

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

2006

**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 17

Total marks – 100

Section I Pages 2–8

20 marks

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

Section II Pages 9–18

40 marks

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

Section III Page 19

20 marks

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

Section IV Page 20

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 A manager calls a staff meeting to resolve issues raised by the union representative.

Which of the following best describes the manager's responsibility?

- (A) To manage by consent
- (B) To use strategic thinking
- (C) To reconcile conflicts of interest
- (D) To perform decisional management

2 A soft drink company has designed a multicoloured bottle to market its new drink.

Which marketing strategy is being used by the company?

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

3 Which of the following is a reason for international expansion of a business?

- (A) To find new markets
- (B) To ensure business efficiency
- (C) To maximise competitive risk
- (D) To achieve diseconomies of scale

4 Joe has posted the monthly roster on the staff notice board. He has scheduled each staff member with his or her preferred day off.

Which of the following management roles has Joe performed?

- (A) Informational and ethical
- (B) Interpersonal and flexible
- (C) Informational and strategic
- (D) Interpersonal and decisional

- 5** The financial manager of a furniture company has determined that improving turnover of accounts receivable will be the goal for the next financial year.

Which objective is the financial manager aiming to improve?

- (A) Efficiency
- (B) Liquidity
- (C) Profitability
- (D) Solvency

- 6** What is the main role of the Australian Stock Exchange?

- (A) Conducting a public market in shares and debentures
- (B) Buying and selling securities in Australian businesses
- (C) Providing prudential supervision of financial institutions
- (D) Ensuring investors create economic growth and employment prospects

- 7** Ana purchased a new brand of football boots on the recommendation of her team-mates.

Which factor influenced Ana's choice?

- (A) Competitiveness
- (B) Economic
- (C) Psychological
- (D) Sociocultural

- 8** To resolve a dispute in the workplace, the union delegate met with management. This meeting resulted in a compromise and a formal agreement.

Which dispute resolution process is outlined above?

- (A) Arbitration
- (B) Conciliation
- (C) Mediation
- (D) Negotiation

Use the following information to answer Questions 9 and 10.

Balance Sheet of Fergus Enterprises Pty Ltd as at 30 June 2006		
	(\$)	(\$)
Assets		
Current assets	150 000	
Non-current assets	250 000	
Intangibles	50 000	
Total assets		<u>450 000</u>
Liabilities		
Current liabilities	100 000	
Non-current liabilities	200 000	
Total liabilities		<u>300 000</u>
Shareholders' equity		
Capital	120 000	
Retained profits	30 000	
Total equity		<u>150 000</u>

9 What is the current ratio?

- (A) 0.33:1
- (B) 1.25:1
- (C) 1.5:1
- (D) 3:1

10 What is the gearing ratio?

- (A) 1.25:1
- (B) 1.33:1
- (C) 1.5:1
- (D) 2:1

11 Michael set up a website to enable his customers to purchase goods online.

Which of the following is an internal influence that may have led to this decision?

- (A) The development of global markets for the products Michael offers
- (B) The decision by Michael's business to outsource training and development
- (C) The setting up by Michael's largest competitor of an online purchasing service
- (D) The modification of the marketing plan on the advice of an external consultant

12 Which of the following is an advantage of using owner's equity as a source of funds?

- (A) The owner's unproductive assets are liquidated.
- (B) There is no change of ownership as funding is internal.
- (C) The business can make tax savings in periods of high inflation.
- (D) The business is able to sustain prolonged periods of operating losses.

13 The Australian Government has decided to follow a policy of free trade. Industry and commerce groups have argued to maintain protectionism.

Which of the following would best support the argument of industry and commerce groups?

- (A) Retaliation against another country's trade restrictions
- (B) Reduction of economic growth in the domestic market
- (C) Restriction of consumer choice to locally produced products
- (D) Protection of strong domestic industries from foreign imports

14 A bank charges a fee to customers of other banks who use its ATM service.

What is the pricing method being used by the bank?

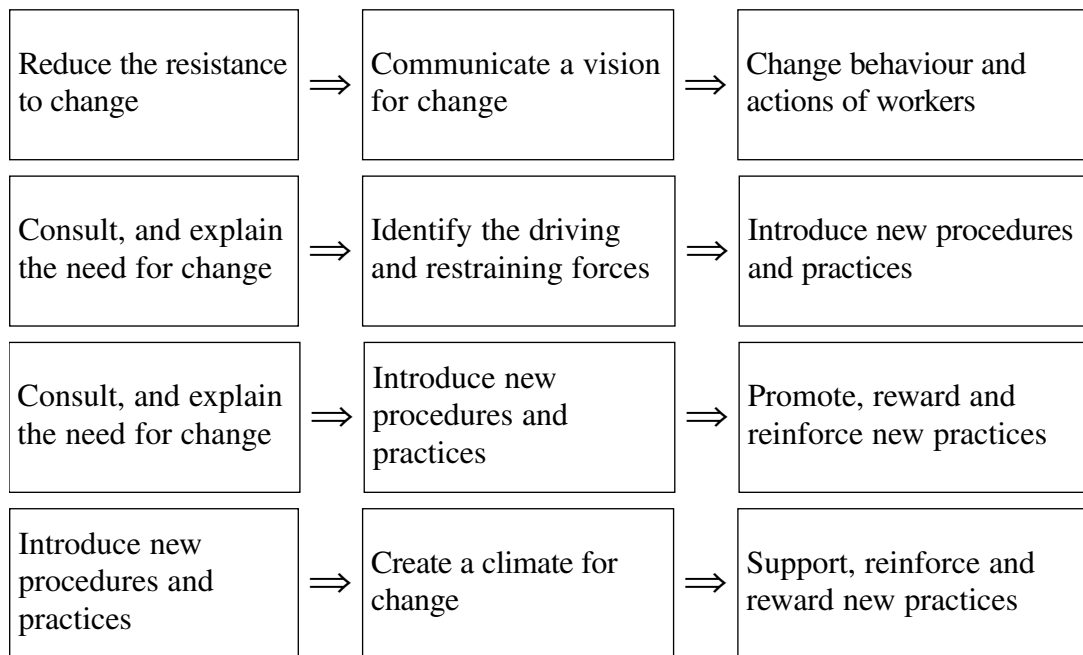
- (A) Cost-based
- (B) Break-even
- (C) Market-based
- (D) Competition-based

15 A business is offering next day delivery of cleaned and scaled fish to restaurants.

What type of market is the business targeting?

- (A) Consumer
- (B) Intermediate
- (C) Resource
- (D) Wholesale

16 Which of the following represents Lewin's change model?



17 A company reduces the amount of tax it pays by engaging in transfer pricing.

Which of the following describes this practice?

- (A) Redirecting profits to take advantage of tax havens
- (B) Buying products from a subsidiary at lower than market prices
- (C) Undercutting a competitor by selling goods at below cost price
- (D) Taking advantage of currency fluctuations to buy imported raw materials

- 18** What method could a business use to expand internationally?
- (A) Varying business practices and ethics
 - (B) Acquiring resources to access technological advances
 - (C) Minimising competitive risk by cushioning the economic cycle
 - (D) Making an agreement to provide technical expertise to an overseas business
- 19** Which of the following indicates that a business is complying with Equal Employment Opportunity requirements?
- (A) Granting employment preference to female workers
 - (B) Ensuring that disabled employees have full access to the building
 - (C) Establishing policies to remove discrimination from the recruitment process
 - (D) Ensuring employees have working conditions that meet minimum requirements
- 20** Which of the following is a measure of effective employment relations?
- (A) The high cost of retrenchment packages
 - (B) Increased use of temporary workers and overtime
 - (C) Industry average levels of voluntary staff turnover
 - (D) Increased training associated with replacing special skills

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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 (6 marks)	
(a) Identify ONE way an employee can behave ethically in the workplace.	1
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(b) Describe ONE legal aspect of employment relations.	2
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(c) Identify ONE aspect of ethical employment relations and explain its benefit to the employer.	3
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Centre Number

Section II (continued)

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Student Number

Marks

Question 22 (6 marks)

A mobile phone company is moving to a niche market focus. The concept the company is aiming to develop is relationship marketing.

- (a) Identify ONE feature of a niche market. **1**

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- (b) Describe relationship marketing. **2**

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- (c) Identify ONE strategy that the mobile phone company could use to develop relationship marketing, and explain ONE possible impact of the strategy on EITHER the customer OR the company. **3**

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Centre Number

Section II (continued)

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Student Number

Marks

Question 23 (8 marks)

Aussie Machinery and Farm Supplies (AMFS) was nominated for the 2005 Australian Exporter of the Year Award. AMFS has a reputation for superior environmentally responsible products and quality customer service which it has used to market its products internationally. Its global network comprises manufacturing facilities in over 50 countries and it employs 1600 workers. The AMFS research and development team has designed a petrol-saving device that will ensure continued growth of the business.

- (a) Identify ONE feature of globalisation. **1**

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- (b) Describe ONE trend in globalisation that may have contributed to the growth of AMFS. **2**

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Question 23 continues on page 14

Question 23 (continued)

- (c) Analyse how AMFS could use its reputation for superior environmentally responsible products to market internationally. **5**

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End of Question 23

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Centre Number

Section II (continued)

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Student Number

Marks

Question 24 (10 marks)

Home Gym Suppliers merged with Athletic Sports Company to improve profits. Home Gym Suppliers had been using classical-scientific theory while Athletic Sports Company used political management theory. The result has been constant arguing and a resistance to change among employees of the merged business.

- (a) Describe political management theory. **2**

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- (b) Explain a reason for resistance to change resulting from the merger of these two businesses. **2**

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Question 24 continues on page 16

Question 24 (continued)

- (c) Analyse why contingency management theory may be more appropriate for the merged business. **6**

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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 (10 marks)

Pizza & Pasta Restaurant Revenue statement year ended 30 June 2006		Industry average
	\$	\$
Sales	150 000	200 000
Cost of goods sold	<u>105 000</u>	<u>100 000</u>
Gross profit	45 000	100 000
Operating expenses		
Administrative	5 000	12 000
Selling & distribution	7 000	15 000
Financial	<u>3 000</u>	<u>3 000</u>
Net profit	<u><u>30 000</u></u>	<u><u>70 000</u></u>

- (a) Identify and calculate ONE profitability ratio for Pizza and Pasta Restaurant. 2

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Question 25 continues on page 18

Question 25 (continued)

- (b) Explain the purpose of comparative ratio analysis for a business. **2**

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- (c) Evaluate TWO ways the owners of Pizza and Pasta Restaurant could use the financial information provided in the revenue statement to improve profitability. **6**

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End of Question 25

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)

Mario has operated a chocolate-making business in Australia for the past 25 years. Recently there have been increases in the cost of labour in Australia.

Current industry trends indicate that a new organisational structure based on behavioural theory would be more beneficial than the existing hierarchical structure.

There has been an increasing demand for Mario's chocolates from overseas buyers. Mario is now assessing the future direction of his business by considering international expansion.

Mario has a good reputation in managing his local workforce. He would like to achieve the same reputation with his potential overseas workforce.

Mario wishes to investigate the following:

- alternative organisational structures for his Australian business;
- employment relations with reference to staffing systems;
- managing labour-related issues in international markets.

You have been employed as a consultant to prepare a report for Mario.

In your report, describe an alternative organisational structure for Mario's Australian business. Recommend ONE staffing system for Mario's proposed overseas business. Evaluate TWO employment relations strategies which could be used to manage change if international expansion occurs.

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 strategies used by a business when marketing a product, and evaluate the importance of pricing strategies for effective profitability management.

OR

Question 28 (20 marks)

Describe the elements of a marketing plan used by a business, and evaluate the effectiveness of financial planning in achieving the objectives of a marketing plan.

End of paper