



HIGHER SCHOOL CERTIFICATE EXAMINATION

1995

BUSINESS STUDIES

3 UNIT (ADDITIONAL)

*Time allowed—One hour and a half
(Plus 5 minutes' reading time)*

DIRECTIONS TO CANDIDATES

- Attempt TWO questions, each from a different option.
- All questions are of equal value.
- Answer each question in a *separate* Writing Booklet.
- You may ask for extra Writing Booklets if you need them.

BUSINESS AND TECHNOLOGY*EITHER***QUESTION 1.** (25 marks)

The impact of technology has profoundly and fundamentally changed the way we organize industry and do business.

- (a) Refer to a business you have studied. Analyse and evaluate the impact of technology on the:
 - (i) production of goods and/or services;
 - (ii) management of human resources.
- (b) Explain why some businesses have adopted the use of technology more rapidly than others.

*OR***QUESTION 2.** (25 marks)

ABC Williams Pty Ltd supplies paper-clips on contract to the Federal Government. In 1990, the company purchased a desktop computer and an accounting software package. This has been its only investment in computer technology. The managing director, Cheryl Williams, was alarmed to read the following article in the financial press.

EDI will come with a rush

The Federal Government has declared that by 1997 all of its transactions with the private sector must be carried out by electronic data interchange (EDI). Many doubt that it will achieve its target, but it does mean that a whole range of businesses will begin using EDI.

Business Review Weekly, January 16, 1995

Prepare a briefing paper analysing the effect of the Government's decision on the strategic plan of ABC Williams Pty Ltd. In your paper, discuss the company's:

- (a) present and future investment in technology;
- (b) employment and staff-training policies;
- (c) productivity, efficiency, and effectiveness in both the short term and long term.

FINANCIAL MARKETS

EITHER

QUESTION 3. (25 marks)

You are employed as a financial adviser to an investment trust. The trustees are considering an investment in AGC and have referred you to the following advertisement. AGC, a subsidiary of Westpac Banking Corporation, is a major participant in financial markets.

		<h2>INVESTMENT RATES</h2>	
INCOME & GROWTH BONDS—Debentures		MONEY MARKET Unsecured Notes	
ANNUAL INTEREST % P.A. Min. \$5000	QUARTERLY INTEREST % P.A. Min. \$5000	24 HOURS' NOTICE % P.A. Min. \$10 000	
1 Yr 9·20	1 Yr 8·90	\$75 000+ 6·50	
2 Yrs 9·80	2 Yrs 9·45	\$10 000 – \$74 999 6·20	
3 Yrs 10·10	3 Yrs 9·75	Rates are reviewed weekly.	
4 Yrs 10·30	4 Yrs 9·95	SHORT TERM % P.A. Min. \$10 000	
5 Yrs 10·30	5 Yrs 9·95	1 month 6·20	2 months 6·50
		3 months 6·80	4 months 6·90
		5 months 7·30	6 months 7·85
		7 months 8·30	8 months 8·60
		9 months 8·70	10 months 8·80
		11 months 8·90	
121 925 (for the cost of a local call)		 It's Australian for Finance Australian Guarantee Corporation Limited	

Courtesy AGC Ltd.

- (a) Write a report for the trustees, explaining:
- (i) the difference between the types of securities offered by AGC;
 - (ii) why the advertised rates of interest vary between debentures and unsecured notes, and why the rates vary over time.
- (b) The trustees wish to adopt a conservative investment strategy. Advise them on the risks of investing in listed shares, unlisted shares, and fixed interest securities.

OR

QUESTION 4. (25 marks)**Tale of lost Barings**

Barings, where directors were said to be in tears when they discovered the financial disaster last Thursday, was a victim of losses on 'massive, unauthorized dealings' by a maverick dealer.

It was speculation in the highly complex derivatives trade that had incurred the losses and brought Britain's oldest merchant bank to its knees.

Derivatives are financial instruments, like futures, options, swaps, and hedges, which are derived from existing financial products, such as government bonds, commodities, currencies, shares, and interest-rate movements.

'A dealer took a punt on an earthquake and landed an earthquake instead', said an observer.

Daily Telegraph Mirror, 28/2/95, p 11. © The daily Telegraph, UK.

- (a) Describe the characteristics of AT LEAST TWO types of derivatives and their role in financial markets.
- (b) Explain how derivatives differ from the more traditional securities such as shares and debentures, and why investors need to be cautious about derivatives.
- (c) Describe the possible effects of a major financial collapse on world financial markets.

HUMAN RESOURCES MANAGEMENT

EITHER

QUESTION 5. (25 marks)

Perry Hacker, the Managing Director of *Fit Magazine*, is concerned about staff absences and staff turnover. He has obtained the following information from his Human Resource Manager for the month of March 1995.

<i>Fit Magazine</i>		
<i>Employee Performance Statistics for the month of March 1995</i>		
No. of staff	86	
Composition of staff	64 full-time	
	15 part-time	
	7 casual	
Unplanned absences		
full-time	28 half-days	
part-time	2 half-days	
casual	1 half-day	
Resignations		
full-time	10	
part-time	2	
casual	0	
New hirings		
full-time	14	
Direct costs		
staff payouts	\$74 000	
staff recruitments	\$26 000	
Productivity per employee	March 1995	March 1994
Sales per employee	\$450	\$490
Profit per employee	000	000
Average hours per week per employee	\$22 528	\$39 000
	46 hours	38 hours

- (a) From the information provided, assess the effectiveness of current human resource management at *Fit Magazine*.
- (b) Suggest strategies that could be adopted to improve employee performance at *Fit Magazine*.
- (c) Outline the benefits of an improvement in employee performance.

OR

QUESTION 6. (25 marks)

In the depressed economic environment of the early 1990s, many businesses were forced to undertake major internal reorganizations.

Workers were laid off. Retained workers were subjected to ongoing performance assessments.

- (a) Discuss the impact on staff of changing organizational structures.
- (b) Analyse the different ways in which a business may downsize its workforce under current employment legislation.
- (c) Explain how an effective employee-appraisal program can benefit both the business and the employees.

PRODUCTION MANAGEMENT*EITHER***QUESTION 7.** (25 marks)

Buzzuti Bearings Limited has manufactured industrial and automotive ball and roller bearings, bushes for machinery, and oil seals for over 50 years. Oscar Buzzuti, the founder of the business, was proud of the quality of the products, but his son, Rudi, was concerned about the amount of waste. When Oscar died, Rudi and his wife, Yana, took control of the business and were committed to the notion of 'right first time'. However, they were not sure how to achieve this objective.

- (a) Explain the difference between:
 - (i) quality assurance;
 - (ii) quality control.
- (b) Discuss the benefits to Buzzuti Bearings of a successful quality-improvement program.
- (c) Identify the steps that would be required to implement a total quality management program in the business. How could this program be evaluated?

*OR***QUESTION 8.** (25 marks)

The design of a product and its presentation can determine the success or failure of a business in an ever-changing and competitive marketplace. Good design can assist a business or a country seeking to improve its performance.

- (a) Identify and explain the major considerations that must be taken into account in product design.
- (b) Refer to a business you have studied.
 - (i) Describe the processes and procedures involved in designing one of its products.
 - (ii) Evaluate the role of the Production Manager in improving the performance of the business.

Please turn over

INTERNATIONAL BUSINESS*EITHER***QUESTION 9.** (25 marks)

Refer to an international business you have studied.

- (a) Explain the relationship between its strategic plan and its decision to expand into a Pacific Rim market.
- (b) Analyse the main factors in the external environment that have influenced the expansion of this business.
- (c) Evaluate the responses of the business to the above factors.

*OR***QUESTION 10.** (25 marks)

In 1993, Joy and Mike Wess invented a new bicycle headlight with worldwide market potential. In 1994, they formed a private company Sarfi Wess Pty Ltd. Their initial business plan involved the establishment of a production plant in Sydney and consolidation in the Australian market, before undertaking international expansion in 1995. Recently, however, domestic production costs have been increasing and local sales have levelled out.

Sarfi Wess Pty Ltd is now considering two new strategies to meet domestic and international demand for their headlights:

- increasing domestic production;
- producing overseas.

- (a) Prepare a report for Sarfi Wess Pty Ltd, identifying the influences that would be considered in evaluating the above strategies.
- (b) Choose ONE of the strategies and argue a case for its adoption.