

BOARD OF STUDIES  
NEW SOUTH WALES

HIGHER SCHOOL CERTIFICATE EXAMINATION

2000

# BUSINESS STUDIES

2/3 UNIT (COMMON)

*Time allowed—Three hours  
(Plus 5 minutes reading time)*

## DIRECTIONS TO CANDIDATES

- You may ask for extra Writing Booklets if you need them.
- Board-approved calculators may be used.

### Section I (20 marks)

- Attempt ALL questions.
- Complete your answers in either blue or black pen on the Answer Sheet provided.

### Section II (30 marks)

- Attempt ALL questions.
- Answer the questions in the spaces provided in this paper.
- Section II should be detached and handed in.
- Write your Student Number and Centre Number in the spaces provided on the first page of each question.

### Section III (50 marks)

- Attempt TWO questions, each from a different option.
- Answer each question in a SEPARATE Writing Booklet.

**SECTION I**

(20 Marks)

Attempt ALL questions.

Each question is worth 1 mark.

**Instructions for answering multiple-choice questions**

- Complete your answers in either blue or black pen.
- 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

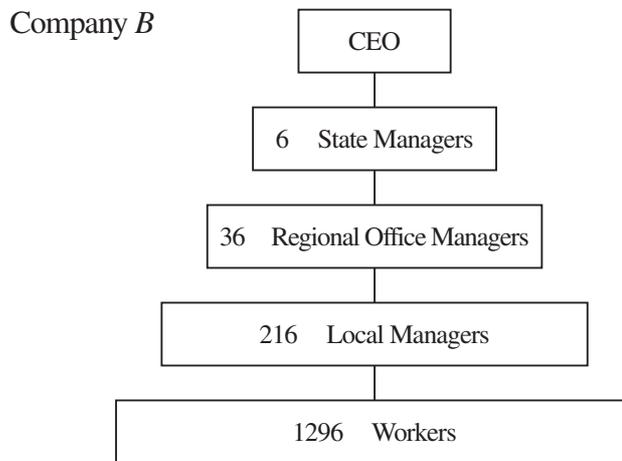
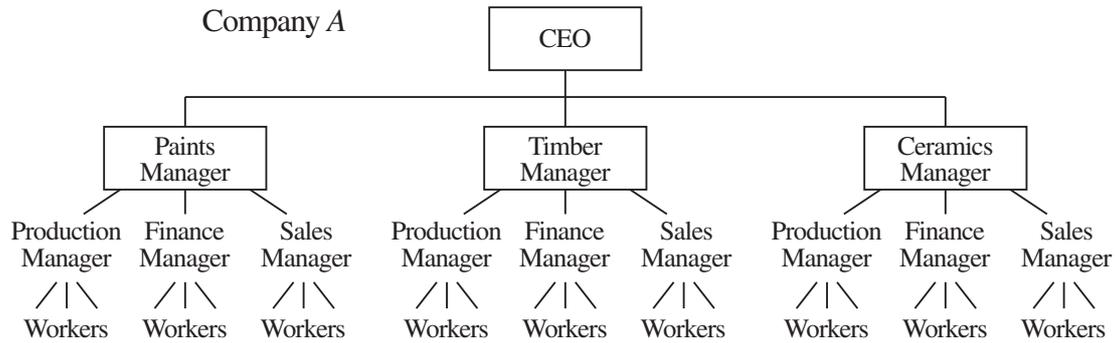
If you change your mind and have crossed out what you consider to be the correct answer, then indicate the correct answer by writing the word **correct** and drawing an arrow as follows.

A  B  C  D   
correct  
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- 1 Julio takes account of the opinion of workers in deciding how tasks should be allocated. Which of the following styles of management has he adopted?
  - (A) Autocratic
  - (B) Bureaucratic
  - (C) Democratic
  - (D) Laissez-faire
  
- 2 Which of the following management functions is associated with the task of assigning span of control?
  - (A) Planning
  - (B) Organising
  - (C) Leading
  - (D) Controlling
  
- 3 Which of the following is a source of short-term finance?
  - (A) Debenture
  - (B) Mortgage
  - (C) Overdraft
  - (D) Term loan
  
- 4 Which of the following best describes a situation where all businesses have the same opportunity to negotiate in a fair and equitable manner?
  - (A) Applying kaizen management
  - (B) Promoting planned obsolescence
  - (C) Operating within quality circles
  - (D) Operating on a level playing field

- 5** Caroline and Mohammed wish to expand their business. They have identified a range of alternatives to achieve this goal. Which type of planning tool have they used?
- (A) Decision tree
  - (B) Critical path analysis
  - (C) SWOT analysis
  - (D) Schedules
- 6** Roxworx Pty Ltd purchased a new rock drilling machine, using its overdraft facility. This use of the overdraft facility would
- (A) increase owner's equity.
  - (B) increase current liabilities.
  - (C) decrease owner's equity.
  - (D) decrease current liabilities.
- 7** Which of the following is an essential element of achieving 'world best practice'?
- (A) Total quality management
  - (B) Benchmarking
  - (C) Continuous improvement
  - (D) Quality circles
- 8** Zed Ltd usually maintains its current ratio at 2.5 : 1, which is consistent with the industry average. Zed Ltd's present current ratio is 0.5 : 1.
- Which of the following best describes the change in Zed Ltd's financial situation?
- (A) Reduced liquidity
  - (B) Increased solvency
  - (C) Reduced leverage
  - (D) Increased profitability

USE THE FOLLOWING INFORMATION TO ANSWER QUESTIONS 9 AND 10.



9 Compare the organisational structures of Company A and Company B.

Which of the following statements about Company A is correct?

- (A) It has a narrower span of control and a shorter chain of command.
- (B) It has a narrower span of control and a longer chain of command.
- (C) It has a wider span of control and a shorter chain of command.
- (D) It has a wider span of control and a longer chain of command.

10 Which of the following would best describe how the chain of command has been organised in Company B?

- (A) Functional
- (B) Geographic
- (C) Federal decentralisation
- (D) Matrix

- 11** Why would Wholesalers Ltd factor its accounts receivable?
- (A) To increase the level of gearing
  - (B) To minimise storage costs
  - (C) To inject funds into the cash flow
  - (D) To decrease short-term debts
- 12** Megan is a manager of a vineyard that grows red grapes for the production of wine. She recently decided to diversify her operations to include white grapes. Which of the following is an external factor that could have influenced this decision?
- (A) Improved staff training on the job
  - (B) Improved exchange rate
  - (C) A change in consumer preferences
  - (D) A change in staff numbers
- 13** Which of the following would be considered a feedback control for Tonya's Ten Pin Bowling Alley?
- (A) Monthly report on alley usage
  - (B) Projection of overhead expenses
  - (C) Staff training program
  - (D) Planned new bowling ball purchases
- 14** Which of the following management theories is primarily concerned with the identification and elimination of tasks that do not improve profitability?
- (A) Behavioural management
  - (B) Scientific management
  - (C) Management-by-objectives
  - (D) Value-added management

- 15 Toys.com Ltd has voluntarily changed its employees' leave entitlements to enable either men or women to take leave on the arrival of a new child. This would be in response to which of the following responsibilities of management to stakeholders?
- (A) Compliance with the law  
 (B) Equal employment opportunity  
 (C) Total quality management  
 (D) Social justice
- 16 Robyn's Craft Shop has recently opened. In its first three months of trading it recorded the following cash-flow performance:

	January (\$)	February (\$)	March (\$)
Opening balance	0	.....	.....
<b>Total inflows</b>	11 500	5 000	5 600
<b>Total outflows</b>	10 600	6 200	6 900

What is the opening balance in March?

- (A) -\$1 200  
 (B) -\$300  
 (C) \$900  
 (D) \$6 200
- 17 Which of the following would be incorporated into Peter's strategic plan for his pharmacy?
- (A) Revision of the credit policy offered to customers  
 (B) Staff training on the use of EFTPOS  
 (C) Use of an alternative supplier  
 (D) Opening up another store in the next suburb

- 18** The production cost of Minh's cakes was budgeted at \$4.00 per unit, whereas the actual cost per unit came to \$5.00. Which of the following costs should be investigated to account for this difference?
- (A) Materials and labour
  - (B) Selling and distribution
  - (C) Advertising and promotion
  - (D) Credit and bad debts
- 19** G M Engineering introduces a 'zero defects' management technique. What is the most likely consequence of this?
- (A) Increased appraisal and preventative costs
  - (B) Increased production and packaging costs
  - (C) Decreased use of outsourcing
  - (D) Decreased use of technology
- 20** Which of the following would be considered a disadvantage of outsourcing financial support services?
- (A) Increased difficulty in understanding financial information
  - (B) Loss of skills in preparing financial reports
  - (C) Greater need for staff with accounting skills
  - (D) Reduced efficiency of market research

**MARKER'S USE ONLY**

**STUDENT NUMBER**

**2000  
HIGHER SCHOOL CERTIFICATE EXAMINATION  
BUSINESS STUDIES  
2/3 UNIT (COMMON)**

**CENTRE NUMBER**

**SECTION II**

**Marks**

(30 Marks)

Attempt ALL questions.

Each question is worth 5 marks.

Answer the questions in the spaces provided in this paper.

**QUESTION 21 (5 marks)**

International Computers Ltd is a multi-national business. It has traditionally been following the principles of scientific management in relation to the organisational structure and allocation of tasks.

The firm is now investigating the possibility of introducing total quality management (TQM) principles within the workplace.

- (a) Describe the organisational structure and method of allocating tasks currently used by International Computers Ltd under the scientific theory of management.

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**Question 21 continues on page 10**

QUESTION 21 (Continued)

**Marks**

(b) Outline the likely changes that would affect the following management practices with the introduction of total quality management. **3**

(i) Organisational structure

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(ii) Allocation of tasks to staff

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(iii) Leadership style

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MARKER'S USE ONLY

STUDENT NUMBER

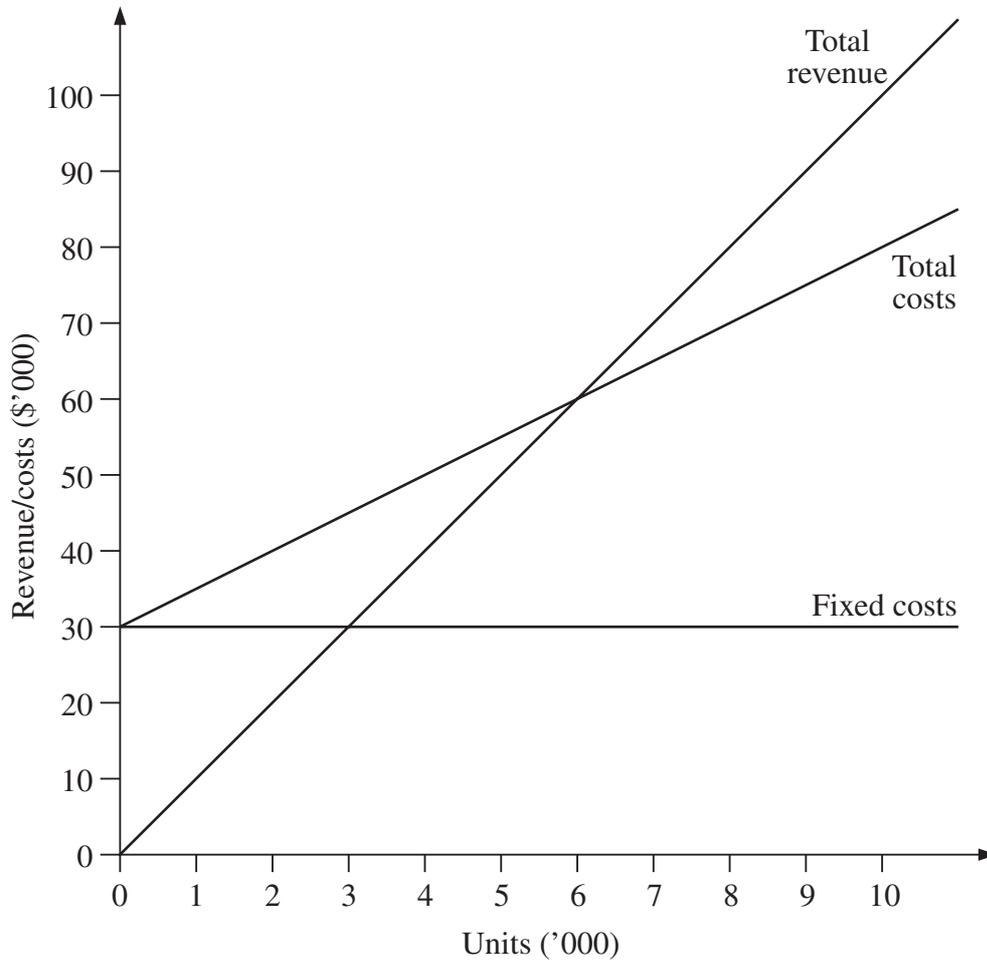
**2000**  
**HIGHER SCHOOL CERTIFICATE EXAMINATION**  
**BUSINESS STUDIES**  
**2/3 UNIT (COMMON)—SECTION II**

CENTRE NUMBER

**QUESTION 22** (5 marks)

**Marks**

PHILIPPA'S ART SUPPLIES



(a) Describe what this graph is illustrating.

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**Question 22 continues on page 12**

QUESTION 22 (Continued)

**Marks**

(b) (i) What is the profit if Philippa’s Art Supplies sells 10 000 units? **2**

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(ii) Determine the new break-even point if fixed costs rise by \$10 000.

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(c) Explain ONE advantage and ONE disadvantage of using break-even analysis as a planning tool for business. **2**

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CENTRE NUMBER

QUESTION 23 (5 marks)

Marks

<b>High Five Partnership</b>				
<b>Profit and Loss Statement for the year ended 30 June 2000</b>				
		<b>1999</b>		<b>2000</b>
		(\$'000)		(\$'000)
<i>Sales</i>		600		570
Less cost of goods sold				
Opening stock	70		90	
Purchases	250		300	
	<u>320</u>		<u>390</u>	
Less closing stock	90	<u>230</u>	80	<u>310</u>
<i>Gross Profit</i>		370		260
Less operating expenses				
Advertising	10		10	
Depreciation	15		15	
Interest	20		20	
Salaries	150	<u>195</u>	<u>75</u>	<u>120</u>
<i>Net Profit</i>		<u><u>175</u></u>		<u><u>140</u></u>

- (a) Calculate the net profit ratio for each year. (Show all working.)

1

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**Question 23 continues on page 14**

QUESTION 23 (Continued)

**Marks**

(b) To improve profitability, the partnership downsized staff by 50% on 1 July 1999. **2**

(i) Comment on the effectiveness of this strategy.

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(ii) Suggest TWO other areas for consideration by management to improve profitability.

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(c) Explain why businesses use both net and gross profit ratios to analyse their performance. **2**

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2/3 UNIT (COMMON)—SECTION II**

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**CENTRE NUMBER**

**QUESTION 24 (5 marks)**

**Marks**

(a) Define gearing. **1**

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(b) Compare TWO sources of debt finance. **2**

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(c) Explain the advantages of using debt finance rather than equity finance. **2**

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2/3 UNIT (COMMON)—SECTION II**

CENTRE NUMBER

**QUESTION 25** (5 marks)

**Marks**

Helpful Ltd is a long-established wheelchair manufacturer that has prided itself on its personalised customer service. Every wheelchair has been made to meet the specific and individual requirements of its customers.

In an effort to remain competitive, it is considering the introduction of standardised wheelchair models and an Internet order system. An extensive staff training program has been planned.

(a) Identify ONE financial and ONE social cost related to the implementation of these changes. **1**

Financial cost .....

Social cost .....

(b) Describe TWO positive effects of accelerating technology on business. **2**

(i) .....  
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(ii) .....  
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(c) Discuss how management can promote change which is socially just and enterprising. **2**

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**BUSINESS STUDIES**  
**2/3 UNIT (COMMON)—SECTION II**

CENTRE NUMBER

QUESTION 26 (5 marks)

Marks

BALANCE SHEET OF JOE'S ELECTRICAL SUPPLIES PTY LTD AS AT JUNE 2000					
	1999	2000		1999	2000
	\$	\$		\$	\$
	('000)	('000)		('000)	('000)
<b>Current assets</b>			<b>Current liabilities</b>		
Accounts receivable	250	150	Overdraft	280	450
Inventory	180	450	Accounts payable	50	220
<b>Non-current assets</b>			<b>Non-current liabilities</b>		
Plant & equipment	550	550	Mortgage	250	235
Buildings	130	205			
			<b>Owner's equity</b>		
			Shareholders' funds	350	410
			Retained Profit	180	40
	<u>1110</u>	<u>1355</u>		<u>1110</u>	<u>1355</u>

- (a) Calculate the working capital for Joe's Electrical Supplies in 2000.  
 (Show all working.)

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**Question 26 continues on page 20**

QUESTION 26 (Continued)

Marks

- (b) Using ratio analysis, comment on the change in liquidity between 1999 and 2000. (Show all working.) **2**

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- (c) Describe TWO strategies Joe’s Electrical Supplies Pty Ltd could use to increase liquidity. **2**

(i) .....  
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(ii) .....  
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**2000**  
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**BUSINESS STUDIES**  
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**SECTION III**

(50 Marks)

Attempt TWO questions, each from a different option.  
Answer each question in a SEPARATE Writing Booklet.

**BUSINESS LAW**

EITHER

**QUESTION 27** (25 marks)

- (a) Outline the reasons for forming a public company.
- (b) Explain the legal rights and duties of company shareholders and directors.
- (c) 'Company directors may face potential civil and criminal liability while performing their duties.' Discuss this statement.

OR

**QUESTION 28** (25 marks)

Mega TV Ltd is launching a new flat screen television. It has advertised that these television screens are the longest lasting ever invented. The first 500 televisions are sold to a new hotel and after only one month they start to explode. Despite extensive property damage, no one was hurt by the explosions.

- (a) Outline the elements in a tort of negligence case.
- (b) Explain how Mega TV Ltd could be liable for negligent misrepresentation, and outline the consequences if found liable.
- (c) Discuss the relevance of contract law and the Trade Practices Act to the hotel's claim against Mega TV Ltd.

**INDUSTRIAL RELATIONS**

EITHER

**QUESTION 29** (25 marks)

- (a) Explain the importance of industrial relations in the national economy.
- (b) Describe the role of government in the development of industrial relations in Australia.
- (c) With reference to a business you have studied, analyse the impact of national and international trends in industrial relations on the workplace.

OR

**QUESTION 30** (25 marks)

- (a) With reference to an industrial dispute you have studied:
  - (i) outline the causes of the industrial dispute and the types of industrial actions taken by employees;
  - (ii) describe the costs and benefits of this industrial dispute.
- (b) Discuss the impact of enterprise bargaining on parties involved in industrial disputes in Australia.

**MARKETING**

EITHER

**QUESTION 31** (25 marks)

Future Electronics Ltd has successfully manufactured and marketed a range of video cassette recorders and electronic items for the past twenty years. A new technology, digital video disc (DVD), is currently revolutionising the home entertainment market. Future Electronics Ltd believes DVD technology is the key to its continued success.

- (a) Outline possible marketing goals for Future Electronics Ltd with the introduction of DVD technology in its product range.
- (b) Prepare a SWOT analysis and use it to assess the marketing opportunities for Future Electronics Ltd.
- (c) Devise a marketing plan for Future Electronics Ltd's range of DVD products.

OR

**QUESTION 32** (25 marks)

- (a) With reference to a business you have studied:
  - (i) outline the internal and external influences that have impacted on the development of its marketing plan;
  - (ii) describe how the marketing process has been managed with reference to the internal influences.
- (b) Explain how a financial forecast assists in the development and monitoring of a marketing plan.

**Please turn over**

**SMALL BUSINESS MANAGEMENT**

EITHER

**QUESTION 33** (25 marks)

With reference to a small business you have studied:

- (a) justify its classification as a 'small business';
- (b) outline the key elements of its planning, implementing, monitoring, evaluating and modification cycle;
- (c) evaluate the management of customer relations and staffing in relation to the performance of this business.

OR

**QUESTION 34** (25 marks)

George and Luke are planning a new business selling and installing computer software. Both have limited business experience, but have an extensive knowledge of computer software.

Prepare a report for George and Luke that includes the following:

- (a) an outline of desirable personal qualities for operating a small business;
- (b) a description of possible planning options for George and Luke with reference to:
  - (i) legislation relating to business formation;
  - (ii) capital availability;
- (c) an explanation of how advisers/experts could be used to assist with the management of key business functions.

**End of paper**