



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

2011 Business Studies HSC Examination 'Sample Answers'

When examination committees develop questions for the examination, they may write 'sample answers' or, in the case of some questions, 'answers could include'. The committees do this to ensure that the questions will effectively assess students' knowledge and skills.

This material is also provided to the Supervisor of Marking, to give some guidance about the nature and scope of the responses the committee expected students would produce. How sample answers are used at marking centres varies. Sample answers may be used extensively and even modified at the marking centre OR they may be considered only briefly at the beginning of marking. In a few cases, the sample answers may not be used at all at marking.

The Board publishes this information to assist in understanding how the marking guidelines were implemented.

The 'sample answers' or similar advice contained in this document are not intended to be exemplary or even complete answers or responses. As they are part of the examination committee's 'working document', they may contain typographical errors, omissions, or only some of the possible correct answers.

Section II

Question 21 (a)

Sample answer:

Use either Force Field Analysis or Unfreeze/Change/Refreeze:

- (i) Force Field Analysis – managers are able to identify driving forces to initiate change process. They make use of the driving forces to help overcome restraining forces that oppose the change by minimising their impact.

OR

- (ii) Unfreeze/Change/Refreeze – managers prepare both the business and employees for change. Change is then implemented and communicated. Refreezing includes reinforcing the changes once implemented, perhaps by reward and recognition.

Question 21 (b)

Answers could include:

- Relevant stakeholders – any group or individual with a vested interest in the business may be used, for example:
 - customer versus employee
 - employee versus employer
 - shareholder versus employee
 - shareholder versus society and future environment.

(Candidates may include other conflicts and, if correct, should be rewarded.)

Sample answer:

A stakeholder has a vested interest in the success of a business. Therefore, conflict can occur; for example, between shareholders wanting increased profits and employees wanting better working conditions and wages. The manager could implement bonuses for improved worker productivity. This could improve employee income and also profits for shareholders.

(Candidates may take an alternative approach that, if correct, should be rewarded.)

Question 22 (a)

Sample answer:

$$\begin{aligned}\text{Gross profit ratio} &= \frac{\text{gross profit}}{\text{sales}} \times \frac{100}{1} \\ &= \frac{\$600\,000}{\$800\,000} = 0.75 : 1 \text{ OR } 75\%\end{aligned}$$

Question 22 (b)***Answers could include:***

- Cost control strategy
 - reduce expenses
 - find cheaper sources of supplies
 - cost centres
 - fixed and variable costs
- Revenue control strategy
 - pricing policy
 - sales objectives
 - sales mix

Sample answer:

Cost control strategy – even though sales have fallen, wage costs have risen substantially. This has affected profitability, and measures need to be taken to reduce this cost.

For example:

- more use of casual staff, which would mean more flexibility and lower wage costs as, during quiet times, fewer workers are needed;

OR

- establishing cost centres that ensure the business keeps track of the costs attributed to these areas to minimise wastage and costs.

Revenue control strategy – Kendalls Café needs to ensure that it is continually monitoring and improving its sales mix to gauge which items are its bestsellers and contribute most to revenue. It could then include more of these types of items and delete less popular ones.

(Candidates can include alternative strategies and, if correct, should be rewarded.)

Question 23 (a)***Answers could include:***

- Wage demands
- Working conditions
- Management policy
- Political goals
- Social issues

Sample answer:

The most common cause of conflict is managerial policy, which may relate to terms and conditions of employment, promotions or changing work practices.

Question 23 (b)***Sample answer/Answers could include:***

Financial consequences:

- Cost-cutting, which can lead to greater competitiveness
- Lost production and sales
- Business and employees suffer loss of income
- Costs of legal representation
- Empowerment of employees

Sample answer:

Financial cost – the main financial cost comes from loss of production. This can lead to serious financial issues, such as increasing debt, loss of profits and, ultimately, business closure.

Financial benefit – conflict can ultimately lead to the empowerment of employees, which can boost morale, which leads to increased productivity and fewer future disputes. It could ensure the survival of the business in the long term.

(The question can be addressed from either the employer's or employee's perspective. Candidates may take an alternative approach that, if correct, should be rewarded.)

Question 24 (a)***Answers could include:***

- Determining information needs
- Customer and buyer behaviour analysis

Sample answer:

Market research helps minimise risks by providing accurate and reliable information about potential customers, therefore identifying an appropriate target market and its characteristics.

Question 24 (b)***Answers could include:***

- (i) Primary data collection method
 - survey
 - observation
 - experimentation
- (ii) Secondary data collection method
 - data already collected for other purposes, either internally or externally, eg ABS data

Sample answer:

- (i) Primary data collection method – a survey or questionnaire of their potential target market. This will collate information directly from the source on issues directly relevant to them, eg 'How much would you pay for a haircut?'
- (ii) Secondary data collection method – Sam and Jody could access census data for their local area (target area). This will provide the features of their planned target market, such as age and income. Other ABS data might also be available.

Question 24 (c)**Answers could include:**

- Price skimming
- Penetration pricing
- Loss leader
- Price points/price lining

Sample answer:

Penetration pricing strategies can be used to quickly gain market share. Low 'introductory prices' for new customers can gain large numbers of customers that may potentially provide return. Sam and Jody will have to be aware that low prices may reduce cash flow and profitability.

(Candidates may use alternative strategies that, if correct, should be rewarded.)

Question 25 (a)**Answers could include:**

- Payment in advance (least risk)
- Letter of credit
- Clean payment
- Bill of exchange

Sample answers:

The method of payment with the least level of risk is payment in advance, where payment is received before the goods are sent.

OR

A letter of credit is a very popular method of payment. The importer's bank promises to pay the exporter when documents that prove the goods have been shipped are lodged.

OR

Clean payments by importers require complete trust between the parties.

Question 25 (b)***Answers could include:***

Financial influences

- Financial risk-taking is greater for global businesses than domestic businesses and is largely uncontrollable, eg currency fluctuations, interest rates and overseas borrowing.
- A business has to put in place appropriate financial management strategies to minimise their negative effects. There are some positive influences.

Sample answer:

Currency fluctuations can rapidly change overseas costs and revenues. The implication of this for a business is significant changes in its profits if it does not act to minimise this risk, eg through hedging.

OR

A global business may obtain finance from an overseas provider at more favourable interest rates and/or conditions. This can lead to lower costs and higher profits.

OR

Global businesses may experience higher credit risks than domestic businesses. This may lead to them not being paid for their products, which can lead to significant losses. A business should therefore choose a suitable method of payment to minimise this risk, eg letter of credit.

OR

Global businesses may experience greater risk of products being stolen or damaged in transit. This can increase costs and reduce profits if the business is not insured against it.

(Candidates may take an alternative approach that, if correct, should be rewarded, eg the Global Financial Crisis as an influence.)

Section III**Question 26*****Answers could include:***

Ethical and legal aspects of marketing

- Environmentally responsible products
- Creation of needs, suggesting
- Deceptive and misleading advertising, price discrimination, implied conditions, warranties, resale price maintenance

Financial issues/strategies

- Control of current assets (accounts receivable)
- Control of current liabilities (overdraft)
- Working capital management strategies – leasing, factoring, sale and lease-back
- Cash flow management strategies – distribution of payments, discounts for early payments
- Profitability strategies
- Revenue strategies

Effective employment relations

- Communications systems – grievance procedures, worker participation, team briefings
- Improved communication linked to more effective employment relations (eg lower staff turnover, lower absenteeism, less disputation, better quality) and/or improved labour productivity, and/or increased profit, and/or survival of business
- Slower decision-making, time lost through consultation, complexity

(Candidates may take an alternative approach that, if correct, should be rewarded.)

Section IV

Question 27

Answers could include:

Sources of change

- Internal – e-commerce, accelerating technology, new systems and procedures, new business cultures
- External – changing nature of markets (economic, financial, geographic, social, legal, political, technological)

Reasons for international expansion

- Increasing sales/finding new markets (eg in response to accelerating technology, geographic, social, technological)
- Acquisition of new resources and technology (eg in response to e-commerce, new business cultures, legal, political, technological)
- Diversification and minimisation of competitive risk (eg in response to new systems and procedures, new business cultures, economic, financial, legal, political)
- Exploiting economies of scale (eg in response to new systems and procedures – financial, technological)
- Responding to regulatory differences/tax minimisation (eg in response to new systems and procedures, legal, political)

(Candidates may take an alternative approach that, if correct, should be rewarded.)

Question 28

Answers could include:

Management skills

- People skills, strategic thinking, vision, flexibility and adaptability to change, complex problem-solving and decision-making, high ethical and personal standards, self-managing, teamwork.

Managing global business – employment relations

- Organisational structure (eg may require strategic thinking, vision, complex problem-solving)
- Staffing and staffing systems (eg may require people skills, flexibility and adaptability to change, complex decision-making)
- Shortage of skilled labour (eg may require people skills, strategic thinking, flexibility and adaptability to change, complex problem-solving)
- Labour law variations and minimum standards of labour (eg may require people skills, flexibility and adaptability to change, high ethical and personal standards)
- Domestic employment strategies used by global business.

(Candidates may take an alternative approach that, if correct, should be rewarded.)