



HIGHER SCHOOL CERTIFICATE EXAMINATION

1998
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 blue or black pen, or 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.

Each question is worth 1 mark.

Complete your answers in blue or black pen, or in pencil on the Answer Sheet provided.

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

1. When developing a mission statement, the following elements should be considered:
 - (A) business values, financial constraints, external threats.
 - (B) external threats, business values, public image.
 - (C) business objectives, public image, business values.
 - (D) business values, business objectives, external threats.

2. An example of a geographic influence in the external business environment would be a
 - (A) fall in the amount of exports to Korea because of a financial crisis in Asia.
 - (B) poor sugarcane harvest because of the El Niño effect.
 - (C) tariff increase by the Federal Government.
 - (D) law that prohibits the slaughter of Canadian seals for commercial purposes.

3. An executive has decided to introduce a key indicator system. This system is an example of
 - (A) functional control.
 - (B) financial control.
 - (C) production control.
 - (D) management control.

4. Liquidity ratios are primarily used by business management in making decisions directly related to
 - (A) maintaining profit levels.
 - (B) reviewing the degree of gearing.
 - (C) meeting current liabilities.
 - (D) planning long-term investment.

5. The comparison of business performance with established standards is
- (A) an aspect of business planning.
 - (B) a necessary process for the organisation of business.
 - (C) an element of the control process.
 - (D) a leadership role taken by management.
6. In a new soft-drink delivery business the main advantage of leasing vehicles rather than purchasing them is to
- (A) minimise the long-term cost of vehicles for the business.
 - (B) ensure that only new vehicles are used.
 - (C) avoid the insurance costs of vehicle ownership.
 - (D) limit the initial capital requirements.
7. The new CEO of a manufacturing business is determined to achieve targets and does not consult with her directors. Her leadership style is
- (A) people-oriented and participative.
 - (B) people-oriented and authoritative.
 - (C) task-oriented and participative.
 - (D) task-oriented and authoritative.
8. A car manufacturer is facing an increased number of complaints about the paintwork on its new model. To solve this problem it should introduce
- (A) management information systems.
 - (B) Just-In-Time inventory systems.
 - (C) quality circles.
 - (D) planned obsolescence.
9. A supervisor has asked staff to fill in a form describing exactly what they do for each half-hour period during the day. This is an example of
- (A) behavioural management.
 - (B) classical/scientific management.
 - (C) management by objectives.
 - (D) total quality management.

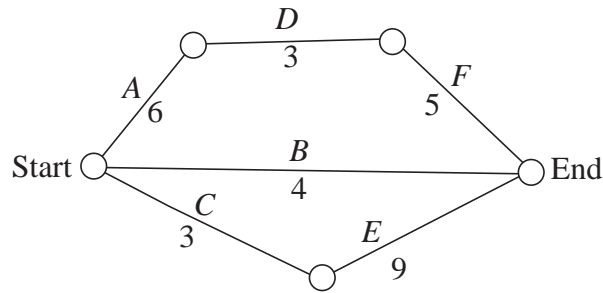
USE THE FOLLOWING FINANCIAL INFORMATION TO ANSWER QUESTIONS 10 AND 11.

Kirsty Couriers Pty Ltd			
Extract from Balance Sheet as at 30 June 1998			
	\$		\$
<i>Current Assets</i>		<i>Liabilities</i>	
Cash at Bank	20 000	Accounts Payable	5 000
Accounts Receivable	10 000		
<i>Non-Current Assets</i>		<i>Shareholders' Funds</i>	
Furniture and Fixtures	15 000	Equity	40 000
Delivery Van	20 000		

10. Retained profits is the only item omitted from this Balance Sheet extract. The value of 'Retained Profits' should read
- (A) 0
 (B) 5 000
 (C) 20 000
 (D) 100 000
11. Given the above information, which strategy should be adopted by Kirsty Couriers Pty Ltd?
- (A) Reducing liquidity
 (B) Factoring accounts receivable
 (C) Decreasing gearing
 (D) Establishing a bank overdraft
12. An example of a stakeholder in Australian Solar Energy Pty Ltd is a
- (A) company competing with Australian Solar Energy Pty Ltd.
 (B) person born in AD 2010.
 (C) stockbroker giving investment advice.
 (D) former supplier to Australian Solar Energy Pty Ltd.

13. Fresh Fish Wholesalers has decided to contract an administrative services agency to handle its administrative tasks. This is an example of
- (A) outsourcing.
 - (B) delegation.
 - (C) flat management structure.
 - (D) total quality management.
14. An advantage of Owners' Equity as a source of funding for a partnership is
- (A) decreased leverage of the business.
 - (B) no change to the leverage of the business.
 - (C) reduced risk due to limited liability.
 - (D) increased liabilities for the business.
15. The recycling of paper by Australian businesses in the long term helps promote
- (A) world's best practice.
 - (B) quality assurance.
 - (C) ecological sustainability.
 - (D) planned obsolescence.
16. At break-even point, total sales revenue equals
- (A) fixed costs.
 - (B) variable costs.
 - (C) fixed costs less variable costs.
 - (D) variable costs plus fixed costs.
17. The classification of assets on a balance sheet is based on their
- (A) profitability.
 - (B) liquidity.
 - (C) return.
 - (D) gearing.

18. The following diagram illustrates a project comprising activities *A* through *F* shown with the number of days each will take.



Activity *B* is best described as an activity that

- (A) defines the shortest possible duration of the project.
 - (B) is not necessary to the project.
 - (C) can be conducted at any time during the project.
 - (D) must start before *D* and finish after *D*.
19. A long-established business always fills the position of CEO by promoting the assistant CEO. The CEO's leadership power base is
- (A) coercive.
 - (B) reward.
 - (C) legitimate.
 - (D) expert.
20. A manager has established a set of standards against which performance will be measured. This is an example of
- (A) benchmarking.
 - (B) quick response.
 - (C) zero defects.
 - (D) downsizing.

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SECTION II**Marks**

Attempt ALL questions.

Each question is worth 5 marks.

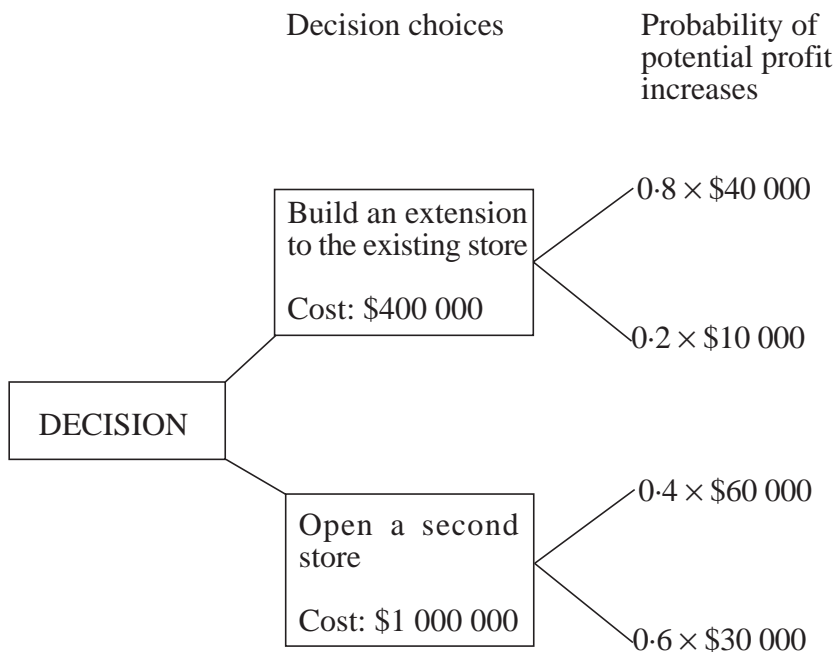
Answer the questions in the spaces provided in this paper.

QUESTION 21. (5 marks)

A sports shoe warehouse has been making substantial profits over a period of time and has decided to use its accumulated funds to expand the business. Currently the management is considering two options:

1. building an extension to the existing store;
2. opening a second store.

Management is using the decision-making technique below to guide its choice.



QUESTION 21. (Continued)

Marks

- (a) What is the decision-making technique on the previous page called and when is it most appropriately used? **1**

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- (b) Using the information on the previous page, provide advice to assist management in comparing the two investment options. **2**

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- (c) Identify TWO other decision-making techniques, and give their most appropriate uses. **2**

(i)
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(ii)
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QUESTION 22. (5 marks)

Marks

The following information relates to Rob's Chocolate Shop as at 30 June 1998 (comparative figures for 1997 are also provided).

Rob's Chocolate Shop					
	1997	1998		1997	1998
	(\$)	(\$)		(\$)	(\$)
<i>Current Assets</i>			<i>Current Liabilities</i>		
Cash	5 000	1 000	Overdraft	9 000	13 000
Accounts Receivable	7 000	11 000	Accounts Payable	4 500	9 000
Inventories	6 000	10 000			
<i>Non-Current Assets</i>			<i>Owner's Equity</i>		
Lease—Building	3 500		Capital	8 500	12 000
Fixtures and Fittings	4 000	5 000	Add Net Profit	4 200	11 500
Buildings		12 500		<u>12 700</u>	<u>23 500</u>
			Less Drawings	700	6 000
				<u>12 000</u>	<u>17 500</u>
	<u>25 500</u>	<u>39 500</u>		<u>25 500</u>	<u>39 500</u>

Rob's bank manager is concerned that the overdraft has exceeded the limit of \$10 000 and has arranged a meeting with him to discuss the overdraft and the financial management of the business.

(a) State TWO other business issues that the bank manager may wish to discuss with Rob apart from the fact that the overdraft is over the limit. **1**

- (i)
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- (ii)
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QUESTION 22. (Continued)

Marks

(b) Give TWO reasons for the change in working capital for Rob's Chocolate Shop from 1997 to 1998. **2**

(i)
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(ii)
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(c) Give TWO strategies Rob could adopt to improve working capital. **2**

(i)
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(ii)
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QUESTION 23. (5 marks)

Marks

Sally is looking at purchasing 'Wax Surfboards', a retail surf shop. The following information is an extract from a financial report.

	1997	1998
	(\$)	(\$)
Sales	200 000	100 000
Opening stock	40 000	30 000
Purchases	90 000	70 000
Closing stock	30 000	50 000
Expenses	80 000	30 000

Using the above information, answer the following questions.

- (a) From which financial statement would this information have been taken? **1**

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- (b) Calculate gross profit for 1997 and for 1998. (Show working.) **2**

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QUESTION 23. (Continued)

Marks

- (c) Given that the net profit for 1997 and the net profit for 1998 are the same, give reasons for the variation in gross profit. **2**

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QUESTION 24. (5 marks)

Marks

The following extract is from the cash flow forecast of a small coffee shop in the ski resort of Jindabyne.

	June	July	Aug	Sept	Oct	Nov	Dec
<i>Opening Balance</i> (\$)	1 000						
Cash Receipts (\$)	6 000	7 000	11 000	9 000	4 500	1 500	3 000
Cash Payments (\$)	8 500	4 500	4 500	8 500	4 500	4 500	11 500

The following costs are included in the above cash payments:

	\$
Wages per month	2 500
Other expenses per month	2 000
Rent per quarter	4 000
Insurance premium paid annually	3 000

(a) What is the purpose of this cash flow forecast?

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Question 24 continues on page 16

QUESTION 24. (Continued)

Marks

(b) Using the cash flow forecast:

2

(i) calculate the opening cash balance in August.

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(ii) identify the months that begin with a cash shortage.

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(c) Explain TWO payment strategies that could be used to overcome the cash shortages.

2

(i)
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(ii)
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QUESTION 25. (5 marks)

Marks

Carter Shoe Manufacturers is a traditional family firm. Mr Carter, the founder, has recently retired at 90 years of age and his grand-daughter wishes to introduce changes utilising the latest automated production machinery and environmentally-friendly processes. She is facing considerable opposition from her management and staff.

- (a) Outline ONE social cost arising from resistance to change in this business. **1**

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- (b) What is meant by *ecological sustainability*, and how might it affect this business? **2**

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- (c) Explain TWO organising functions that could be applied to this business in managing these changes. **2**

- (i)
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- (ii)
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QUESTION 26. (5 marks)

Marks

An Australian music store is concerned that CDs can now be purchased in small quantities from an overseas supplier through the Internet, without the payment of Australian government taxes.

(a) Identify the external source of change. **1**

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(b) Name TWO internal stakeholders of the music store. Explain briefly the effect of the change on them. **2**

(i)
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(ii)
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Question 26 continues on page 20

QUESTION 26. (Continued)

Marks

(c) What is meant by a *level playing field*, and how is it affecting this business?

2

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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)

Yuk! is the only soft drink to have been made using the artificial colouring chemical MG124. MG124 has just been proved to be harmful to health, with long-term cumulative effects, and has now been banned. Now the manufacturer of Yuk! is facing legal action from past consumers.

- (a) Explain the difference between civil and criminal liability.
- (b) Discuss the potential civil and criminal liability that may arise from the above business conduct.
- (c) Identify the possible consequences if the consumers succeed in the above situation.

OR

QUESTION 28. (25 marks)

The most common commercial transactions carried out by business are the sales of goods and services. Such transactions are governed by laws relating to the contract between the seller and the purchaser.

- (a) Explain the elements of a valid contract.
- (b) Outline the methods of settling a business dispute, with particular reference to a breach of contract.
- (c) Discuss the sources of contract law, and the ways in which governments use legislation concerning the sale of goods and services to provide greater certainty for business operations.

INDUSTRIAL RELATIONS

EITHER

QUESTION 29. (25 marks)

The Workplace Relations Act 1996 accelerated the movement of Australia's industrial relations system towards a mostly decentralised and deregulated format. More recent legislation has continued this trend and given it renewed emphasis.

- (a) Outline the recent changes in industrial relations legislation.
- (b) Discuss the opportunities and threats that these changes present to Australian businesses and their employees.
- (c) For a selected business that you have studied, explain the changes in the nature of industrial relations in that business as a result of the legislative changes of recent years.

OR

QUESTION 30. (25 marks)

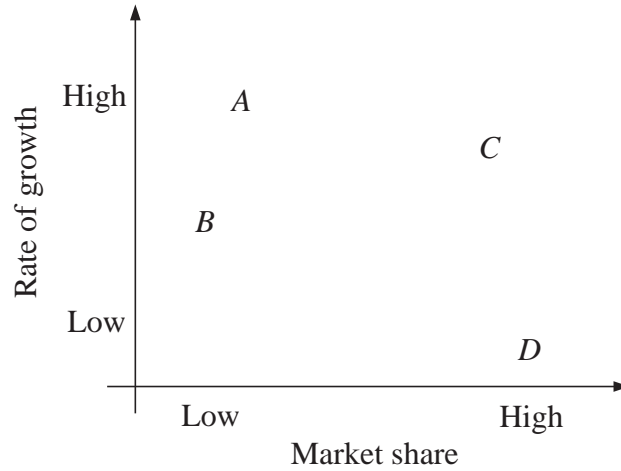
A large engineering company is experiencing work bans as a result of workers being injured in the factory.

With reference to this dispute:

- (a) outline relevant social justice legislation;
- (b) explain the possible processes of resolution;
- (c) discuss the relevant wage and non-wage outcomes that could arise from a resolution.

MARKETING

EITHER

QUESTION 31. (25 marks)

- (a) Compare products *A* and *D* and their probable product life cycles, with reference to the above model.
- (b) With reference to a product you have studied, and its position in the above model:
- (i) describe its market share and rate of growth;
 - (ii) discuss its marketing plan.

OR

QUESTION 32. (25 marks)

New technology has enabled the production of a stronger and faster rollerblade. A company has acquired exclusive rights to this technology and will manufacture it under the name 'Racing Roller'.

You are a marketing consultant and are asked to prepare a report for the launch of 'Racing Roller'. Your report is to include:

- (a) a situational analysis;
- (b) a relevant marketing mix;
- (c) factors to be considered in a financial forecast.

Please turn over

SMALL BUSINESS MANAGEMENT

EITHER

QUESTION 33. (25 marks)

The major reason for failure in small businesses is poor management rather than the inability to undertake their prime function.

- (a) With reference to a small business you have studied:
- (i) outline its business plan;
 - (ii) discuss the management factors that have contributed to the success of this business.
- (b) Explain the importance that feedback controls and financial statements have in the management of a small business.

OR

QUESTION 34. (25 marks)

On completing their HSC, Caroline and Stuart established their own record label company 'Galaxy Sounds'. After only two years in operation they have been awarded a gold medal in the National Small Business Awards for their commitment to customer service and innovative practices. They have recently employed two staff and are looking at expanding their operations next year.

- (a) Outline the characteristics of small business.
- (b) Discuss the importance of small business in the Australian economy.
- (c) Explain the factors Caroline and Stuart had to consider when establishing their business.
- (d) Examine the management factors Caroline and Stuart should consider when planning for the next five years.

End of paper