



HIGHER SCHOOL CERTIFICATE EXAMINATION

1995

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.
- Mark your answers in pencil on the Answer Sheet provided.
- Select the alternative A, B, C, or D that best answers the question.

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

Attempt ALL questions.

Mark your answers in pencil on the Answer Sheet provided.

Select the alternative A, B, C, or D that best answers the question.

1. A balance-sheet is prepared
 - (A) as at a particular date.
 - (B) before the profit and loss statement.
 - (C) before balance-date adjustments.
 - (D) for the period ending on a particular date.

2. The managers of the production company Horror Films Extraordinaire are reviewing their strategic plan. To capitalize on growth opportunities, they plan to take over Showplace Cinemas. The takeover is an example of
 - (A) diversification.
 - (B) risk management.
 - (C) horizontal integration.
 - (D) vertical integration.

3. A summary of transactions for the Imokay Company for the year reveals the following:

	\$
Expenses	30 000
Cost of goods sold	40 000
Sales revenue	100 000
Dividends paid	20 000

Net profit for the year is

- (A) \$70 000
 - (B) \$60 000
 - (C) \$30 000
 - (D) \$20 000

4. Internal stakeholders in a business include
 - (A) customers, employees, and creditors.
 - (B) government, customers, and society.
 - (C) financiers, clients, and owners.
 - (D) employees, managers, and shareholders.

5. Monica Augustin is the sales manager of a large firm that has introduced quality circles. To be effective these circles must be
- (A) voluntary and open to all employees.
 - (B) attended by middle and upper management only.
 - (C) attended by sales representatives only.
 - (D) compulsory for all employees to attend.
6. Assume that the expected cash receipts for Oversoon Ltd during the month of April amount to \$45 000. On 1 April the company has a cash balance of \$9000. It must have a minimum cash balance of \$6000 on the first of every month for operating funds. Anticipated cash payments during April total \$52 000. During April the company will need to borrow
- (A) \$3000
 - (B) \$4000
 - (C) \$6000
 - (D) \$7000

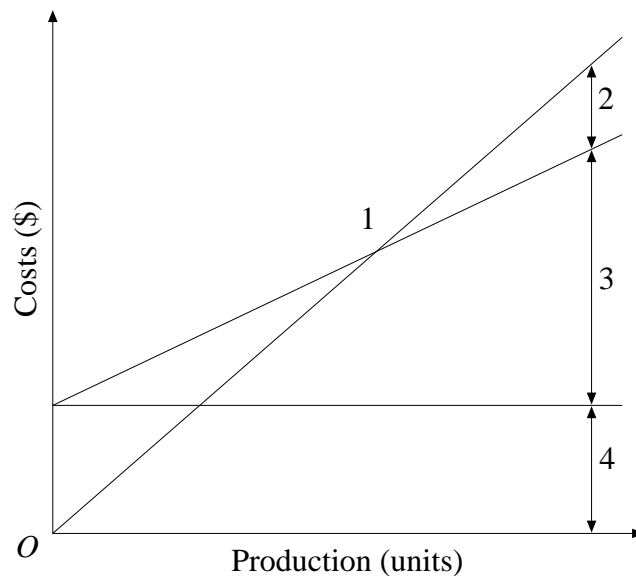
USE THIS INFORMATION TO ANSWER QUESTIONS 7 AND 8.

Sunshine Ltd reported the following financial information.

	\$
Revenues	60
Expenses	40
Current assets	400
Non-current assets	100
Current liabilities	200
Non-current liabilities	100
Preference shares	0

7. The rate of return on ordinary shareholders' equity is
- (A) 10%
 - (B) 12%
 - (C) 30%
 - (D) 40%
8. Working capital is
- (A) \$200
 - (B) \$300
 - (C) \$400
 - (D) \$500

9. Program evaluation review technique (PERT) and critical-path analysis are used by managers to control
- (A) raw materials.
 - (B) human resources.
 - (C) work in progress.
 - (D) finished goods.
10. Unincorporated business enterprises include
- (A) private companies, public companies, and no-liability companies.
 - (B) private companies, sole traders, and cooperatives.
 - (C) trusts, sole traders, and partnerships.
 - (D) trusts, public companies, and cooperatives.
11. Which answer correctly identifies points on the following break-even diagram?



- (A) (1) break-even point, (4) variable costs
- (B) (2) profit, (3) fixed costs
- (C) (3) fixed cost, (4) variable costs
- (D) (1) break-even point, (4) fixed cost

12. A *laissez-faire* management style is best suited to
- (A) unqualified staff who are highly experienced.
 - (B) qualified staff who are highly experienced.
 - (C) qualified staff who are very inexperienced.
 - (D) unqualified staff who are very inexperienced.
13. Australian wine-makers have to change the naming and labelling of their products as a result of recent changes to the General Agreement on Tariffs and Trade (GATT). This is an example of
- (A) interference by foreign governments in the Australian market.
 - (B) the inability of the Federal Government to protect domestic industry.
 - (C) a response to change in the external business environment.
 - (D) decisions made in the internal business environment.
14. Stuart Currant Pty Ltd has a slow stock turnover and slow settlement of receivables. In the short term, the business is likely to
- (A) become insolvent.
 - (B) hire more sales staff.
 - (C) hire more office staff.
 - (D) have cash-flow problems.
15. The general manager of Corporate Legal Services Pty Ltd, has called a meeting of her management team. She outlines her plan to allow each divisional manager to take a greater degree of authority for decisions. This management change is known as
- (A) *laissez-faire* management.
 - (B) delegation.
 - (C) value-added management.
 - (D) deregulation.
16. An example of outsourcing support services by a business is
- (A) hiring a new accountant from a competitor.
 - (B) purchasing new materials from a new supplier.
 - (C) contracting a personnel consultant to fill accounting vacancies.
 - (D) leasing a set of motivational management videos from overseas.

17. Refer to the following Gantt chart for the installation of a new computer system at Holodeck Industries.

<i>Item</i>	1995					
	<i>July</i>	<i>August</i>	<i>September</i>	<i>October</i>	<i>November</i>	<i>December</i>
Budget	_____					
Training plan	_____					
Recruitment		_____	_____			
Training			_____	_____		
Installation			_____	_____		
System testing				_____	_____	
Change-over					_____	_____
System review						_____

The planning stage of the process at Holodeck Industries will be completed by

- (A) the end of July.
 - (B) the end of August.
 - (C) mid-October.
 - (D) mid-December.
18. Unless specifically provided in the partnership agreement, partners share profits of the business in proportion to
- (A) the number of partners.
 - (B) their capital contribution.
 - (C) the time each partner worked in the business.
 - (D) the new business generated by each of the partners.
19. Work in progress is an example of a current asset most likely to be found on the balance-sheets of
- (A) finance companies.
 - (B) manufacturing companies.
 - (C) retail companies.
 - (D) investment companies.
20. The most important assets of a ballet company are its human assets. These are most likely to be reported in the
- (A) balance-sheet.
 - (B) profit statement.
 - (C) cash-flow statement.
 - (D) directors' report.

BLANK PAGE

BLANK PAGE

EXAMINER'S USE ONLY

STUDENT NUMBER

**1995
HIGHER SCHOOL CERTIFICATE EXAMINATION
BUSINESS STUDIES
2/3 UNIT(COMMON)**

CENTRE NUMBER

SECTION II**Marks**

Attempt ALL questions.

Answer the questions in the spaces provided in this paper.

QUESTION 21

Refer to the following advertisement.

FOR SALE
Bread Runs—Ingham, North Queensland
<p>This retail business comes complete with 2 vehicles and all equipment. Operating 3 days per week to the resort towns of Forest Beach, Taylors Beach, Halifax, and Lucinda. Suit semi-retired couple with 3 days' work, 4 days' leisure.</p> <p style="text-align: center;">PRICE \$65 000 negotiable Phone: (077) XX XXXX</p>

List and describe four sources of change in the external environment that should be investigated before considering the purchase of this business.

5

.....

.....

.....

.....

.....

.....

.....

.....

.....

Question 21 continues on page 10

QUESTION 21. (Continued)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

EXAMINER'S USE ONLY

STUDENT NUMBER

**1995
HIGHER SCHOOL CERTIFICATE EXAMINATION
BUSINESS STUDIES
2/3 UNIT(COMMON)—SECTION II**

CENTRE NUMBER

QUESTION 22**Marks**

- (a) Define 'working capital'. **1**
-
-
-
-
- (b) List FOUR sources of working-capital finance. **2**
- (i)
- (ii)
- (iii)
- (iv)
-
- (c) Describe TWO ways in which management can improve working capital. **2**
- (i)
-
-
- (ii)
-
-

BLANK PAGE

EXAMINER'S USE ONLY

--

STUDENT NUMBER

**1995
HIGHER SCHOOL CERTIFICATE EXAMINATION
BUSINESS STUDIES
2/3 UNIT(COMMON)—SECTION II**

CENTRE NUMBER

QUESTION 23

Marks

Aussie Lobsters won an Australian Export Award in 1994. Over 99% of its earnings is derived from exports.

5

AUSSIE LOBSTERS

<i>Export earnings</i>	
1992–93	\$4.5 million
1993–94	\$11.0 million
1994–95	\$22.0 million

The company was established three years ago. It attributes much of its sales success to market analysis and a close examination of the lobster industry prior to beginning operations.

Describe TWO planning tools that Aussie Lobsters may have used in its market and industry analysis prior to beginning operations.

[illegible]

Question 23 continues on page 14

QUESTION 23. (Continued)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

EXAMINER'S USE ONLY

STUDENT NUMBER

**1995
HIGHER SCHOOL CERTIFICATE EXAMINATION
BUSINESS STUDIES
2/3 UNIT(COMMON)—SECTION II**

CENTRE NUMBER

QUESTION 24**Marks**

Abraham Marsh, the owner of a sports store, is concerned that his business consistently shows good earnings but is often short of cash. Knowing that many of his sales are cash transactions, he has implemented internal-control procedures. One employee is responsible for keeping the accounting records, collecting the cash, and banking deposits. Another employee is responsible for ordering merchandise, receiving and counting the goods when they arrive, and writing cheques to pay for the merchandise.

- (a) Evaluate the internal-control procedures.

2

.....

.....

.....

.....

.....

.....

.....

.....

.....

Question 24 continues on page 16

QUESTION 24. (Continued)

Marks

- (b) Suggest an alternative internal-control procedure that could be adopted by Abraham Marsh. Explain the benefits to the business. **3**

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

EXAMINER'S USE ONLY

--

STUDENT NUMBER

--

1995
HIGHER SCHOOL CERTIFICATE EXAMINATION
BUSINESS STUDIES
2/3 UNIT(COMMON)—SECTION II

CENTRE NUMBER

--

QUESTION 25**Marks**

The following information has been taken from the published financial reports of *Corinna Thomas Ltd.*

	30 June 1994	30 June 1995
Sales	\$100 000	\$115 000
Rate of stock turnover $\left(\frac{\text{Cost of goods sold}}{\text{Average stock}} \right)$	6 times per year	5 times per year
Gross profit ratio $\left(\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1} \right)$	35%	30%
Net profit ratio $\left(\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1} \right)$	8%	5%

(a) Identify ONE possible cause for the decline in the:

(i) gross profit ratio;

1

.....

.....

(ii) net profit ratio.

1

.....

.....

Question 25 continues on page 18

QUESTION 25. (Continued)

Marks

(b) Propose ONE strategy that could reverse the trend in the:

(i) rate of stock turnover; **1**

.....

.....

.....

(ii) gross profit ratio; **1**

.....

.....

.....

(iii) net profit ratio. **1**

.....

.....

.....

EXAMINER'S USE ONLY

STUDENT NUMBER

1995
HIGHER SCHOOL CERTIFICATE EXAMINATION
BUSINESS STUDIES
2/3 UNIT(COMMON)—SECTION II

CENTRE NUMBER

QUESTION 26**Marks**

TERMINATOR TWO BALANCE-SHEET AS AT 30 JUNE 1995

	\$	\$		\$	\$
CURRENT ASSETS			CURRENT LIABILITIES		
Investments	13 800		Bank	9 200	
Debtors	30 000		Creditors	4 500	
Inventory	<u>22 900</u>	66 700	Accrued expenses	<u>900</u>	14 600
NON-CURRENT ASSETS			NON-CURRENT LIABILITIES		
Plant and equipment	57 300		Loans	12 500	
<i>less</i> Provision for depreciation	<u>2 500</u>	54 800	Provision for long service leave	<u>1 200</u>	13 700
			OWNERS' EQUITY		
			Capital	68 900	
			Net profit	<u>24 300</u>	<u>93 200</u>
TOTAL		<u><u>121 500</u></u>	TOTAL		<u><u>121 500</u></u>

- (a) Explain why the item 'Bank' is shown as a current liability.

1

.....

.....

.....

Question 26 continues on page 20

QUESTION 26. (Continued)

Marks

- (b) Terminator Two has been operating for only one year. Comment on the liquidity of the business. 2

.....

.....

.....

.....

.....

.....

.....

.....

- (c) Comment on the profitability of the business. 2

.....

.....

.....

.....

.....

.....

.....

.....

**1995
HIGHER SCHOOL CERTIFICATE EXAMINATION
BUSINESS STUDIES
2/3 UNIT(COMMON)**

SECTION III

Attempt TWO questions, each from a different option.

Answer each question in a *separate* Writing Booklet.

BUSINESS LAW

EITHER

QUESTION 27. (25 marks)

In February 1995, the Trade Practices Commission (TPC) opposed the proposed merger of Ampol and Caltex because it would be likely to lessen competition in breach of the Trade Practices Act.

On 28 March 1995, the TPC announced that the merger would proceed following agreement by all parties to measures that the TPC believes will keep petrol prices at competitive levels.

News release, Trade Practices Commission, 28 March 1995

Reprinted with permission from the Australian Competition and Consumer Commission.

- (a) Outline the sources of business law in Australia.
- (b) Using the above merger as an example, explain the purpose of trade-practices legislation.
- (c) Identify and explain other legislation controlling the operation of business entities in Australia.

OR

QUESTION 28. (25 marks)

Joseph is the sole owner and operator of a bread shop trading from 7.00 a.m. to 6.00 p.m. At 6.00 a.m. on 15 November 1994, Megan, a family friend, entered the shop to purchase some bread.

As she approached the counter, she slipped on the freshly mopped floor. She was taken to hospital, suffering spinal damage and a broken leg, and was discharged two months later.

Today she walks with a permanent limp and is unable to participate in any sport. Megan has instigated legal proceedings to recover damages.

- (a) Outline the legal structures, processes, and institutions that might be used in settling the dispute.
- (b) Identify the legal grounds for the dispute, and the possible resolutions of this dispute.
- (c) Recommend and justify alternative business structures that would give Joseph better financial protection.

INDUSTRIAL RELATIONS*EITHER***QUESTION 29.** (25 marks)

Refer to an industrial dispute you have studied.

- (a) Identify the parties to the dispute.
- (b) Describe the causes and consequences of the dispute.
- (c) Explain the processes used to resolve the dispute.
- (d) Analyse the impact of the dispute on the business and its workforce.

*OR***QUESTION 30.** (25 marks)

The chief executive officers (CEOs) of a number of business firms meet regularly to discuss a range of issues. Their firms operate in highly competitive markets and each CEO is keen to achieve a competitive advantage.

Prepare a report to the CEOs to:

- (a) explain how the dynamic nature of industrial relations can affect a business;
- (b) identify and evaluate THREE industrial relations practices that could be used to increase business productivity, profitability, and capacity to innovate.

MARKETING*EITHER***QUESTION 31.** (25 marks)

Over the Edge Pty Ltd, a small computer-research company, has invented a revolutionary virtual-reality system that will operate when attached to a personal computer. This new generation of computer game only requires the computer user to link the new Over the Edge MEGATRON* to their computer and to wear the exclusive MEGATRON headset. When launched in this mode, any existing computer game becomes an amazing virtual-reality experience.

Current costings suggest that the MEGATRON and headset will, when mass-produced, sell for approximately US\$100.

Brad Wizard and Kim Nguyen, directors of Over the Edge, see the enormous worldwide potential of their new product, but lack the skills and business experience to market it.

They are considering alternative marketing strategies. The first is a 'full-on market blitz'. The other is a more socially conscious approach, because they are concerned about the effect their product may have on the millions of computer-game enthusiasts worldwide.

* MEGATRON is a registered trade name of the Over the Edge corporation.

Prepare the following TWO marketing plans for the MEGATRON.

- (a) A 'full-on market blitz'.
- (b) A socially conscious approach.

*OR***QUESTION 32.** (25 marks)

Refer to a business you have studied.

- (a) Describe the marketing strategies that have been used.
- (b) Identify and explain the internal and external influences that resulted in the choice of these marketing strategies.
- (c) Outline how the marketing plan of the business has been managed.

Please turn over

SMALL BUSINESS*EITHER***QUESTION 33.** (25 marks)

- (a) Explain what is generally understood by the term ‘small business’.
- (b) Refer to a business you have studied.
 - (i) Outline the critical factors in its establishment.
 - (ii) Analyse the critical success factors in its management.
- (c) Evaluate the importance of the small business sector to the national economy.

*OR***QUESTION 34.** (25 marks)

Raewyn Daudè has invented a new high-powered battery for electric cars that can be recharged in one hour. This invention is exceptional because of its environmental attraction and its application to passenger vehicles for standard transport needs.

The NSW Government has announced the establishment of a grant scheme for new businesses located at least 100 km from Sydney. Selection will be based on the provision of a suitable business plan. Raewyn wants to start a new business and take advantage of the availability of funds under the Government grant scheme.

- (a) Outline the factors that should be taken into consideration in selecting a suitable location for the new business.
- (b) Explain the essential features to be included in the business plan.
- (c) Discuss the factors that Raewyn will need to consider in the management of the business. In your answer address such issues as administration, marketing, and customer relations.