



HIGHER SCHOOL CERTIFICATE EXAMINATION

1999

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 either blue or black pen on the Answer Sheet provided.

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

(20 Marks)

Attempt ALL questions.

Each question is worth 1 mark.

Instructions for answering multiple-choice questions

- Complete your answers in either blue or black pen.
- 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

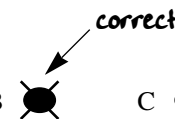
A ☐ B ☒ C ☐ D ☐

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 ☐



- 1** The primary financial responsibility of management to the owners of the business is to

 - (A) convert the firm's goals into achievable objectives.
 - (B) be socially and economically responsible.
 - (C) maximise profits.
 - (D) maximise productivity.
- 2** An advantage of outsourcing support services is that it

 - (A) allows a business to concentrate on its prime function.
 - (B) allows the wants and needs of customers to be identified.
 - (C) improves the motivation of the administrative staff of a business.
 - (D) reduces the operating costs of a business.
- 3** A management tool used for analysing the truth and fairness of financial record keeping is

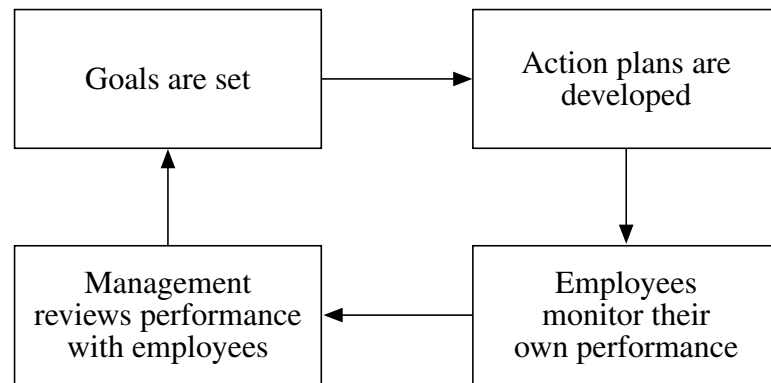
 - (A) a profitability ratio.
 - (B) an audit.
 - (C) a liquidity ratio.
 - (D) a quality assurance program.
- 4** The producer of leather belts and whips in a small country town establishes a new network of overseas customers through the Internet. This is a response to

 - (A) the effects of technological change on production.
 - (B) a geographic change in the market.
 - (C) the changing nature of global markets.
 - (D) an increase in domestic demand for the product.
- 5** A change in the external business environment that would have a direct impact on the expenses of a business is

 - (A) an improvement in management techniques.
 - (B) a regional economic downturn.
 - (C) an expanded market for its product.
 - (D) a new sales tax on its product.

- 6** A major oil company reduces the hazardous lead content of its petrol well below the legal maximum. By doing so, it demonstrates its willingness to
- (A) achieve total quality management.
 - (B) comply with the law.
 - (C) meet an agreed code of practice.
 - (D) contribute to social justice.
- 7** To increase liquidity, Global Designs Ltd has decided to sell its accounts receivable to ATC Finance Company. This is an example of
- (A) leasing.
 - (B) factoring.
 - (C) merging.
 - (D) gearing.
- 8** In addition to sales, the account balances needed by a business for the calculation of its gross profit are
- (A) stock and purchases.
 - (B) assets and liabilities.
 - (C) stock and expenses.
 - (D) assets and expenses.
- 9** The process of creating a working environment that encourages the achievement of personal and business goals is
- (A) managing.
 - (B) planning.
 - (C) organising.
 - (D) leading.
- 10** A planned reduction in the number of employees is known as
- (A) planned obsolescence.
 - (B) downsizing.
 - (C) delegation.
 - (D) organisational transformation.

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The approach to management that the diagram above best illustrates is

- (A) total quality management.
 - (B) management by objectives.
 - (C) value added management.
 - (D) quantitative management.
- 12** A 'Code of Practice' is a statement of policies and rules that
- (A) are legally binding.
 - (B) guide business behaviour beyond its legal requirements.
 - (C) ensure effective discipline of employees.
 - (D) provide specific rules for one particular business.
- 13** The reluctance of union members at an industrial factory to retrain for the introduction of new technology is an example of
- (A) work-to-rule action.
 - (B) low worker morale.
 - (C) the inertia of management.
 - (D) resistance to change.

USE THE FOLLOWING FINANCIAL INFORMATION TO ANSWER QUESTIONS 14 AND 15.

Dominics Autos Pty Ltd Balance Sheet as at 30 June 1999			
Fixed Assets	\$	\$	\$
Equipment	200 000		
Vehicles	60 000		
Fixtures & fittings	40 000		
<i>Total fixed assets</i>			300 000
Add			
Net Current Assets			
<i>Current Assets</i>			
Cash	150 000		
Stock	100 000		
Debtors	50 000		
		300 000	
Less			
<i>Current Liabilities</i>			
Creditors	10 000		
Accrued expenses	40 000		
		50 000	
<i>Net Current Assets</i>			250 000
Capital Requirement			<u>\$550 000</u>
Financed by			
Mortgage	100 000		
Capital	400 000		
Retained profits	50 000		
			<u>\$550 000</u>

- 14 From the above balance sheet information, what is the working capital of Dominics Autos Pty Ltd?
- (A) \$450 000
 (B) \$200 000
 (C) \$250 000
 (D) \$300 000
- 15 The level of gearing in this business is
- (A) 22%
 (B) 50%
 (C) 66%
 (D) 33%

- 16** Andrew's Dancing School wants to identify its critical success factors. A useful tool to assist this would be a
- (A) market segmentation.
 - (B) SWOT analysis.
 - (C) TQM strategy.
 - (D) decision tree.
- 17** The most likely impact on a business of a build-up of stocks of raw materials is
- (A) a decrease in gross profit and decrease in liquidity.
 - (B) a decrease in gross profit and increase in liquidity.
 - (C) an increase in working capital and decrease in liquidity.
 - (D) an increase in working capital and increase in liquidity.
- 18** Thanh uses a sales forecast to estimate raw material requirements. The type of control Thanh is using is
- (A) feedforward.
 - (B) feedback.
 - (C) preventative.
 - (D) concurrent.
- 19** The purpose of planning is to
- (A) measure and correct performance.
 - (B) motivate employees to achieve specific objectives.
 - (C) establish a structure of roles for employees to fill.
 - (D) establish objectives and the actions to achieve them.
- 20** Mario, a manager, is hiring three temporary workers to eliminate a backlog of work orders. This is an example of
- (A) strategic management.
 - (B) total quality management.
 - (C) tactical management.
 - (D) financial management.

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STUDENT NUMBER

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1999

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BUSINESS STUDIES
2/3 UNIT (COMMON)**

CENTRE NUMBER

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SECTION II**Marks**

(30 Marks)

Attempt ALL questions.

Each question is worth 5 marks.

Answer the questions in the spaces provided in this paper.

QUESTION 21 (5 marks)

Prawn Farmers and Co. has been farming prawns in Australia for the past five years. During that time it has exported most of its product to South-East Asia. The Asian economic crisis, however, has had a negative impact on its business.

- (a) Describe the external change that has affected this business. **1**
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- (b) Outline TWO internal changes that management could make in response to the Asian economic crisis. **2**
- (i)
-
- (ii)
-
- (c) Explain TWO reasons for resistance to internal change that may occur in this business. **2**
- (i)
-
- (ii)
-

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BUSINESS STUDIES

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QUESTION 22 (5 marks)

Marks

The workers and junior management of *Turbal Timber and Joinery* are not given a role in business decision making. They are told by senior management to follow directives or face dismissal.

- (a) Define the management style at *Turbal Timber and Joinery*.

1

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- (b) Outline the advantages of this management style.

2

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- (c) Explain how the role of employees and managers would change if *Turbal Timber and Joinery* adopted a democratic leadership style.

2

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QUESTION 23 (5 marks)

Marks

KNB Airlines has collected the following information about the methods used by its customers to purchase airline tickets.

PERCENTAGE OF AIRLINE TICKETS SOLD			
	<i>By telephone booking to KNB Airlines</i>	<i>By Internet booking to KNB Airlines</i>	<i>By travel agent booking</i>
1996	15	5	80
1997	20	10	70
1998	20	20	60

- (a) Describe the type of management control illustrated above. 1

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- (b) Explain TWO strategies that the management of *KNB Airlines* might introduce in response to this survey. 2

(i)

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(ii)

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- (c) Explain ONE advantage and ONE disadvantage of accelerating technology on the internal business environment of *KNB Airlines*. 2

Advantage

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Disadvantage

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QUESTION 24 (5 marks)

Marks

FINANCIAL STATEMENT OF GROVE INDUSTRIES FOR THE YEAR ENDED 30 JUNE 1999		
		\$'000
Sales		500
<i>less</i> Cost of goods sold		
Opening stock	70	
Purchases	230	
	<u>300</u>	
<i>less</i> Closing stock	<u>110</u>	<u>190</u>
Gross profit		310
<i>less</i> Operating expenses		<u>180</u>
Net profit		<u><u>130</u></u>

Additional information	\$'000
Sales for the year ended 30/6/98	400
Gross profit for the year ended 30/6/98	248
Net profit for the year ended 30/6/98	80

Question 24 continues on page 16

QUESTION 24 (Continued)

Marks

- (a) What type of financial statement is shown in the box on page 15? **1**

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- (b) Using both *gross profit* and *net profit* ratios, comment on the profitability of Grove Industries. (Show all working.) **2**

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- (c) Explain TWO ways in which businesses use ratio analysis to assist in financial management. **2**

(i)

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(ii)

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QUESTION 25 (5 marks)

Marks

TAKE TWO PRODUCTIONS LTD BALANCE SHEET AS AT 30 JUNE 1999					
Current assets	\$	\$	Current liabilities	\$	\$
Investments	15 200		Bank	10 000	
Debtors	30 000		Creditors	23 000	
Inventory	15 000		Accrued expenses	30 000	
		60 200			63 000
Non-current assets			Non-current liabilities		
Plant & equipment	35 000		Loans		14 000
Buildings	100 000				
		135 000			
Owners' equity					
			Shareholders' funds fully paid (Authorised capital 400 000 shares of \$1 each)	100 000	
			Profit	18 200	
					118 200
		195 200			195 200

Take Two Productions wants to raise additional finance to expand its movie production business.

Question 25 continues on page 18

QUESTION 25 (continued)

Marks

- (a) Identify TWO options for *Take Two Productions* to raise additional finance. **1**

(i)

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(ii)

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- (b) Management is considering extending the business's bank overdraft by \$20 000. Use ratio analysis to comment on the effect of this option. **2**

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- (c) Briefly assess *Take Two Productions* as a potential investment. Support your answer with information from the Balance Sheet on page 17. **2**

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QUESTION 26 (5 marks)

Marks

Jim and Sonja own and manage a business that produces computer games. They lease a warehouse where they design, manufacture and store the games prior to delivery throughout NSW. In recent months their overheads have increased dramatically, largely due to increases in rent and utility costs. In addition, poor sales over the Christmas period have resulted in idle stock.

Jim and Sonja's financial adviser has suggested they reorganise their activities by introducing a *Just-in-Time* management system.

- (a) What is a *Just-in-Time* management system? 1

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- (b) Explain the internal changes required to implement a *Just-in-Time* management system. 2

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- (c) Explain how a *Just-in-Time* management system could improve business performance for Jim and Sonja. 2

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1999

**HIGHER SCHOOL CERTIFICATE EXAMINATION
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SECTION III

(50 Marks)

Attempt TWO questions, each from a different option.

Answer each question in a SEPARATE Writing Booklet.

BUSINESS LAW

EITHER

QUESTION 27 (25 marks)

Phil purchased a second-hand bicycle from *As Good as New Bikes*. Above the cash register was a sign that read 'caveat emptor'.

- (a) Discuss the implications of 'caveat emptor' on the relationship between buyers and sellers.
- (b) Outline how laws regulating the sale of goods and services provide protection for consumers.
- (c) Phil wants to return the bike as he believes it was falsely advertised. Explain the legislation governing misleading conduct and how this situation could be settled.

OR

QUESTION 28 (25 marks)

Teresa and Alison operate a partnership making and selling jam. A reduced supply of fruit has resulted in a fall in sales. Alison purchased a large supply of glass jars that must be paid for within 30 days. The funds are not available to meet this expense. Teresa was not consulted when Alison bought the jars and insists that Alison pay for them out of her personal savings.

- (a) What is a partnership? Outline the legal issues involved in the formation of a partnership.
- (b) Explain the legal consequences arising from Teresa and Alison's situation.
- (c) Teresa and Alison do not want this situation to result in court action. Explain the alternative procedures that Teresa and Alison could use to resolve this situation.

INDUSTRIAL RELATIONS

EITHER

QUESTION 29 (25 marks)

The roles of trade unions, employer groups and governments in the Australian industrial relations system have changed in response to evolving economic and social beliefs about wage determination.

- (a) Outline the current roles of Australian trade unions, employer groups and governments in the wage determination process.
- (b) Discuss the economic and social beliefs and values that underlie the current wage determination processes in Australia.
- (c) Evaluate the advantages and disadvantages of the current wage determination processes for Australian businesses.

OR

QUESTION 30 (25 marks)

With reference to an industrial dispute you have studied:

- (a) describe the nature of the conflict and the events that led to the dispute;
- (b) discuss the industrial actions taken by the employer and by the employees to resolve this dispute;
- (c) evaluate the effectiveness of the dispute resolution processes, including the wage and non-wage outcomes.

MARKETING

EITHER

QUESTION 31 (25 marks)**KIDZGAMES**

In response to increased competition, the management of *Kidzgames Ltd* have just completed an analysis of the market opportunities for their best-selling product, TRIVIANET, a CD-ROM trivia game. As part of a SWOT analysis they have evaluated the external influences in the market for their product.

- (a) Briefly explain why a business, such as *Kidzgames Ltd*, would analyse its market.
- (b) Identify and discuss the internal and external influences that *Kidzgames Ltd* would consider in evaluating its product and its market.
- (c) For a business you have studied, critically assess the implementation and monitoring of its marketing plan.

OR

QUESTION 32 (25 marks)

As the total market for many products is extremely large, most businesses choose to focus their marketing attention on a target market.

- (a) Explain the role of marketing in achieving business goals.
- (b) Explain how a physical and a behavioural method can be used to segment a market.
- (c) For a business you have studied, evaluate the relevance of its marketing mix to its target market.

Please turn over

SMALL BUSINESS MANAGEMENT

EITHER

QUESTION 33 (25 marks)

Dennis and Dale have recently moved to a country town and purchased an existing fruit and vegetable shop. In taking over the business they have:

- retained all current employees;
- established a bank account with the local bank;
- joined the local Chamber of Commerce.

- (a) Outline the benefits of purchasing this business rather than establishing a new fruit and vegetable shop.
- (b) Explain how government regulation influences the operation of this business.
- (c) Describe effective management practices that Dennis and Dale could adopt to ensure the continued success of this business.

OR

QUESTION 34 (25 marks)

With reference to a small business you have studied:

- (a) explain how its business plan has been used to achieve its prime function;
- (b) discuss the impact of the internal and external business environment on its business plan;
- (c) analyse the ways in which the business plan has been modified in response to changes in the business environment.

End of paper