Australia’s fastest growing companies since it was established five years ago. The domestic market for canned fish has reached saturation point and Seashore Pty Ltd is now looking for new markets in Japan. Seashore’s marketing objective is to have a 5% market share in Japan by 2008. Seashore’s financial objective is to provide an increased return on capital for its shareholders.

The management committee will meet in a month’s time to discuss the following strategies:

- foreign direct investment as a method of expansion;
- the use of equity finance to fund expansion; and
- differentiating its product offering in Japan.

As the financial manager, you have been asked to prepare a report for the management committee.

In your report, describe the strategic role of financial management, discuss the **THREE** strategies to be considered by the committee, and evaluate the strategies in relation to the achievement of the stated marketing and financial objectives.

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.

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 the rights and obligations of employers, and evaluate the use of communications systems in employment relations to manage change effectively.

OR

Question 28 (20 marks)

Describe the causes of industrial conflict, and evaluate the use of rewards and training and development in managing change effectively.

End of paper