

# Business Studies

## General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black pen
- Draw diagrams using pencil
- Board-approved calculators may be used

## Total marks – 100

**Section I** Pages 2–7

### 20 marks

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

**Section II** Pages 9–16

### 40 marks

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

**Section III** Pages 17–18

### 20 marks

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

**Section IV** Page 19

### 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 for Questions 1–20.

---

- 1** A red leather lounge was purchased from Lounge Ltd. After only two weeks of use, the legs of the couch fell off.

What is the law that enforces the warranty in this situation?

- (A) *Corporations Act 2001* (Cth)
- (B) *Fair Trading Act 1987* (NSW)
- (C) *Trade Practices Act 1974* (Cth)
- (D) *Competition and Consumer Act 2010* (Cth)

- 2** Ruth observed that a work colleague was stealing and reported the theft to her supervisor. As a result, Ruth's employment was terminated.

What is this an example of?

- (A) Performance management
- (B) Redundancy
- (C) Retrenchment
- (D) Unfair dismissal

- 3** While developing a new marketing plan a business discovers that many customers think its website is boring and confusing.

At what stage in the marketing process should this have been identified?

- (A) Identifying target markets
- (B) Developing marketing strategies
- (C) Conducting a situational analysis
- (D) Establishing marketing objectives

4 Solvency is the ability of a business to

- (A) maximise its profits.
- (B) increase its market share.
- (C) meet its long-term financial commitments.
- (D) meet its short-term financial commitments.

5 An employee is treated unfairly because she is pregnant.

What legislation prohibits this behaviour?

- (A) *Trade Practices Act 1974* (Cth)
- (B) *Affirmative Action (Equal Employment Opportunity for Women) Act 1986* (Cth)
- (C) *Sex Discrimination Act 1984* (Cth)
- (D) *Competition and Consumer Act 2010* (Cth)

6 A global business has adopted a strategy which aims to lower the average cost of its product by increasing output.

What is this strategy called?

- (A) Outsourcing
- (B) Global pricing
- (C) Global sourcing
- (D) Economies of scale

7 A person purchases his clothing from a discount store because he is a low-income earner.

What factor is influencing his consumer choice?

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

- 8 A business plans to increase its stock to be ready for the grand opening of five new stores. This shows the interdependence between which business functions?
- (A) Operations and finance
  - (B) Operations and marketing
  - (C) Finance and human resources
  - (D) Human resources and marketing
- 9 Which performance objective measures how well a product meets the prescribed design specifications?
- (A) Cost
  - (B) Flexibility
  - (C) Quality
  - (D) Speed
- 10 The table shows cash flow information for a business.

	<i>Jan</i>	<i>Feb</i>	<i>March</i>	<i>April</i>
<i>Opening balance</i> (\$)	4 000			
<i>Cash in</i> (\$)	20 000	20 000	20 000	24 000
<i>Cash out</i> (\$)	14 000	50 000	24 000	26 000

What is the opening cash balance for April?

- (A) -\$24 000
- (B) -\$18 000
- (C) -\$16 000
- (D) -\$12 000

Use the information below to answer Questions 11 and 12.

**Balance sheet for Steve's Lawn Services as at 30th June 2016**

<i>Current assets</i>	\$	<i>Current liabilities</i>	\$
Cash	15 000	Accounts payable	5 000
Accounts receivable	3 000	Overdraft	5 500
Stock	?		
<i>Non-current assets</i>		<i>Non-current liabilities</i>	
Plant and equipment	40 000	Long-term loan	100 000
Goodwill	85 000		
		<i>Total equity</i>	
		Capital	22 700
		Net profit	12 800

Industry standard current ratio: 1.9 :1

- 11** If Steve is a sole trader, how much equity does he have in the business?
- (A) \$12 800  
(B) \$35 500  
(C) \$135 500  
(D) \$146 000
- 12** The current ratio (current assets ÷ current liabilities) for this business is
- (A) too high.  
(B) acceptable.  
(C) dangerously low.  
(D) unable to be calculated.
- 13** A beauty company sends samples of its new lip balm to members of its loyalty program and to online beauty bloggers.
- What strategies is the company using?
- (A) Publicity and global branding  
(B) Global branding and opinion leaders  
(C) Customisation and relationship marketing  
(D) Relationship marketing and opinion leaders

- 14** Which of the following is an example of a unit trust?
- (A) An investor purchases shares in a public company.
  - (B) Investors lend money directly to businesses and receive interest in return.
  - (C) Investors pool their money together and it is invested in the property market.
  - (D) An investor deposits money with a financial institution and receives a fixed rate of interest.

- 15** A confectionery company used to sell its chocolate bars direct to the public. Now its products will only be available in supermarkets.

How has the market for the product changed?

- (A) From a resource market to an industrial market
  - (B) From a consumer market to an industrial market
  - (C) From a consumer market to an intermediate market
  - (D) From an intermediate market to a consumer market
- 16** A business needs to reduce its workforce for financial reasons. All its employees are equally skilled and have 3 years of service.
- Which staff member should be dismissed first?
- (A) A casual employee
  - (B) A pregnant employee
  - (C) A part-time employee
  - (D) A 66-year-old employee

- 17** A small business has developed a new piece of gym equipment that it wants to sell to gyms throughout Sydney.

What would be the most appropriate marketing strategy for this?

- (A) Advertising on billboards on main roads
- (B) Placing its logo on a sporting team's uniform
- (C) Sales representatives visiting gyms to demonstrate the product
- (D) Advertising on television during football games throughout the season

- 18** Hannah is a permanent employee at XYZ Ltd who has been injured in a workplace accident.

Who is ultimately responsible for paying Hannah's medical expenses for this injury?

- (A) Hannah
- (B) Medicare
- (C) WorkCover NSW
- (D) XYZ Ltd's insurance company

- 19** The table shows financial data for two businesses.

	<i>Business A</i>	<i>Business B</i>
<i>Annual sales</i> (\$)	1 600 000	2 800 000
<i>Net profit</i> (\$)	400 000	400 000
<i>Accounts receivable</i> (\$)	200 000	250 000
Net profit ratio: $\text{net profit} \div \text{sales}$ Accounts receivable turnover ratio: $\text{sales} \div \text{accounts receivable}$		

Which of the following statements is correct?

- (A) Business A is more profitable but less efficient than Business B.
  - (B) Business B is more profitable but less efficient than Business A.
  - (C) Business A is more profitable and more efficient than Business B.
  - (D) Business B is more profitable and more efficient than Business A.
- 20** An independent web designer has a legal agreement with a department store to improve its online shopping site in time for the Christmas sales.

The web designer's working conditions are specified in

- (A) an award.
- (B) the contract for service.
- (C) an enterprise agreement.
- (D) the National Employment Standards.

BLANK PAGE



2016 HIGHER SCHOOL CERTIFICATE EXAMINATION  
**Business Studies**

--	--	--	--	--

Centre Number

**Section II**

**40 marks**

**Attempt Questions 21–25**

**Allow about 1 hour and 15 minutes  
for this section**

--	--	--	--	--	--	--	--	--

Student Number

Answer the questions in the spaces provided. These spaces provide guidance for the expected length of response.

Extra writing space is provided on pages 15 and 16. If you use this space, clearly indicate which question you are answering.

Write your Centre Number and Student Number at the top of this page.

---

**Please turn over**

Do NOT write in this area.

**Question 21** (9 marks)

Sue is a sole trader whose business is growing rapidly as sales are increasing. As a result of the growth, she needs to purchase stock worth \$10 000.

- (a) Explain a potential conflict between a short-term and a long-term financial objective for Sue. **3**

.....

.....

.....

.....

.....

.....

.....

- (b) Discuss ONE internal and ONE external source of finance for Sue’s purchase of stock. **6**

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Do NOT write in this area.

**Question 22** (8 marks)

A business develops video games. It had three different games for sale last year. The table shows forecast and actual sales for each game.

Use the information in the table to answer parts (a), (b) and (c).

	<i>Forecast sales (\$)</i>	<i>Actual sales (\$)</i>
Game A	500 000	495 000
Game B	200 000	100 000
Game C	300 000	800 000

- (a) Why is this information an important part of the marketing process? **2**

.....  
.....  
.....  
.....

- (b) With reference to the information, recommend a strategy for promoting game B. **3**

.....  
.....  
.....  
.....  
.....  
.....  
.....

- (c) With reference to the information, recommend a strategy for distributing game C. **3**

.....  
.....  
.....  
.....  
.....  
.....  
.....

Do NOT write in this area.

**Question 23** (10 marks)

Heather owns a financial planning business with offices in four countries, including Australia.

- (a) Heather outsources the cleaning of her Sydney office. 2

Explain ONE advantage of this strategy.

.....

.....

.....

.....

- (b) Heather also outsources all her financial record keeping. 4

Explain TWO disadvantages of this strategy.

.....

.....

.....

.....

.....

.....

.....

.....

- (c) Heather’s workforce is diverse and culturally competent. 4

What are the advantages of this for Heather’s business?

.....

.....

.....

.....

.....

.....

.....

.....

Do NOT write in this area.

**Question 24** (7 marks)

A fruit shop has experienced strong growth in its sales of fresh organic fruit since it started to sell online.

- (a) Discuss ONE possible method of inventory management for this business. **4**

.....

.....

.....

.....

.....

.....

.....

.....

.....

- (b) Explain why corporate social responsibility should be a key concern in operations management for this business. **3**

.....

.....

.....

.....

.....

.....

.....

Do NOT write in this area.



**Section II extra writing space**

**If you use this space, clearly indicate which question you are answering.**

Do NOT write in this area.





**2016 HIGHER SCHOOL CERTIFICATE EXAMINATION**  
**Business Studies**

**Section III**

**20 marks**

**Attempt Question 26**

**Allow about 35 minutes for this section**

Answer the question in the Sections III and IV Writing Booklet. Extra writing booklets are available.

---

Your answer will be assessed on how well you:

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

**Question 26** (20 marks)

**Please turn over**

**Question 26** (20 marks)

The table shows data for Lee's Catering, a small business. It has a high profile chef and the food is of excellent quality. It has many bookings for future events.

<i>Extract from financial reports for Lee's Catering</i>	
<i>Cash</i> (\$)	1000
<i>Accounts receivable</i> (\$)	10 000
<i>Inventory</i> (\$)	50
<i>Accounts payable</i> (\$)	11 050
<i>Goodwill</i> (\$)	200 000
<i>Current ratio</i> (current assets ÷ current liabilities)	100% (industry average 150%)
<i>Gross profit ratio</i> (gross profit ÷ sales)	30% (industry average 50%)
<i>Expense ratio</i> (total expenses ÷ sales )	60% (industry average 30%)

A potential new partner is concerned about the accuracy of the financial reports and the effectiveness of current management.

The potential new partner has asked you to write a business report in which you:

- explain possible limitations of the financial reports
- recommend appropriate working capital management strategies for the business
- evaluate a pricing strategy the business could use.

## **Section IV**

**20 marks**

**Attempt either Question 27 or Question 28**

**Allow about 35 minutes for this section**

Answer the question in the Sections III and IV Writing Booklet. Extra writing booklets are available.

---

Your answer will be assessed on how well you:

- demonstrate knowledge and understanding relevant to the question
  - apply relevant business case study/studies and contemporary business issues
  - communicate using relevant business terminology and concepts
  - present a sustained, logical and cohesive response
- 

**Question 27** (20 marks)

Evaluate the response of operations management to external influences.

**OR**

**Question 28** (20 marks)

Evaluate the response of human resource management to legal and ethical influences.

**End of paper**

BLANK PAGE