

HIGHER SCHOOL CERTIFICATE EXAMINATION

1996

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.

Each question is worth 1 mark.

Mark your answers in pencil on the Answer Sheet provided.

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

1. Peter Newsom manages a travel business. He recently introduced new ideas to maintain profitability. An external factor that could have influenced this decision is
 - (A) increased promotional expenses.
 - (B) reduced staff numbers.
 - (C) improved staff training on the job.
 - (D) more competition entering the market.

2. In implementing change, organising involves
 - (A) obtaining the best staff from the marketplace.
 - (B) deciding work activities and allocating tasks.
 - (C) installing new plant and equipment in the factory.
 - (D) carrying out a staff performance review.

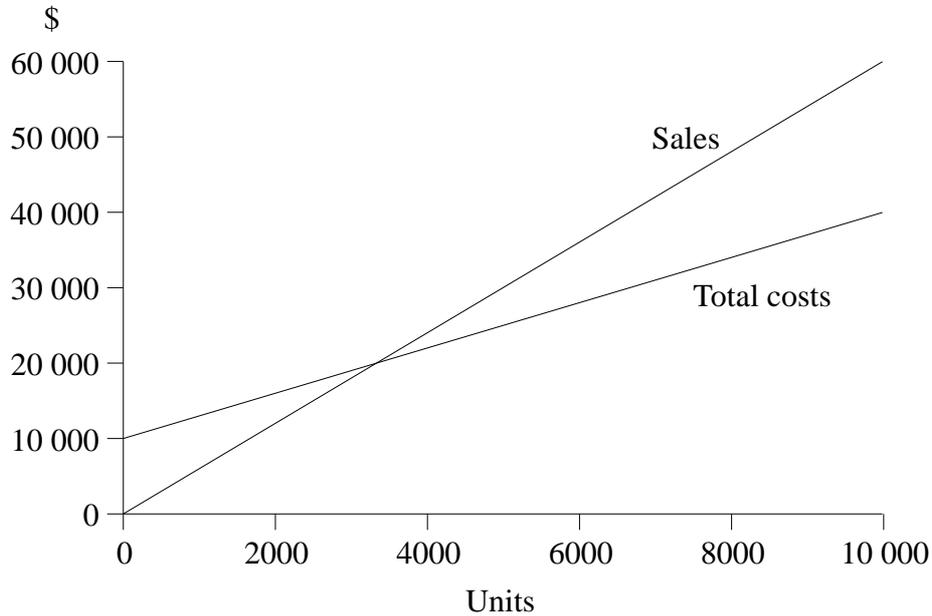
3. The balance sheet of Murray Manufacturing Pty Ltd could include
 - (A) sales.
 - (B) store expenses.
 - (C) goodwill.
 - (D) opening stock.

4. Total quality management means managers
 - (A) continually improve all business operations.
 - (B) are trained in world best practice.
 - (C) aim to produce highest quality output.
 - (D) implement quality circles.

5. The rate of return on assets is
 - (A) a profitability ratio.
 - (B) a leverage ratio.
 - (C) a gearing ratio.
 - (D) a liquidity ratio.

USE THE FOLLOWING INFORMATION FOR QUESTIONS 6 & 7.

The managers of Ross and Sons Ltd are planning next year's production of model aeroplanes. They have produced the following break-even chart.

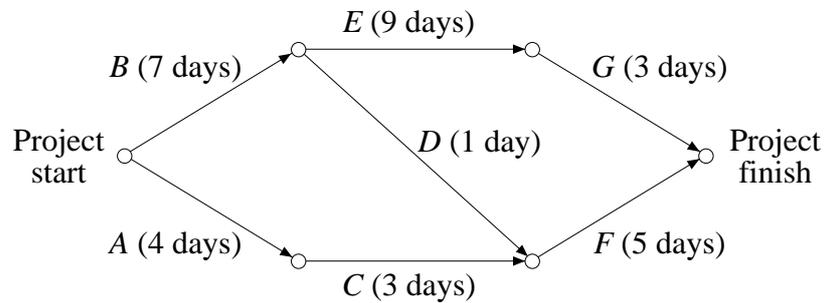


6. The value of sales at the break-even point is
- (A) \$3000
 - (B) \$3500
 - (C) \$10 000
 - (D) \$20 000
7. The net profit from selling 10 000 units is
- (A) \$10 000
 - (B) \$20 000
 - (C) \$40 000
 - (D) \$60 000
8. Three forms of organisational structure of a business are
- (A) functional, statistical, and customer related.
 - (B) statistical, product based, and developmental.
 - (C) functional, geographical, and product based.
 - (D) geographical, developmental, and functional.

- 9.** In controlling the operations of a business, managers would
- (A) compare actual with planned performance.
 - (B) develop the organisational structure.
 - (C) introduce a new accounting system.
 - (D) establish a human resource department.
- 10.** The General Manager of Sportsgear meets with staff at the beginning of each year to establish the tasks they must achieve. This is an example of
- (A) behavioural management.
 - (B) scientific management.
 - (C) management by objectives.
 - (D) value-added management.
- 11.** To determine whether a company is able to meet its current financial obligations, it would be appropriate to
- (A) evaluate its future profitability.
 - (B) analyse its working capital.
 - (C) investigate its financial stability.
 - (D) calculate its net earnings.
- 12.** The profit and loss statement of Red Herrings Ltd includes information about the
- (A) expenses of the business.
 - (B) functioning of the accounting system.
 - (C) resources acquired by a business.
 - (D) cash flow from business operations.
- 13.** A business introduces a zero defects policy. The main reason for this would be to
- (A) increase profits by improving staff morale through a safer work environment.
 - (B) reduce waste, and improve their public image by being ecologically responsible.
 - (C) eliminate the chances of being sued by dissatisfied customers.
 - (D) minimise the costs of wastage in production, and increase profits.

USE THIS INFORMATION TO ANSWER QUESTIONS 14 AND 15.

A project manager has constructed the following critical-path diagram showing the time taken for each activity.



14. The critical path for the project is
- (A) B – E – G.
 - (B) B – D – F.
 - (C) A – C – F.
 - (D) A – D – G.
15. The minimum time required to complete the whole project is
- (A) 12 days.
 - (B) 13 days.
 - (C) 19 days.
 - (D) 32 days.
16. The Allen and Morris partnership incurred a \$100 000 loss in 1996. The two partners will share the losses of the business, based on
- (A) the amount of capital each contributed.
 - (B) the time each partner spent working in the business.
 - (C) the terms specified in the partnership agreement.
 - (D) the new business generated by each of the partners.
17. Managers prepare a mission statement for their business because it
- (A) is required by the Australian Stock Exchange.
 - (B) forms a sound base for strategic planning.
 - (C) is required in order to operate a bank account.
 - (D) links management with stakeholders.

18. Chooka Hardware Pty Ltd has the following account balances:

Current assets	\$1500
Total liabilities	\$7250
Owner's equity	\$9000

The value of the firm's non-current assets is

- (A) \$5750
 - (B) \$7500
 - (C) \$14 750
 - (D) \$16 250
19. Jackson Ho has successfully operated his restaurant for twenty-five years. Now he wants to spend more time at the beach. He wants to employ a manager, but has found that managers never do what he tells them. Jackson's management style is most likely
- (A) laissez-faire.
 - (B) collegial.
 - (C) democratic.
 - (D) autocratic.
20. The managers of Dwyer's Hotel have decided *not* to downsize the business, because of the likely effect on employee morale. This is most probably a response to a
- (A) financial constraint.
 - (B) social cost.
 - (C) ecological cost.
 - (D) redevelopment cost.

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EXAMINER'S USE ONLY

STUDENT NUMBER

**1996
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CENTRE NUMBER

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)

Refer to the following advertisement.

FOR SALE

TIMBER RETAIL OUTLET

- Sole trader
- Owner-managed for 22 years
- Turnover \$1.25 million
- Gross profit 16%
- No outstanding leases or borrowings

* * * TERMS NEGOTIABLE * * *

Phone (xx) xxxx

(a) List TWO different stakeholders in this business.

1

(i)

(ii)

QUESTION 21. (Continued)

Marks

(b) Describe TWO key external factors that should be considered before purchasing this business. **2**

(i)
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(ii)
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(c) Explain TWO key functions of management that would apply to a business such as that advertised. **2**

(i)
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(ii)
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CENTRE NUMBER

QUESTION 22. (5 marks)

Marks

Grant Ford is thinking of buying a business. He has narrowed his choice to two dress shops. His preference is for Muriel's Wedding Gowns but he is not quite sure. He has asked your advice and provided the following information.

	<i>Priscilla's Dress Shop</i>	<i>Muriel's Wedding Gowns</i>
	(\$)	(\$)
Sales	150 000	400 000
Cost of Sales	50 000	200 000
Gross Profit	100 000	200 000
Expenses	70 000	170 000
Net Profit	30 000	30 000

(a) Based upon the available information, *explain* which business Grant should buy.

1

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QUESTION 22. (Continued)

Marks

(b) Identify **FOUR** examples of additional financial information Grant would need to assist him in this decision. **2**

(i)

(ii)

(iii)

(iv)

(c) List **TWO** non-financial considerations Grant should take into account when making his decision. **2**

(i)

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(ii)

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QUESTION 23. (5 marks)

Marks

Mrs Whoopee Ice-Cream Van has the following cash-flow statement.

	Jan.	Feb.	March	April	May	June
Receipts	1600	1000	800	600	500	300
Payments	1150	950	650	550	450	1400
Opening balance at Bank	100	550	600	750	800	850
<i>Additional information</i>						
Costs breakdown						
– ice-cream wholesale (100% mark-up)						
– petrol, \$50 per month						
– rent on equipment, \$100 per month						
– road tax, \$1000 per year						

(a) In which month did a cash-flow problem arise? **1**

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(b) Give TWO likely reasons for the cash-flow problem. **2**

(i)

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(ii)

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QUESTION 23. (Continued)

Marks

(c) Describe TWO strategies to overcome the cash-flow problem.

2

- (i)
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- (ii)
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QUESTION 24. (5 marks)

Marks

The management of 'Babe Piggeries' released the following financial statement on 31 December 1995.

BABE PIGGERIES			
<i>Current Assets</i>	\$	<i>Current Liabilities</i>	\$
Cash	50	Overdraft	200
Accounts Receivable	700	Accounts Payable	1000
Inventories	250	<i>Non-current liabilities</i>	4000
<i>Non-current assets</i>	<u>5000</u>	<i>Owners' equity</i>	<u>800</u>
	<u>6000</u>		<u>6000</u>

(a) Calculate the working capital in this business. **1**

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(b) You are one of Babe Piggeries' suppliers. *Explain* whether you would continue to extend credit, and why. **2**

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QUESTION 24. (Continued)

Marks

(c) Outline TWO strategies the business could adopt to improve its working capital position.

2

- (i)
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- (ii)
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CENTRE NUMBER

QUESTION 25. (5 marks)

Marks

A cotton farm on the Gwydir River is owned by a large city business. John Smith, the Manager, has misused the water resources, causing the soil to become infertile, and the river polluted. John has requested more money from the owners to repair the damage that has been caused.

(a) Explain the effects of John Smith's mismanagement on:

(i) ONE internal stakeholder of the business;

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(ii) TWO external stakeholders of the business.

2

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QUESTION 25. (Continued)

Marks

(b) Outline TWO ways in which ecologically sustainable change can be promoted. **2**

- (i)
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- (ii)
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EXAMINER'S USE ONLY

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CENTRE NUMBER

QUESTION 26. (5 marks)

Marks

Refer to the following financial information.

BATMOBILE CAR ASSEMBLIES				
<i>Management Report</i>				
<i>31 December 1995</i>				
	Budget		Actual	
	\$'000	\$'000	\$'000	\$'000
Sales		1000		2000
Cost of Sales		<u>800</u>		<u>1600</u>
Gross Profit		200		400
<i>Expenses</i>				
Wages	50		100	
Rent	10		10	
Transport	10		40	
Advertising	<u>30</u>	<u>100</u>	<u>150</u>	<u>300</u>
Net Profit		<u><u>100</u></u>	-	<u><u>100</u></u>

(a) Identify ONE way in which managers could use this report.

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QUESTION 26. (Continued)

Marks

(b) Calculate the following ratios:

2

(i) actual gross profit ratio;

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(ii) budgeted gross profit ratio;

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(iii) actual net profit ratio;

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(iv) budgeted net profit ratio.

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(c) Analyse the above ratios, and give possible reasons for the differences between actual and budget.

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)

Your neighbour is thinking of establishing a family business. He feels that the best form of organisation would be either a partnership or a trust. He has asked for your advice.

For BOTH types of organisation:

- (a) outline the relevant legal issues in their formation;
- (b) discuss the legal rights and duties of principals and agents;
- (c) analyse the legal issues affecting the cessation of activity in each.

OR

QUESTION 28 (25 marks)

Your friend Alex is in the market for a used car. The car of his dreams was advertised in the local paper at a giveaway price. Alex called on Moose Motors Pty Ltd, and after some discussion with the salesperson, agreed on a price of \$6500. Alex then insisted on taking the car for a test drive. After checking that Alex had a valid driving licence, the salesperson agreed. As Alex was pulling away from the kerb, the car was involved in an accident with a passing car.

The salesperson claims that Alex did not look before pulling out from the kerb. She insists that Alex had purchased the car, and must therefore pay for the car and for the repairs. Alex refuses to accept responsibility for the accident.

- (a) Discuss whether there is a valid contract between Moose Motors Pty Ltd and Alex.
- (b) Explain the current consumer-protection laws and whether they are relevant to this case.
- (c) Identify the possible resolution procedures for this dispute.

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

The introduction of employment contracts and enterprise bargaining has meant a change in the role and power of unions in industrial disputes.

- (a) Outline the differences between enterprise bargaining and centralised wage fixing.
- (b) Discuss the role of government in the development of industrial relations.
- (c) Analyse the changes in the role of trade unions following the introduction of enterprise bargaining.

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

The ideal industrial relations structure would reduce conflicts in the workplace to zero through the development of an effective conflict-resolution process.

Refer to at least ONE industrial dispute you have studied.

- (a) Outline the causes of industrial conflict.
- (b) Explain the consequences of disputes.
- (c) Evaluate the various processes available for the resolution of industrial conflict.

MARKETING*EITHER***QUESTION 31** (25 marks)**PIZZA PAN****Gold Medallist in the Pizza Olympics!**

Pizza Pan, a dynamic company, has developed two new styles of frozen pizza:

- a lite-cheese, single-size, wholemeal pizza
- a jumbo, topping-plus pizza.

Pizza Pan is considering undertaking a promotional campaign to market these new varieties.

As the marketing manager, present a report:

- (a) outlining possible marketing goals for Pizza Pan in promoting these two products;
- (b) identifying and analysing target markets for these two products;
- (c) developing a market mix for ONE of these products;
- (d) explaining how a cost/benefit analysis could be used to evaluate a marketing plan.

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

**THE RISING PROMINENCE OF MARKETING
IS BAD NEWS FOR AD AGENCIES**

Marketing is too important to be left to the advertising guys. It involves finance, operations, and legal departments, where innovation, research, and cultures all impact on marketing success.

SERGIO ZYMAN, President—Marketing, *Coolum Cola Company*

- (a) Discuss the role of marketing in the achievement of business goals by Coolum Cola.
- (b) Outline the essential points that might be included in a marketing plan for Coolum Cola.
- (c) Refer to a business you have studied. Critically assess how management has managed the marketing plan.

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

Most small businesses fail in the first ten years of their operations, due to poor management practices.

PROFESSOR ALAN WILLIAMS, *University of Newcastle*, 1994

- (a) Outline TWO planning options to be considered before starting a new small business.
- (b) Refer to a small business you have studied.
 - (i) Present a SWOT analysis.
 - (ii) Explain the role of planning time-frames in the short, medium, and long terms.
 - (iii) Outline its current business plan and how it has been implemented.
 - (iv) Evaluate the success of this plan, and refer to THREE management reports which may improve future performance.

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

Joanne is a qualified preschool teacher. She has been successfully managing Dandy Preschool for the last three years. Recently the owners have offered to sell the business to her. Her brother George has just completed his accountancy qualification and is keen to start his own accounting practice. They have inherited \$20 000 each from their grandmother. They would like to go into partnership, but cannot decide which business idea to pursue.

As their small business consultant, write a report:

- (a) comparing the planning options for setting up a new business, or purchasing an existing one;
- (b) discussing the factors contributing to a successful business, making reference to the qualities of your clients;
- (c) identifying possible growth areas in the small-business sector.