



B O A R D O F S T U D I E S
NEW SOUTH WALES

2001

**HIGHER SCHOOL CERTIFICATE
EXAMINATION**

Business Studies

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black or blue pen
- Draw diagrams using pencil
- Board-approved calculators may be used
- Write your Centre Number and Student Number at the top of pages 9, 11, 15, 17 and 21

Total marks – 100

Section I Pages 2–7

20 marks

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

Section II Pages 9–22

40 marks

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

Section III Page 23

20 marks

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

Section IV Page 24

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.

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 ↙

- 1** Which of the following is an example of long-term borrowing?
- (A) Bank bills
 - (B) Grants
 - (C) Mortgage
 - (D) Overdraft
- 2** Positioning is a part of which business function?
- (A) Accounting
 - (B) Finance
 - (C) Marketing
 - (D) Operations
- 3** Which of the following is a response to an external influence on a business?
- (A) Implementation of a new management structure
 - (B) Implementation of a quality procedure
 - (C) Implementation of a revised induction procedure
 - (D) Implementation of a tax-compliant record-keeping system
- 4** Which of the following best indicates the solvency of a business?
- (A) Current ratio
 - (B) Expense ratio
 - (C) Net profit ratio
 - (D) Debt to equity ratio
- 5** Which of the following is an example of overt industrial action?
- (A) Absenteeism
 - (B) Sabotage
 - (C) Turnover
 - (D) Work-to-rule

- 6** Nick owns a chain of sports stores. He recently modified his marketing strategy to allow customers to purchase via the Internet.

Which of the following is an internal factor that may have influenced this decision?

- (A) Strategies adopted by competitors to increase market share
- (B) Advances in Internet technology with online purchasing facilities
- (C) Difficulty in recruiting suitable staff with relevant product knowledge
- (D) The recent employment of a marketing manager with new ideas

- 7** A clothes retailer reduces the price of its jeans below cost price in order to attract customers.

Which of the following describes this action by the retailer?

- (A) Loss leader
- (B) Market leader
- (C) Strategic leader
- (D) Production leader

- 8** Which strategy could a business use to effectively manage receivables?

- (A) Offering discounts for early payment
- (B) Increasing the price of the product
- (C) Taking out a short-term loan
- (D) Increasing its overdraft

- 9** Which of the following best describes hedging?

- (A) Using transfer pricing between subsidiaries
- (B) Minimising the effects of the global business cycle
- (C) Protecting against fluctuating exchange rates
- (D) Reducing credit risks on international transactions

- 10** Which of the following would be an effective management strategy to improve the long-term profitability of a business?
- (A) Altering the credit terms to ensure early payment of receivables
 - (B) Improving the efficiency of cost centres
 - (C) Selling of non-productive assets
 - (D) Factoring of accounts receivable
- 11** Which of the following is a social benefit that might result from industrial conflict?
- (A) Improved productivity through changes in work practices
 - (B) Increased levels of union membership
 - (C) Improved working conditions and job opportunities
 - (D) Greater number of workers on enterprise agreements
- 12** Which level of management is responsible for developing strategic goals?
- (A) Junior
 - (B) Middle
 - (C) Senior
 - (D) Line
- 13** Which of the following methods of payment represents the least level of risk for exporters?
- (A) Bill of exchange
 - (B) Letter of credit
 - (C) Open account
 - (D) Pre-payment
- 14** Which of the following has been a consequence of deregulation of financial markets?
- (A) An increase in the use of fixed exchange rates
 - (B) An increase in foreign direct investment
 - (C) Greater influence of trading blocs
 - (D) Increased mobility within international labour markets

- 15 Which of the following is a good measure of return on owners' equity?
- (A) Gearing
 (B) Liquidity
 (C) Profitability
 (D) Solvency
- 16 Which of the following sets out the legal minimum wages and conditions for employees in a particular industry, and is determined by an industrial court or tribunal?
- (A) Agreement
 (B) Award
 (C) Contract
 (D) Statute
- 17 Which of the following would normally be considered as features of a classical-scientific approach to management?
- (A) Flat organisational structure and autocratic leadership style
 (B) Hierarchical organisational structure and autocratic leadership style
 (C) Hierarchical division of labour and democratic leadership style
 (D) Hierarchical division of labour and participative leadership style
- 18 A business has received the following information from their accounting firm.

	2000	2001
<i>Current ratio</i>	0.8 : 1	1.4 : 1
<i>Debt to equity ratio</i>	1 : 1	1.5 : 1

Which of the following would describe the financial position of this business in 2001 compared with 2000?

- (A) Increased liquidity and increased solvency
 (B) Increased liquidity and reduced solvency
 (C) Reduced liquidity and increased solvency
 (D) Reduced liquidity and reduced solvency

19 As part of its marketing activities, a business provides financial support for a regional sporting event.

Which marketing strategy is it using?

- (A) Product
- (B) Price
- (C) Promotion
- (D) Place

20 What stage of the product life cycle is price skimming normally associated with?

- (A) Establishment
- (B) Maturity
- (C) Steady state
- (D) Decline

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Centre Number

Section II

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Student Number

40 marks

Attempt Questions 21–25

Allow about 1 hour and 15 minutes for this section

Answer the questions in the spaces provided.

Marks

Question 21 (5 marks)

A business has decided to replace its labour-intensive manufacturing process with a new automated system.

- (a) Identify ONE financial cost associated with this change. 1

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- (b) Outline TWO management skills that could be used in implementing this change. 2

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- (c) Discuss ONE reason for possible staff resistance to this change. 2

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Centre Number

Section II (continued)

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Student Number

Question 22 (10 marks)

Please turn over

Question 22 (10 marks)

Keyless Locksmiths Pty Ltd				
Revenue statement for the year ended 30 June 2001				
	2000		2001	
	(\$)	(\$)	(\$)	(\$)
Sales		150 000		150 000
Less cost of goods sold				
Opening stock	45 000		48 000	
Purchases	<u>85 000</u>		<u>87 000</u>	
	130 000		135 000	
Less closing stock	<u>48 000</u>	<u>82 000</u>	<u>45 000</u>	<u>90 000</u>
Gross profit		68 000		60 000
Less selling expenses				
Advertising	11 000		11 000	
Salaries	<u>34 000</u>	<u>45 000</u>	<u>38 500</u>	<u>49 500</u>
Less administrative expenses				
Telephone	3 000		3 500	
Rental	<u>5 000</u>	<u>8 000</u>	<u>5 500</u>	<u>9 000</u>
Net profit		15 000		1 500

(a) Calculate the gross profit ratio for 2001. (Show all working.)

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Question 22 continues on page 13

Question 22 (continued)

- (b) The net profit ratio has decreased from 10% in 2000 to 1% in 2001. State TWO possible reasons for the change in profitability. 2

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- (c) Propose and justify TWO marketing strategies that Keyless Locksmiths Pty Ltd could adopt to improve their profitability. 6

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Section II (continued)

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Student Number

Marks

Question 23 (10 marks)

A mining company that operates 24 hours a day has decided to restructure its workforce by changing working conditions. Management has increased the length of work shifts from 8 hours to 12 hours.

- (a) Describe the informational role of management in this situation. 2

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- (b) Discuss an ethical or legal aspect that management should have considered when making this change to working conditions. 2

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Question 23 continues on page 16

Question 23 (continued)

- (c) Analyse TWO methods of measuring the effectiveness of employment relations, and recommend ONE that would be appropriate for the mining company.

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Centre Number

Section II (continued)

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Student Number

Question 24 (10 marks)

Please turn over

Question 24 (10 marks)

Speedy Scooters Pty Ltd plans to expand overseas.

Its current performance indicators are:

- retained profits \$2 million
- debt to equity ratio 0.5 : 1
- Australian market share 65%

- (a) Outline TWO methods of international expansion that might be used by this business. **2**

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- (b) Analyse the impact of ONE internal and ONE external source of funds on the performance indicators of Speedy Scooters Pty Ltd. **4**

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Question 24 continues on page 19

Question 24 (continued)

- (c) Assess the possible impacts of currency fluctuations on the plans of Speedy Scooters Pty Ltd for overseas expansion. **4**

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End of Question 24

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Centre Number

Section II (continued)

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Student Number

Marks

Question 25 (5 marks)

Balance Sheet of Frankie's Discount Barn Pty Ltd as at June 2001			
	(\$'000)		(\$'000)
Current assets		Current liabilities	
Accounts receivable	85	Overdraft	110
Inventory	250	Accounts payable	180
Cash	20		
Non-current assets		Liabilities	
Buildings	520	Mortgage	650
Fittings	275		
	<u>1150</u>	Owners' equity	
		Shareholders' funds	200
		Retained profit	<u>10</u>
			<u>1150</u>

- (a) Calculate the working capital for Frankie's Discount Barn as at June 2001. 1
(Show all working.)

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- (b) Recommend TWO strategies that could be used to effectively manage current liabilities for Frankie's Discount Barn. 2

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Question 25 continues on page 22

Question 25 (continued)

- (c) Explain the importance of inventory in the management of working capital. **2**

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End of Question 25

Business Studies

Section III

20 marks

Attempt Question 26

Allow about 35 minutes for this section

Answer the question in a writing booklet. Extra writing booklets are available.

In your answer, you will be assessed on how well you:

- use your knowledge and the information provided
 - communicate using relevant business terminology and concepts
 - present a logical, well-structured answer to the question in the form of a business report
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Question 26 (20 marks)

‘Taking the fast lane to success’ is a goal of a business called Spatial Internet. This information technology business has been operating as a partnership for two years and has achieved rapid growth.

It is now finding the competition stronger, threatening its market share. The business has another problem in retaining its mostly young, highly educated and mobile staff.

Spatial Internet want to expand into e-commerce.

Write a business report to the owners of this business that explains options for funding its expansion into e-commerce and strategies for managing this change to achieve effective employment relations and social responsibility.

Please turn over

Section IV

20 marks

Attempt either Question 27 or Question 28

Allow about 35 minutes for this section

Answer the question in a SEPARATE writing booklet. Extra writing booklets are available.

In your answer, you will be assessed on how well you:

- use your knowledge and the information provided
 - communicate using relevant business terminology and concepts
 - present a logical, well-structured answer to the question
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Question 27 (20 marks)

‘Over the past two decades, the push for globalisation has had a significant impact on how businesses are managed.’

With reference to a global business you have studied, analyse the drivers of globalisation, and how the business has developed its marketing strategies in response to the push for globalisation.

OR

Question 28 (20 marks)

‘To be successful in the twenty-first century, businesses will need increasingly to market their product on a global basis.’

With reference to a global business you have studied, analyse the elements of its marketing plan, and how it manages the marketing of its products on a global scale.

End of paper