

BOARD OF STUDIES
NEW SOUTH WALES

1997 HSC

**EXAMINATION
REPORT**

Business Studies

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1997 HIGHER SCHOOL CERTIFICATE

EXAMINATION REPORT

BUSINESS STUDIES

Introduction

1997 was the third year of examination of the 1994 Business Studies 2/3 Unit Syllabus. This Syllabus was revised in 1995, resulting in the inclusion of short-answer questions in the examination paper.

The candidature increased slightly from that of 1996. The 2/3 Unit candidature increased to 13 433, the 3 Unit candidature being 3000.

In 1997 there were two marking centres for Business Studies. The Newcastle Centre was responsible for 2/3 Unit (Common) Section I and Section II short answers and the Sydney Centre for 2/3 Unit (Common) and 3 Unit extended responses.

The marking of the 1997 examination papers showed an improvement in the standard of the responses, which were more concise, since candidates successfully used skills of analysis in application of the stimulus material to the Syllabus. The quality of the responses in 2/3 Unit and 3 Unit improved, especially in the 2/3 Unit (Common) examination, where students wrote more, using the stimulus material, and provided relevant responses to the question.

This examination report contains general, as well as specific, information related to each section of the examination paper. It has been written to provide advice to both teachers and students who should refer to the *1997 Business Studies HSC Sample Answers* publication for examples of candidate responses to individual questions on the paper.

2/3 Unit (Common)

Section I Multiple Choice

Question	Answer	Correct (%)
1	C	77
2	C	60
3	A	64
4	B	81
5	C	51
6	A	78
7	B	50
8	D	49
9	C	63
10	B	28
11	D	74
12	B	22
13	C	49
14	A	15
15	C	85
16	B	75
17	B	81
18	D	35
19	A	65
20	A	44

This table indicates the correct response for each question and the percentage of the total candidature choosing that response. The multiple-choice questions of Section I of the 2/3 Unit Business Studies examination paper are based on the outcomes of the 2 Unit course, pages 27–29 of the syllabus and, in particular, the Expected Outcomes of the Introductory Core Topic: Management in Action, page 32 and Concluding Core Topic: Business in Action, page 48 of the syllabus. The outcomes are further expanded in the Areas of Study on pages 33–36 and pages 49–50 of the same syllabus.

In addition, it is assumed that the expected outcomes of the Preliminary course have been achieved by all students commencing the Higher School Certificate Course in Business Studies.

The mean for the multiple-choice answers was 11.54 compared with the 1996 multiple-choice answer mean of 12.35.

Section II

General Comments

The standard of responses in this section was an improvement on that in 1996; the majority of candidates were familiar with the specific requirements of the short-answer questions and, in particular, the need to deal with the requirements of the question by utilising the space provided (lined space) and by referring to the relative importance of each part of the question in terms of the mark/time allocation.

The space provided for each response is considered to be more than enough for students to earn full marks. In the 1997 examination, the majority of candidates restricted their responses to the lined space provided. Those who needed additional space for these questions were not necessarily the ones who gained more marks, ie longer responses did not necessarily gain any advantage.

Marking of Section II

The aim of the marking is to be fair to all candidates, therefore the Business Studies marking process must ensure that marking is norm-referenced, reliable and accurate.

The marking of questions involves the establishment of specific criteria for each section of the question. These criteria are drawn up by Senior Markers through extensive reading of a large number of scripts from a variety of centres. Realistic, usable criteria are established which are tested in the pilot-marking phase, with continued reassessment and readjustment of the criteria to ensure that all types of responses have been accommodated by the criteria and that those selected constitute a valid and equitable means of discriminating between responses. Pilot-marking not only tests the criteria but also compares the marking standards individually and between groups.

In applying the principles of marking, markers use the full range of marks available (the best responses are awarded 10 and the worst 0) and use the marking guide for each response marked. Section II was single-marked out of 10, with the aim of achieving a mean total mark of 5.5 and a standard deviation of 2. There are no penalties for mistakes — marks are awarded for appropriate responses. A mark of zero is awarded to non-attempts, a restatement of the question, or completely incorrect or irrelevant information.

During marking a number of strategies are used to ensure the reliability, consistency and validity of the marking process. In monitoring the marking operation Senior Markers use a combination of information sources to ensure that marking is reliable. Sources of information include the daily statistical reports through the Marker Statistics Operation, systematic check-marking of scripts and daily control scripts within and between groups.

Each of these procedures assists the Supervisors of Marking and Senior Markers to maintain the reliability of individual markers, individual groups, groups marking the same question and the whole marking centre.

Teachers and students should refer to the 1997 Business Studies HSC Sample Answers for examples of candidates' responses to these questions.

Question 21

You are interested in buying Michael and Sue's Coffee Shop which operates in rental premises. The fittings are old. You observe their activities and notice that while they are busy, there are no regular customers. They present you with the following financial information.

<i>Current Assets</i>		<i>Current Liabilities</i>	
Cash	650	Overdraft	2000
Accounts Receivable	350	Bank Loan	7000
Inventories	2000		
<i>Non-Current Assets</i>		<i>Shareholders' Funds</i>	
Fittings and Fixtures	5300	Equity	4000
Goodwill	5000	Retained Profit	300

- (a) Describe ONE factor you should consider before buying this business.
- (b) (i) What is goodwill?
(ii) Comment on the value of goodwill for this business.
- (b) (i) Calculate a liquidity ratio for this business.
(ii) Suggest how this liquidity ratio might affect your decision to buy this business.

General Comments

In this question candidates were asked to analyse financial information and stimulus material in relation to the concepts of liquidity and goodwill, and to make a decision regarding the possible purchase of a specific business.

The majority described a factor they would consider before buying the business and were able to calculate an appropriate liquidity ratio. The better candidates could relate their understanding of goodwill and liquidity to analysing the current situation of the business.

Some candidates, however, did not have a clear understanding of goodwill as an intangible asset and had difficulties in using liquidity analysis to decide whether to buy the business.

Excellent Responses

In these responses candidates answered all sections of the question and described a relevant factor, such as location, goodwill, liquidity or competition, that should be considered before buying the business.

They defined *goodwill* as being an intangible asset and were able to describe how the value of goodwill is determined, eg reputation, business name, relationship with customers. Many commented that the goodwill appeared to be high for a coffee shop that did not have regular customers.

They also calculated an appropriate liquidity ratio — either the current or quick (acid test) ratio — and showed their working. They analysed the ratio, indicating that the business was facing short-term liquidity and potential cash flow problems, and, in this way, justified their decisions on whether to buy the business or not.

Above-average Responses

In this category, candidates described relevant factors to be considered before buying the business, explained the concept of goodwill and stated that the value of goodwill appeared to be high in regard to this specific business. They also calculated a relevant liquidity ratio and stated that the ratio was too high in regard to this specific business.

Average Responses

Here candidates listed and briefly explained a factor to be considered before buying the business.

Although they explained the term *goodwill*, their analysis of the value of goodwill was limited. Whilst they attempted to calculate an appropriate liquidity ratio, many had difficulty in using the ratio to justify the decision to purchase the business.

Question 22

Smyth and Wests Gunsmiths have been making guns in Bathurst NSW for the last 100 years. Their mission statement has always ended with ‘Smyth and Wests, our guns are best’. Recently their gun sales were banned by an Act of Parliament and they are considering the production of fishing rods instead.

- (a) **What type of external change did the company experience?**
- (b) **Suggest TWO reasons for resistance to internal change that may occur in this company.**
- (c) **Explain TWO ways in which the planning function could be used to manage the internal change being considered.**

General Comments

This question required candidates to identify the type of external change experienced by a hypothetical business and to suggest two reasons for resistance to internal changes subsequently implemented. They were then asked to explain two ways in which the planning function could be used to manage the external changes being considered.

The majority recognised that the external change was either legal, government or political. Some candidates, however, simply referred to the social changes that promoted the legal or government change.

Most candidates were able to suggest and expand on two possible reasons for resistance to internal change. They identified reasons related to human, financial or manufacturing resources and related their explanations to internal stakeholders who resisted the change from the production of guns to fishing rods.

A wide range of explanations were offered of how the planning function could be used to manage the internal change. Such explanations included:

- SWOT analysis
- PERT
- Critical Path Analysis
- Budgets.

The better candidates offered more detailed analysis not only of reasons for resistance to the internal change, but also of ways in which the planning function could be used to manage the change of the business.

Excellent Responses

In this category candidates answered all sections of the question and clearly identified and explained the external change occurring. They gave a brief analysis of the current business situation and identified and explained in detail two appropriate reasons for resistance to any likely internal change resulting from government legislation.

These candidates also identified and explained in detail ways in which the planning function could be used to manage the internal change. Such explanations and analysis were not only thorough and related to the specific business, but were also couched in appropriate business terminology and provided justification of the planning function selected.

Above-average Responses

Candidates here identified and explained the source of the external change, and also suggested and explained two reasons for resistance to internal change.

They also explained two ways in which the planning function could be used to manage any proposed internal changes.

Average Responses

In these responses candidates identified the source of the external change and explained two general reasons for resistance to internal change. They either briefly outlined the ways in which the planning function could be used to manage any proposed internal changes or offered only one detailed explanation.

Responses often made no reference to the stimulus.

Question 23

Paul is the manager of a video game centre. He has told Monica, the owner, that the number of customers has declined in the past year. Paul points out that the video games are last year's models and the centre must keep up with recent technology. Monica tells Paul that she has not yet paid for the last upgrade and does not have the resources to finance new video games.

- (a) Identify the change in the business environment that led to Paul's concern.
- (b) Compare TWO sources of finance that may be available to Monica.
- (c) Explain why SWOT analysis might be used by Monica and Paul to analyse their current problem.

General Comments

Here candidates were asked to identify the change in the business environment that led to the owner's concern, to compare two sources of finance and to explain how SWOT analysis could be used to help analyse the current problem.

Most candidates were able to identify recent technology as causing the change in the business environment and named two sources of finance, while providing a clear explanation. Some, however, had difficulty in identifying financial sources relevant to the business and many only described SWOT analysis.

The better candidates were able to identify the current problem and to compare two relevant sources of finance. They explained clearly why SWOT analysis could be used as a planning tool to assist in analysing the current problem and in formulating a solution.

Excellent Responses

In these responses candidates answered all sections of the question.

They identified technology as causing the key change in the business environment that led to the manager's concern. They also explained in detail and compared two sources of finance suitable for the specific business.

Sources of funds described included:

- 1 Equity finance, with the benefits of no required repayment schedule, no interest repayments and no effect on the current ratio as well as disadvantages of dissolution of ownership, possible problems of shared management and forced profit-sharing.
- 2 Debt finance, with the benefits of fairly quick approval in today's environment, no loss of ownership control and improvement in the position of the business's working capital.
- 3 Leasing of premises, which should ease cashflow problems while allowing the firm to update video games more frequently.

Candidates defined and clearly explained *why* and *how* SWOT analysis might be used as a planning tool in analysing the current problem. They identified:

Strengths	location, good management skills by Paul
Weaknesses	lack of adequate finance
Opportunities	increased market share by upgrading to the latest technology
Threats	possible cessation of business if it fails to upgrade

and used this as a basis for further analysis and decision making.

Above-average Responses

Here candidates identified the cause for concern and both named and explained two relevant sources of finance but neither compared the sources nor related them to the business. Sometimes, however, they failed to compare the sources or to relate the sources to the business. Those candidates explained why SWOT analysis could be used but did not analyse why it would be useful in solving the current business problem.

Average Responses

In these responses candidates identified the change that caused the concern and were able to describe briefly two sources of finance that might be available but without linking them to the business. Some candidates named only one source and explained it in detail. Candidates explained SWOT without showing how it could be used to solve the current business problem.

Question 24

Guildford Engineering Pty Ltd		
PROFIT AND LOSS STATEMENT		
for the year ended 31 December 1996		
	\$'000s	\$'000s
<i>Sales</i>		300
<i>Less: Cost of Goods Sold</i>		
Opening Stock	100	
Purchases	<u>220</u>	
	320	
Less Closing Stock	<u>200</u>	<u>120</u>
<i>Gross Profit</i>		180
<i>Less: Operating Expenses</i>		
Wages	50	
Advertising	5	
Delivery	20	
Interest	30	<u>105</u>
<i>Net Profit</i>		<u>75</u>

Additional Information:

Sales for the year ended 31 December 1995	300
Operating Expenses for the year ended 31 December 1995	150
Net Profit for the year ended 31 December 1995	50
Owner's equity at 31 December 1996	1 500

- (a) From the financial statement, identify:
- (i) a distribution expense
 - (ii) a selling expense.
- (b) (i) Calculate a profitability ratio for Guildford Engineering Pty Ltd for 1996.
(ii) Comment on the change in profitability from 1995 to 1996.
- (c) Discuss TWO strategies that managers of Guildford Engineering Pty Ltd may have adopted in 1996 that would have affected profitability.

General Comments

Candidates were required here to:

- identify a distribution and a selling expense from the financial statement
- calculate a profitability ratio
- comment on the change in profitability, and, finally,
- discuss two strategies that management might have adopted to cause the change in profitability.

Most candidates were able to identify correctly delivery and advertising as the two expenses, and attempted to calculate a profitability ratio. Many, however, had no knowledge of the appropriate ratios.

The majority correctly established that net profit had increased from 1995 to 1996 and were able to identify strategies that would have affected profitability. They gave only a superficial analysis of the figures, however, and failed to comment adequately on the direction of the changes or to give reasons for them.

The better candidates were identified by their ability to use the information from the financial statement to identify strategies that might have been used to affect profitability, such as downsizing the workforce or lowering the budget on advertising.

Excellent Responses

In these responses candidates correctly identified a distribution and selling expense and calculated either the Gross Profit, Net Profit or Return on Equity ratio. These candidates clearly identified the change in profit (an increase in net profit or a decrease in gross profit) and established valid reasons for such changes. For example, they attributed the net profit increase to the decrease in operating expenses and attributed the decrease in gross profit to an increase in COGS.

Moreover, these candidates clearly identified the strategies that might have caused a decrease in operating expenses therefore leading to an increase in net profit. Such strategies included:

- improved delivery efficiency by changed mode of transport
- downsizing of the workforce, therefore decreasing wages
- decreased advertising costs, possibly by changing the medium or better targeting of the market segment
- decrease in interest payments by retiring loans early or seeking alternative and less expensive financial sources.

A small number of capable students clearly identified strategies that could have caused COGS to rise and hence gross profit to fall. Such strategies included:

- purchasing higher quality stock
- bulk buying of stock for the future
- changing suppliers.

Above-average Responses

In these responses candidates identified a selling and distribution expense, and were able to calculate a profitability ratio and to identify the direction of change in profitability, thus establishing valid reasons for the change.

They were either able to identify two strategies that might have caused the change in profitability (but their descriptions were weak), or could correctly identify only one strategy and describe it in full.

Average Responses

Here candidates identified a distribution and selling expense, attempted to calculate a profitability ratio and were able to identify the change in profitability. They offered, however, limited but relevant reasons for the increase or decrease in profitability, while their explanations of two appropriate strategies that might have affected profitability were also limited.

Question 25

Aussie Industries is the manufacturer of 'Australian wildlife' soft toys. The following information is part of their financial forecast for 1997–1998.

- | | |
|-------------------------------------|-------------|
| • Fixed costs | \$12 000 |
| • Variable costs per unit | \$4 |
| • Sale price per unit | \$6 |
| • Projected total sales | 7000 units |
| • Owners' equity as at June 30 1998 | \$1 million |

- (a) What is break-even analysis?

- (b) **For Aussie Industries:**
- (i) Calculate the break-even sales volume.
 - (ii) How may break-even analysis guide production decisions?
- (c) A management consultant gives Aussie Industries an alternative sales forecast which is below the break-even point. Explain TWO ways in which management might respond.

General Comments

Here candidates were asked to define break-even analysis, to calculate the break-even sales volume for a specific business situation, to explain how break-even analysis might guide production decisions and then to explain how management might respond to a sales forecast which is below the break-even point.

The majority were able to provide such information and explain how break-even analysis could be used to guide production decisions. Some candidates, however, either had difficulty in calculating the break-even volume or they calculated \$ value.

The better candidates could relate the concept of break-even analysis to guiding production decisions and were able to explain clearly two ways in which management might respond to sales forecasts below the break-even level.

Excellent Responses

Candidates in this category answered all three parts of the question in detail and showed both the ability to define and to calculate correctly the break-even sales volume by using the formula:

$$\begin{aligned}
 \text{Break-even Sales Volume} &= \frac{\text{Total fixed costs}}{\text{Unit price} - \text{variable cost per unit}} \\
 &= \frac{12,000}{6-4} \\
 &= 6,000 \text{ units}
 \end{aligned}$$

OR

Break-even Point is where Total Revenues (TR) = Total Costs (TC).

Such candidates suggested that break-even analysis can guide production decisions in a variety of ways. Examples given included:

- indication of the level of output to be produced and sold before a profit is made
- decisions concerning the viability of Aussie Industries in terms of return on capital, and
- decisions relating to cost-cutting such as inventory control.

These candidates were also able to identify and clearly explain two responses by management to the predicted sales forecast below the break-even level. The most popular decisions related to:

- increasing sales by marketing strategies such as advertising
- cost reduction by strategies such as JIT inventory control
- product redevelopment, and
- alternative business strategies such as diversification, alternative products etc.

Above-average Responses

In these responses candidates clearly defined break-even analysis. They *either* correctly calculated break-even sales volume but were limited in describing the relationship between break-even analysis and production decisions *or* gave good analysis of the relationship but incorrectly calculated the break-even sales volume.

The majority explained two relevant ways in which management could respond to a predicted sales forecast below the break-even level.

Average Responses

Here candidates were able to describe break-even analysis. They *either* correctly calculated the break-even sales volume but failed to explain adequately the relationship between break-even analysis and production decisions *or* they correctly explained the relationship but incorrectly calculated the break-even volume, or attempted both sections but showed limited understanding.

Candidates *either* described two ways in which management might respond to a predicted sales level below the break-even level *or* they gave a good explanation of **one** way in which management might respond.

Question 26

Refer to the following customer survey results used by the Happy Burger chain of restaurants to measure their performance.

	% of Customer Response			
	<i>Good</i>	<i>Average</i>	<i>Poor</i>	<i>Total</i>
Quality of food and service	50	20	30	100
Appearance of workers	70	20	10	100
Time between order and delivery	15	20	65	100
Value for money	20	30	50	100
Range of food	30	25	45	100

- (a) What is the purpose of this type of survey for managing this restaurant chain?
- (b) Describe TWO methods of control that could be used to assess the performance of this business.
- (c) Identify and explain TWO strategies that management might introduce in response to this survey.

General Comments

The question asked candidates to identify the purpose of a survey conducted by the Happy Burger chain of restaurants to measure their performance. Candidates also had to describe two methods of control which could be used to assess the performance of the business and to identify and explain two strategies for correcting deficiencies indicated by the results of the survey.

Most candidates were able to identify the purpose of this survey as being a method of business control aimed at measuring the performance of the business and to describe methods of control that could be used for this purpose. The better candidates used the survey as a basis for further analysis to identify areas in which improvements could be made and were able to use the survey results to design appropriate corrective strategies.

Excellent Responses

Candidates in this category answered all three parts of the question in detail and showed a clear understanding of the purpose of the survey, viz. to measure performance so that corrective action could be taken where/if necessary.

They identified and described in detail two methods of control that could be used to assess the performance of the business. Examples given included:

- Financial controls, eg budgets, ratio analysis
- Management controls — MIS and key indicators
- Production/Prevention controls, eg PERT quality controls
- Input, concurrent and feedback controls.

Two strategies designed specifically to correct problems identified in the Happy Burger chain survey were identified and explained — a variety were suggested, including:

- measures such as staff training and skills development, to speed time between order and delivery
- measurement to improve value for money such as cost cutting or voucher giveaways, improved quality, better materials, lower price
- attempts to increase varieties of food and to adopt new packaging.

Above-average Responses

Here candidates explained the purpose of the survey and correctly identified and described two methods of control that could be used to assess the performance of the business. Candidates also identified and explained two relevant strategies that would be introduced in response to the problems identified in the survey.

Average Responses

In these candidates identified and explained the purposes of the survey and briefly described two methods of control used to assess the performance of the business.

They gave a general description of two strategies that could be introduced to solve the problems identified in the survey or gave a detailed description of only one strategy.

Section III

General Comments

This section of the paper is based on the 2 Unit Options in the 2/3 Unit (Common) syllabus. Students are required to answer two questions, one from each of the TWO options, viz. Business Law, Industrial Relations, Marketing and Small Business Management.

Students must answer in essay or report form depending on the requirements of the question. The quantity and quality of candidates' responses continue to improve, with the better candidates integrating the stimulus material in their responses, and using current case study material appropriate to the question rather than regurgitating irrelevant aspects of a case study.

There was some evidence of prepared responses in some options and, consequently, candidates failed to answer the question adequately. Students should be encouraged to apply their knowledge and understanding to the question asked and, where appropriate, to use case study material and examples to support their answer.

Popularity of Questions

Marketing and Small Business Management continue to be the most popular options, with both Business Law and Industrial Relations being slightly less popular than in 1996.

Marking of Section III

As always, the aim of the marking is to be fair to all candidates. Therefore, the Business Studies marking process ensures that marking is norm-referenced, reliable and accurate.

The marking of questions involves the establishment of specific criteria for each section of the question. In establishing such criteria it is important to remember that the aim of the marking process is to rank the relative merit of candidates so that no student is either advantaged or disadvantaged by selecting a specific question marked by a particular marker or marking group. The marking criteria are drawn up by Senior Markers through extensive reading of a large number of scripts from a variety of centres. Realistic, usable criteria are established, which are tested in the pilot-marking phase, with continued reassessment and readjustment of the criteria to ensure that all types of response have been accommodated by them and that the selected criteria constitute a valid and equitable means of discriminating between responses. Pilot-marking not only tests the criteria but also compares the marking standard both individually and between groups.

In applying the principles of marking, markers use the full range of marks available (the best responses are awarded 20 and the worst 0) and use the marking guide for each response mark. Although extended responses are marked in accordance with the specific criteria for each part of the question (where appropriate), responses are marked holistically. Markers do not, therefore, allocate marks to each section of a question, since poor performance in one part of a response may be compensated by superior performance in another part. Section III was double-marked out of 20, with the aim of achieving a mean total mark of 10.5 and a standard deviation of 4. There are no penalties for mistakes; only marks for appropriate responses. No marks were awarded to non-attempts, a restatement of the question, or completely incorrect or completely irrelevant information.

In accordance with Board policy, a script will be marked for a third time only if the two marks differ by 1/3 or more of the available marks. Differences of less than this are resolved by averaging the two marks. Some discrepancies will occur as the normal outcome of having different people exercising their equally professional judgement with equal competence.

During marking, a number of strategies are used to ensure the reliability, consistency and validity of the marking process. In monitoring the marking operation, Senior Markers use a combination of information sources to ensure that markers are marking reliably. Sources of information include the daily statistical reports through the Marker Statistics Operation, systematic check-marking of samples of scripts and daily control scripts within and between groups.

Each of these procedures assists the Supervisors of Marking and Senior Markers to maintain the reliability of individual markers, individual groups, groups marking the same question and the whole marking centre.

Teachers and students are advised to refer to the 1997 Business Studies HSC Sample Answers document for examples of candidates' responses to these questions.

Business Law

Question 27

Spiros and Bill are planning to open a card shop in the Buranda Mall. Spiros will provide the capital and Bill will work in the shop. They are uncertain about the legal issues involved in owning and operating a business. In particular, Spiros is concerned that in the event that the business is dissolved, he will not recover his capital. They seek your advice.

Write a report for Spiros and Bill, explaining:

- (a) the legal issues in forming a company as opposed to a partnership;**
- (b) the methods available to settle any disputes that may arise between Spiros and Bill;**
- (c) the legal rights of Spiros in the event that the business is dissolved.**

Topic outcomes that the question examined:

- locate and select relevant business law
- describe the legal structures, processes and institutions used in settling business disputes
- analyse the legal implications of business decision making.

The majority of candidates were able to:

- locate and select relevant local issues
- describe structures, processes and institutions used in settling business disputes.

They were, however, less clear about the following outcome:

- analyse the legal implications of business decision making.

General Comments

This question required students to describe the processes involved in company and partnership formation. The majority were able to distinguish between them and many showed a sound knowledge of dispute resolution procedures.

They were less clear about the implications for a business partner if the business were dissolved.

Students should be encouraged to practise writing in report form. Many confused the process of dissolving a business with the legal rights of Spiros to claim his capital investment.

Excellent Responses

Here candidates answered all three parts of the question, with reference to the stimulus material. They explained in detail the legal issues involved in forming companies and partnerships, including limited partnerships, and also explained current legislation (*Corporate Law Simplification Act 1995*) relating to single-shareholder companies and limited partnerships.

Candidates explained in detail negotiation, commercial litigation and arbitration, and also explained in detail, for both a solvent and insolvent business, the legal rights of Spiros if the business were dissolved. The best candidates were able to distinguish between the liability of a shareholder in a company and that of a partner in both a general and a limited partnership.

Above-average Responses

In these responses candidates explained the legal issues involved in forming both a company and a partnership including limited partnership, and outlined methods available to settle any disputes that might arise between Spiros and Bill. They explained the legal rights of if the business were dissolved when insolvent, but they often overlooked the situation of solvent dissolution.

Average Responses

Here candidates distinguished between a *company* and a *partnership* but ignored the changes to the company formation procedures. The majority explained several forms of dispute resolution. Candidates restricted their explanations of the dissolution of a viable business to that of one without surplus assets and to that of one form of business structure within a company or a partnership.

Question 28

Martin worked in a surf gear shop belonging to Annisa, a sole trader. Martin started designing and making his own T-shirts, which were very similar to a well-known brand. He thought it would be a good idea to change slightly the well-known brand name and use it himself. Annisa liked the designs and made an agreement with him to sell the T-shirts exclusively to her. Martin was having personal financial difficulties and borrowed money from the till at Annisa's shop. He also began selling his T-shirts to other shops.

- (a) **With the use of examples, explain the difference between tort and crime in the business environment.**
- (b) **What civil and criminal liabilities, and consequences, might arise from the above business conduct?**
- (c) **What legal rights and duties does Martin have as an employee?**

Topic outcomes examined by the question:

- understanding of the nature and role of law in contemporary business life
- description of the legal structures, processes and institutions used in settling business disputes
- identification of business situations having legal implications
- location and selection of relevant business law
- understanding and application of appropriate legal principles to new and everyday business directions
- analysis of the legal implications of business decision making.

The majority of candidates were able to achieve the outcomes relating to:

- understanding of the nature and role of law in contemporary business life
- description of the legal structures, processes and institutions used in settling business disputes
- identification of business situations with legal implications.

They were, however, less clear about:

- locating and selecting the relevant business law
- analysing the legal implications of business decision making.

General Comments

Most candidates could distinguish between tort and crime in the business environment, giving examples of each to help clarify the distinction. Many students explained both civil and criminal liabilities, and consequences that might arise from the conduct of Martin and Annisa. Some, however, explained only consequences.

The majority discussed the legal rights and duties of an employee. The better candidates, however, questioned whether Martin was actually an employee.

Excellent Responses

In these, candidates answered all parts of the question in considerable depth, using appropriate legal terminology. They clearly distinguished between tort (civil) and crime (criminal activity) and used good examples, eg civil negligence and embezzlement.

Candidates discussed in detail the civil and criminal liabilities in the stimulus material, for example passing off or misrepresentation, breach of contract and embezzlement. They also discussed the possible consequences of such liabilities, such as fines or litigation involving damages.

These candidates also outlined clearly the rights and duties of Martin, as an employee. They discussed several rights and duties and some mentioned the right to a safe, non-discriminatory workplace. Many of these candidates questioned whether, in the agreement that was reached, Martin was actually an employee of the business.

Above-average Responses

In these responses candidates answered all parts of the question using legal terminology; they distinguished between tort and crime, using a few examples. The majority offered the torts of passing off, negligence and misrepresentation and the crime of fraud, larceny and embezzlement.

They discussed the civil and criminal liabilities involved in the given stimulus and the possible consequences of Martin's conduct.

In addition, they outlined several rights and duties of Martin as an employee.

Average Responses

In these responses candidates attempted most parts of the question.

They distinguished between tort and crime but gave only limited examples. They gave general descriptions of possible civil and criminal acts and the consequences of such acts arising from the events in the given stimulus material. In addition, they gave a brief outline of the rights and duties of an employee in a business.

Industrial Relations

Question 29

Industrial conflict and dispute resolution are part of the operation of all businesses. Managed well, they can contribute to the success of a business.

- (a) What types of industrial action may result from industrial conflict?
- (b) Refer to an industrial dispute you have studied.
- (i) Describe the causes of the dispute.
- (ii) Assess the costs and benefits, for the business involved, that have resulted from the dispute and its resolution.

Topic outcomes examined by the question:

- understanding of the causes of industrial conflict and types of actions
- appreciation of the way in which the political, economic, social and other environmental influences affect industrial relations
- assessment of the influence on industrial relations of beliefs and values held by individuals, trade unions, business firms and governments
- explanation of the dynamic nature of industrial relations.

The majority of candidates were able to achieve outcomes relating to:

- the causes of industrial conflict and types of actions
- the way(s) in which the political, economic, social and other environmental influences affect industrial relations
- explanation of the dynamic nature of industrial relations.

They were, however, less clear about outcomes relating to:

- assessment of the influence on industrial relations of beliefs and values held by individuals, trade unions, business firms and governments.

General Comments

Most candidates were able to describe in detail different types of industrial action. In the better responses, they distinguished between industrial conflict and industrial action, and examined linkages between the two.

In average responses, candidates tended to list, rather than describe, different types of action.

The majority of candidates chose an appropriate industrial dispute and gave a detailed description of the causes of a dispute. Some chose disputes that did not provide sufficient detail to answer the last part of the question adequately.

Many identified costs and benefits in relation to the specific business. Few candidates were able to distinguish clearly between the costs and benefits of the dispute and the costs and benefits of its resolution. Some chose disputes that had not yet been resolved; the better candidates, however, were able to speculate on the potential costs and benefits and the expected outcomes.

Excellent Responses

In these responses candidates clearly distinguished between industrial conflict and action and were able to identify and describe accurately a wide range of industrial actions, instituted both by employers and employees. They also distinguished between direct (eg strikes) and indirect (eg absenteeism) types of action.

A detailed description of a dispute they had studied was given by these candidates, with specific emphasis on the causes leading to the dispute. They analysed in detail the costs and benefits of the dispute and related them to the specific business. A detailed assessment of the actual and/or potential benefits of the resolution of the dispute was also provided.

The best candidates were able to show a breadth of understanding of industrial relations issues in the political, economic and social context of Australia today.

Above-average Responses

These responses showed most of the features of excellent responses but lacked their depth of analysis, particularly in relation to the costs and benefits of the resolution of the dispute. In them, candidates provided detailed knowledge of an industrial dispute they had studied, without highlighting the linkages to the contemporary industrial relations environment.

Average Responses

Here candidates listed types of industrial action and provided factual accounts of disputes. They described, however, general rather than specific costs and benefits, which were often only indirectly related to the business involved.

Question 30

Julio, an official of the new large amalgamated union EDP, was surprised at the poor union membership of the largest employer in the area. On requesting to visit the premises, the all-male management were reluctant, as they said they preferred individual worker contracts. Julio, however, was allowed to enter the premises and was surprised at the very poor rates of pay, and sometimes dangerous working conditions. The all-female workers were between 35 and 50 years old, with poor English skills. They did not complain, as they liked the flexible hours.

- (a) Discuss **THREE** major industrial relations developments that have taken place in the workplace over the last ten years.
- (b) In what ways does the above case reflect the beliefs and values of individuals, trade unions, and businesses in influencing industrial relations?
- (c) What social justice legislation applies in the above situation, and how might it improve working conditions?

Topic outcomes examined:

- appreciation of the way in which the political, economic, social and other environmental influences affect industrial relations
- assessment of the influence of beliefs and values on industrial relations by individuals, trade unions, business firms and governments
- explanation of the dynamic nature of industrial relations.

The majority of candidates were able to achieve outcomes that required them to:

- explain the dynamic nature of industrial relations.

They were less clear, however, about the outcomes that required them to:

- appreciate the way in which the political, economic, social and other environmental influences affect industrial relations
- assess the influence of beliefs and values on industrial relations by individuals, trade unions, business firms and governments.

General Comments

This question required students to show a clear understanding of the dynamic nature of industrial relations. Their responses, however, tended to be more general rather than linked to the stimulus.

Students were able to identify and describe three recent major developments in industrial relations, since there have been many well-publicised changes in industrial relations in recent years. Many clues were provided in the stimulus (eg individual worker contracts) and some students both identified and applied these in their responses.

In the better responses, candidates used headings suggested by the structure of the question to write in a report format. Many other responses were not in report format.

Candidates had difficulty in recognising the different beliefs and value systems held by individuals, unions and businesses. Students need to be aware that each of these parties approach the workplace from a different viewpoint; the majority, however, had difficulty in discussing these abstract concepts.

The third part of the question required students to identify specific social justice legislation that applies to the situation described in the stimulus, eg *Affirmative Action (Equal Employment Opportunity for Women) Act 1986*. Few could do this, but the majority were able to identify more general areas of legislation such as the requirement that employers should provide safe working conditions. They were also less able to suggest how this legislation might be used to improve working conditions.

Excellent Responses

In these, candidates answered all three parts of the question using appropriate terminology. They successfully identified three of the more important industrial relations developments such as the *Workplace Relations Act 1966* and discussed it in some detail. They also identified and discussed the influence of the different beliefs and values held by individuals, unions and businesses in their approach to the workplace. They discussed the differences indicated in the stimulus and showed how they reflect industrial relations in the wider business community. They also cited specific social justice legislation and discussed how such legislation might improve working conditions.

Above-average Responses

Here candidates wrote in general terms about three major developments in industrial relations. They were less able to identify the beliefs and values of individuals over the past ten years and apply them to the stimulus or to cite specific social justice legislation. These candidates tended to refer to social justice legislation in general terms.

Average Responses

In these, candidates were able to identify and discuss in general terms three developments in industrial relations over the last ten years. They were less aware of the Workplace Relations Act and discussed in more general terms the implications of individual contracts in the workplace. Social justice legislation was not discussed in detail, eg these candidates discussed how businesses must provide a safe workplace for their employees.

Marketing

Question 31

COUNTRYLINK AIR SERVICES

Countrylink Air Services provides passenger air travel between major country towns. Currently ticket sales have fallen. Despite a rural recession, a new bus company has started operating between the major country towns. You are a member of the marketing department of Countrylink and your manager has asked you to solve the problem.

- (a) **Discuss the market segmentation for this product.**
- (b) **In analysing Countrylink's market opportunities, what external and internal influences must be considered?**
- (c) **What new products or services might you recommend, and how might that modify your marketing plan?**

Topic outcomes examined:

- understanding of the role of marketing in a business
- formation of a marketing plan
- critical assessment of the implementation and management of a marketing plan.

The majority of candidates were able to achieve the first two outcomes, viz.:

- understanding of the role of marketing in a business
- formation of a marketing plan.

They were, however, less clear about the following outcome:

- critical assessment of the implementation and management of a marketing plan.

General Comments

This question, which required students to apply marketing theory to the stimulus material, focused on both skills and knowledge outcomes of the syllabus, linking them to the marketing option.

The majority of candidates were able to identify an appropriate market segment, but had difficulty in applying syllabus terms such as *market segmentation* and tended to discuss markets in general terms instead.

They not only successfully identified external and internal influences and related them to market opportunities, but were also able to recommend new products or services for Countrylink Air Services.

In the better responses candidates discussed potential modifications to the marketing plan and developed links with the Core Topic, Management in Action.

Excellent Responses

Candidates answered all parts of the question well, using the stimulus material and appropriate marketing terminology. They fully discussed and justified the appropriate type(s) of market segment(s) identified.

These candidates related a variety of relevant external influences (eg economic conditions, competition, technological development) and internal influences (eg staffing, pricing, financial capacity) to market opportunities for Countrylink Air Services.

In recommending new products and services, candidates in these responses justified their recommendations and discussed potential modification to the marketing plan.

Above-average Responses

In these, candidates answered all parts of the question well, but in less depth and with less application to the stimulus material than the excellent candidates.

They described appropriate types of market segmentation and related some relevant external and internal references to market opportunities. In identifying new products and services, candidates described some modifications to the marketing plan.

Average Responses

Here candidates identified market segments, but did not discuss them. Most identified some external/internal influences but made little or no reference to the stimulus material. They also identified some new products and services but, generally, did not attempt to link them to modifications of the marketing plan.

Question 32

... as well as being aware of your competitors' products, you should be looking closely at the demand for your own products. Demand will change over time, and each product has its own life cycle.

- (a) Why is marketing important to a business?
- (b) With reference to a business you have studied:
- (i) outline a current marketing plan;
 - (ii) in what way has the product life cycle impacted on the marketing mix?

Topic outcomes examined:

- understanding of the role of marketing in business
- formation of a marketing plan
- critical assessment of the implementation and management of a marketing plan
- description of the steps involved in successfully marketing a product (goods or service).

The majority of candidates were able to achieve outcomes relating to:

- understanding the role of marketing in business
- the formation of a marketing plan.

Candidates were less clear, however, about outcomes relating to:

- critical assessment of the implementation and management of a marketing plan
- description of the steps involved in successfully marketing a product (particularly when applied to the life cycle of that product).

General Comments

Most students used a report style in answering the question. They clearly understood the importance of marketing, and described it as being a link between a business and its customers. Many then developed the role of marketing in terms of meeting customer needs through market research. Others described the importance of marketing in terms of its goals.

Most candidates were able to outline a current marketing plan in a business they had studied and related syllabus marketing concepts and terminology to the case study. Some wrote descriptions of businesses rather than presenting a well-developed marketing plan for a specific product in that business. These candidates described case studies such as Pepsi Max, Coca Cola and Sprite, using public relations information rather than selecting appropriate material from the case study to illustrate syllabus concepts and terminology.

Some confused the product from some case studies; for example, those who used Kmart or Woolworths as their case study claimed that the products were the 14 000 stock items rather than the service such stores provide for their customers. Some interpreted *place* (as one of the 4Ps) as a retail location rather than as a distribution channel.

Most candidates described the product life cycle (although some confused it with the business life cycle) and stated how a particular stage of that cycle influenced the marketing mix.

Excellent Responses

Candidates answered all parts of the question using relevant headings. They explained the importance of marketing as:

- showing links between a business and its customers
- raising awareness of the product
- identifying needs, and developing products to meet those needs.

Candidates used their case study of a marketing plan to illustrate their knowledge and understanding of marketing concepts such as situation analysis, marketing mix and cost-benefit analysis. In their responses they used marketing terminology including *target market*, *market segmentation* and *positioning* and explained how the marketing mix varies according to the life cycle of the product.

Above-average Responses

Answers in this category were similar to those of the excellent candidates, but were less detailed.

These candidates were, however, less likely to use marketing concepts such as *positioning* and *brand* and linked specific pricing strategies.

Average Responses

Here candidates answered all parts of the question, but included more description of the actual product and business rather than of the marketing concepts and terminology. They were more inclined to use phrases like *a refreshing drink* than describing a product in terms of tangible and intangible features.

Small Business Management

Question 33

BETTER MOBILE PHONE SYSTEMS

Samantha has recently purchased an old established business, BETTER MOBILE PHONE SYSTEMS. It was once a successful business but has recently experienced difficulties. Customers complain that the mobile phones are old-fashioned and that service is poor. Staff members are dissatisfied and leaving.

- (a) Explain the current difficulties faced by this business with reference to its business life cycle.
- (b) Discuss ways in which external advisers might assist Samantha in managing her business.
- (c) Draft a new business plan for this business.

Topic outcomes examined:

- understanding of the factors contributing to a successful business
- recognition of the factors to be considered in establishing a small business
- understanding of the techniques of small business management
- development of a detailed business plan for a small business.

The majority of candidates were able to:

- understand the factors contributing to a successful business
- recognise the factors to be considered in establishing a small business
- understand the techniques of small business management.

However, they were less clear about the outcome:

- development of a detailed business plan for a small business.

General Comments

This question, which related to the skills and knowledge outcomes of the syllabus, linking them with the Small Business Option, provided candidates with the opportunity to show both an understanding of business theory and the practical application of theory to the stimulus material.

Many realised that the business had reached the point in its life cycle at which it had begun to decline. Fewer, however, were able to identify this point as the post-maturity phase. Many responses included a diagram of the business life cycle but not all effectively linked this to their written responses. Most candidates cited a range of external advisers, sometimes linking them to the activities of support services. Discussions, whilst often lengthy, sometimes equated financial advisers with sources of funds.

Many responses contained excellent plans. Others, however, were sketchy, sometimes making little reference to the business. Though not specifically sought by the question, the better responses drew effectively on the Core Topic, Management in Action.

Some candidates, who only briefly dealt with parts (a) and (b), covered satisfactorily the question of business life cycle and external advisers in their responses to part (c). There were also a large number of candidates whose responses depended solely on a general knowledge of planning.

Excellent Responses

Here, students answered all parts of the question in detail. They explained the difficulties of the business that were mentioned in the stimulus material and linked them to the consequences for the company in the post-maturity phase of its life cycle. Many elaborated on those difficulties and clearly discussed the ways in which advisers could be useful to management across a range of activities. They showed clear understanding of the components of a business plan, applying them to the specific difficulties of the business.

Excellent responses were written in report form, a style that lends itself to many responses in Business Studies. They included a diagram clearly illustrating the stages of the business life cycle and identifying Better Mobile Phone Systems as being in the post-maturity stage. Some realistic assumptions were made about the previous management which led the business into its present state.

A range of support services, all of which were identified as being readily outsourced, were identified and two types of advisers discussed in detail. The business plan suggested showed a clear understanding of the aims and components of planning, though it did not necessarily adopt a standard textbook approach. It gave, but not necessarily in detail, a range of financial tools. The evaluation and modification stages of planning were dealt with very briefly.

Above-average Responses

Here, students attempted all parts of the question. They referred to the difficulties mentioned in the stimulus material, linking them to the consequences for the business in its post-maturity phase. They discussed the ways in which advisers could be useful to management, and described the components of a business plan, relating them well to the difficulties faced by the business.

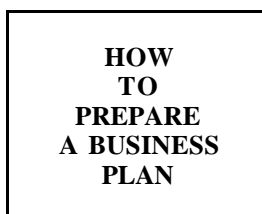
Average Responses

Here, students either attempted all parts of the question or answered two parts well. They described the difficulties of the business but often did not link them to the business life cycle. They also described in general terms how external advisers could be useful to the business, and included elements of a business plan, outlining their relevance to Better Mobile Phone Systems.

Below-average Responses

Here, students might have attempted some or all parts of the question but only at an elementary level. They made little reference to the business life cycle, and showed little understanding of the role of external advisers. They had only a very general idea of constructing business plans and these were not always relevant to Better Mobile Phone Systems.

Question 34



The Federal Government is distributing the above book free of charge to small businesses.

- (a) Why would the Government distribute this book free of charge?
- (b) Explain the factors contributing to the success of small businesses.
- (c) With reference to a small business you have studied, discuss the role of the business plan in the performance of the business.

Topic outcomes examined:

- recognition of the importance of the small business sector in the national economy
- understanding of the factors contributing to a successful business
- recognition of the reason for high failure rate in business
- understanding of the techniques of small business
- development of a detailed plan for small business.

The majority of candidates were able to achieve outcomes relating to:

- recognition of the importance of the small business sector in the national economy
- understanding of the factors contributing to a successful small business.

They were, however, less able to achieve outcomes relating to:

- the reasons for high failure rates in small business
- the techniques of small business management
- a business plan for small business.

General Comments

Candidates were able to show their understanding of the importance of planning in achieving the success of small businesses, ranging from the broad context of the national economy to the specific context of a small business. They identified the reasons for the importance of small businesses, described factors contributing to their success and referred to a case study.

Some candidates had difficulty in:

- recognising that part (a) required them to discuss the importance of such business for the economy and were distracted by the statement *free of charge*
- relating the success of a small business to specific elements of its business plan, eg the role of monitoring
- allocating sufficient time to this question and recognising the dynamic nature of a business plan, which needs to be altered as circumstances change.

Candidates needed to select relevant material from an appropriate case study and to provide statistics to support the discussion as well as explaining success factors rather than listing them.

Some candidates found it difficult to explain:

- the role of the business plan as a tool, rather than as cause of business success/failure
- how their case study linked with their answer.

Excellent Responses

In these, candidates analysed the specifics of each part of the question. Many also acknowledged the high failure rate of small businesses as being a further reason for such distribution. A number provided a detailed explanation of a large number of factors contributing to the success of small businesses.

These candidates chose an appropriate case study, which they used to explain in detail the close link between a business plan and the performance of a small business. They referred to the importance of planning in contributing to the success of small businesses and fully integrated into their answers, both within and across each part, the role of the business plan in the success of such businesses.

The failure rates of small business were acknowledged and a number of reasons given for the importance of small businesses to the Australian economy, while a wide variety of factors critical to the success of small business were explained. These candidates also chose an appropriate case study and used it to explain in detail the close link between the business plan and the performance of a specific business.

Above-average Responses

These responses tended to answer two parts very well, while displaying less insight in answering the third part.

Although the contribution of small business to the economy was understood, the relationship between business plans and the success/failure rates of small businesses were often explained in less detail. The factors contributing to the success of small businesses were described superficially, with fewer statistics being used, and the role of the business plan was discussed less thoroughly.

Average Responses

Here, candidates tended to answer all parts adequately or answered two parts well. They often made only a general statement in assessing the role of business plans in the success/failure rates of small businesses and used fewer supporting statistics. Many emphasised failure rates as being the major reason for the issue of the book and showed a more limited understanding of the contributions of small business to the economy. Key success factors were often listed, with little or no explanation being given, while the business plan from the specific case study was often described without reference to the relationship between the business plan and the success/failure of a specific small business.

3 Unit (Additional)

Popularity of Questions

The candidature for 3 Unit Business Studies in 1997 was 3000, which represents a relatively strong participation of the total candidature in the Business Studies 3 Unit course.

The quality of responses was generally impressive, since candidates showed a high level of competence in applying their knowledge and understanding to answer specific questions.

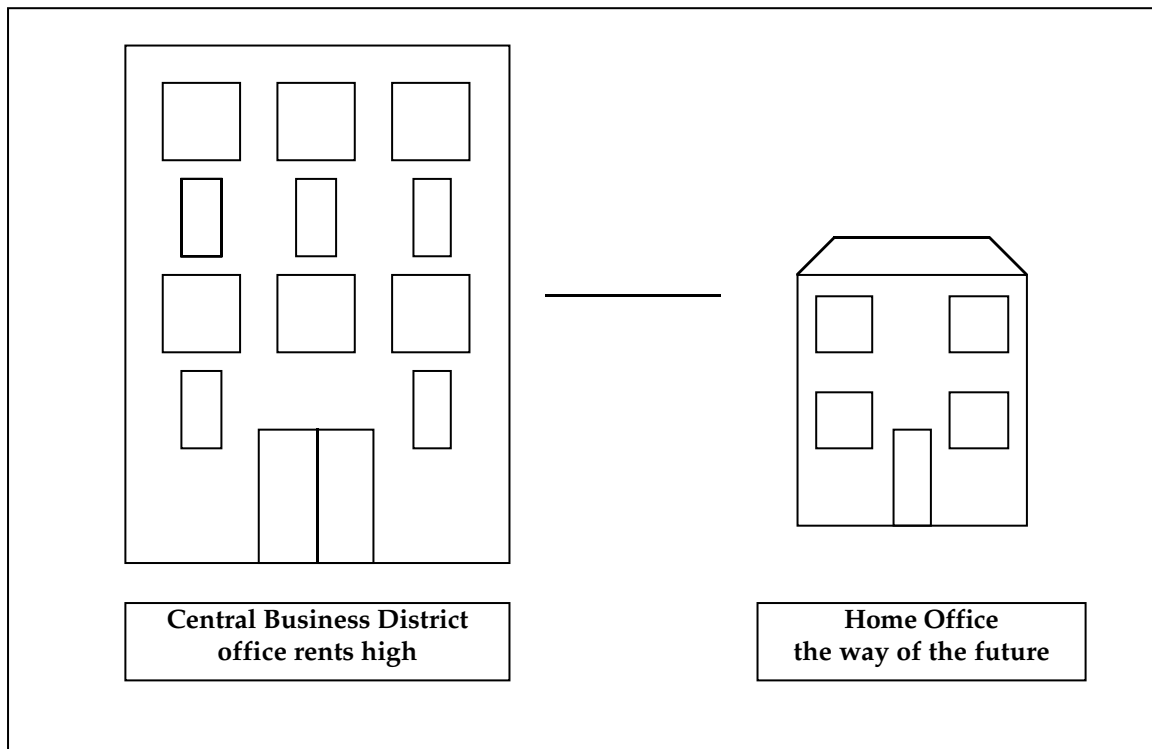
Human Resource Management and International Business continue to be the most popular options, with a small increase in popularity from 1996 in International Business and a slight decline in Human Resource Management. Financial Markets showed a slight increase in popularity from 1996, while Business and Technology showed a slight decline from 1996 figures.

The marking of the 3 Unit extended responses was identical to the marking of the 2/3 Unit extended responses. 3 Unit markers were required to have taught the 3 Unit options that they marked.

Teachers and students should refer to the 1997 Business Studies HSC Sample Answers for examples of candidates' responses to these questions.

Business and Technology

Question 1



- (a) Identify the changes in technology that enabled the above situation to occur.
- (b) Discuss the social, personal, and business issues arising from the above technological changes.
- (c) Refer to TWO businesses you have studied.
 - (i) Compare the management responses to technological change.
 - (ii) Judge the effectiveness of these management responses.

Topic outcomes examined:

- analysis and evaluation of the evolving nature of technology and its relationship to productivity, efficiency and effectiveness
- identification of social, personal and business issues arising from changes in technology
- the effectiveness of management practices in dealing with technological change.

The majority of candidates were able to achieve outcomes relating to:

- analysis and evaluation of the evolving nature of technology and its relationship to productivity, efficiency and effectiveness
- identification of social, personal and business issues arising from changes in technology.

They were, however, less clear about the following outcome:

- the effectiveness of management practices in dealing with technological change.

General Comments

The majority of candidates identified the changes in technology that have allowed the home office to develop. They described a range of social, personal and business issues arising from technological change, but often confused *social* with *socialising* rather than social welfare issues.

Case studies were used by most candidates, but were often used to *describe* management practices in two businesses rather than to *compare* them.

Excellent Responses

Here, candidates answered all parts of the question in depth. They identified clearly the many changes in technology such as those that have facilitated the move from office blocks to home offices — modems, computers, fax, mobile phones and the Internet.

A range of social, personal and business issues, such as privacy problems and depersonalisation, that have arisen from the changes and have decreased business expenses such as rent, were discussed.

Two businesses were discussed in depth, enabling students to compare management responses and to evaluate the effectiveness of such management responses to technological change.

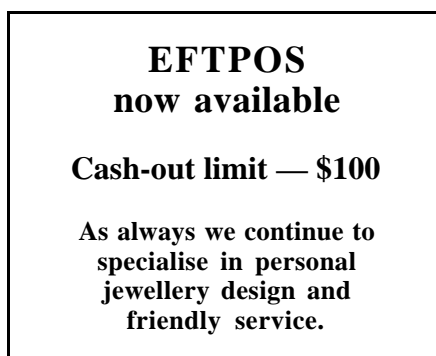
Above-average Responses

Here, candidates discussed the major issues in less depth. They either answered all parts of the question or two parts well and referred to two case studies in order to compare and evaluate management responses.

Average Responses

These candidates identified some changes that allowed the move from office blocks to home offices and referred to some social, personal and business issues arising from such moves. They had some difficulty, however, in comparing management responses to technological change and evaluating the changes resulting from the use of new technology.

Question 2



The above sign has appeared in the window of O'Donohue's Jewellers, a small suburban shop.

- (a) Explain the above new technology and its application to business operations.
- (b) Evaluate the impact of this technological change on the competitiveness, profitability and market access for this business.
- (c) With reference to other possible changes in technology, discuss how they may:
 - (i) benefit this business;
 - (ii) threaten this business.

Topic outcomes examined:

- appraisal of the application of technology to various facets of business activities
- analysis and evaluation of the evolving nature of technology and its relationship to productivity, efficiency and effectiveness
- evaluation of the benefits and costs of specific technology.

The majority of candidates achieved outcomes relating to:

- appraisal of the application of technology to various facets of business activities
- evaluation of the benefits and costs of specific technology.

They were less clear, however, about:

- analysis and evaluation of the nature of new technology and its relationship to productivity, efficiency and effectiveness for the business mentioned in the question.

General Comments

Most students could describe EFTPOS, recognise its advantages for business operations and linked them to increased profitability for the business. The better candidates questioned the likelihood of increased access and profitability through EFTPOS, in terms of the case study, a small suburban jeweller.

A range of new technologies was described by a number of students. Some, however, referred to technology that was inappropriate for the business such as robotics or Computer Aided Design (CAD). In such cases their assessment of the benefits and costs was also less relevant.

Excellent Responses

In these, candidates answered all parts of the question in depth. They explained not only EFTPOS technology and its application to business operations but also the importance of such technological change for the competitiveness, profitability and market access to this business.

They identified a range of other technological changes such as Management Information Systems, the computerised office, advertising on the Internet and electronic data interchange (EDI), discussing in depth the benefits and threats of such changes.

Above-average Responses

Candidates in this range explained EFTPOS technology and its application and discussed in less detail the value of technological change to such a business. They also referred to other technological changes and discussed, in less depth than the excellent responses, the benefits and threats of such changes in technology to this business.

Average Responses

Here, candidates answered most parts of the question, but in less detail. They explained EFTPOS technology, but were less able to apply that technology to the specific case study. They often described one new form of technology but discussed only one or two benefits or threats to the business arising from it.

Financial Markets

Question 3

Prue is an investment analyst with Morrows Merchant Bank. On 1 May 1997, she purchased 100 000 options in SMS Ltd, an Australian listed company. On 8 May 1997, the price of SMS shares doubled and Prue sold her options. The week following the sale of Prue's options, SMS Ltd was subject to a takeover bid. In June, investigations were begun into the trading in SMS shares in the weeks leading up to the announcement of the takeover.

- (a) Discuss the characteristics of options as an investment opportunity.
- (b) Explain why Prue decided to purchase options in SMS Ltd rather than:
 - (i) shares;
 - (ii) debentures.
- (c) Which institutions might investigate Prue's trading activities, and why?

Topic outcomes examined:

- description of the role of financial markets in the business environment
- identification of participants in financial markets
- analysis of the interrelationships and impacts of the dynamic forces within financial markets
- description of the types and characteristics of instruments traded
- analysis and interpretation of the results of trading in various instruments.

The majority of candidates achieved the following outcomes:

- description of the role of financial markets in the business environment
- identification of participants in financial markets
- description of the types and characteristics of instruments traded.

They were less clear, however, about the following outcomes:

- analysis of the interrelationships and impacts of the dynamic forces within financial markets
- analysis and interpretation of the results of trading in various instruments.

General Comments

Some candidates had difficulty in:

- clearly discussing the characteristics of options
- providing a detailed analysis of both shares and debentures
- distinguishing between the different types of option
- explaining the advantages of options as they related to Prue
- distinguishing between options as a hedging and a speculative tool
- identifying the institutions that might have investigated Prue's trading activities
- relating the stimulus material to the questions.

Some were unclear about:

- the risk involved in the use of options
- the specific role of interested institutions
- the investment strategy relating to options.

Most candidates were able to:

- describe in a general sense the characteristics of options, shares and debentures
- use relevant business terminology
- identify institutions that might have investigated Prue's trading activities.

Excellent Responses

Here, candidates explained the characteristics of a range of options in detail and related their response to the stimulus material. In the second part of the question they explained both shares and debentures in detail and justified Prue's decision to invest in options.

In the concluding part of the question candidates not only identified a number of institutions that might investigate Prue's trading activities but also explained why an investigation might have been warranted.

Above-average Responses

In these responses candidates explained the main characteristics of options in detail and related such characteristics to investment strategies in general.

In the second part of the question they explained shares and debentures in specific terms and made some comparison. In the concluding part candidates either identified a number of institutions that might investigate Prue's activities or discussed one institution in detail. Their explanation of why the investigation might be necessary was less detailed.

Average Responses

Candidates in this category briefly explained the main characteristics of options and, in the second part of the question, described the characteristics of shares and debentures in general terms.

In the last part of the question candidates explained the role of one or two institutions that might investigate Prue's activities, but found it difficult to explain why an investigation might be necessary.

Question 4

The Finance Director of ACE Construction and Development, Sydney Ltd is developing a capital budget for 1998. He has proposed the following table to present to the company's Board of Directors.

<i>Project</i>	<i>Capital Investment</i>	<i>Net Present Value</i>	<i>Internal Rate of Return</i>	<i>Payback Period</i>
Bridge, China	\$6 000 000	\$8 000 000	14%	3 years
Office, City	\$3 000 000	\$4 500 000	13%	5 years
Units, City	\$3 000 000	\$3 500 000	12%	3 years
Mining, NT	\$2 000 000	\$3 000 000	16%	5 years

The Board of Directors has tended to adopt a very conservative investment policy and likes to have direct control of projects. The Directors have been told that the market rate of interest is 12% per annum and expected to increase. They decide to limit their investment to a maximum of \$6 000 000.

- Explain the meaning of Net Present Value, Internal Rate of Return and Payback Period.
- Discuss the criteria used by businesses in making investment decisions.
- For the above business, which project or projects would you recommend to the Board of Directors? Justify your recommendation.

Topic outcomes examined:

- application of the risk-return relationship to business decisions
- analysis of the impact of capital expenditure decisions within a business.

The majority of candidates were able to achieve these outcomes.

General Comments

This question provided candidates with the opportunity to apply their knowledge of Capital Evaluation Techniques to a case study.

Some candidates had difficulty in:

- relating the stimulus material to the question
- providing an accurate explanation of the terms referred to in the question
- distinguishing between criteria for investment decisions and characteristics of financial instruments
- justifying the recommendations that they made in part (c)
- analysing the investment decisions facing ACE Construction.

Some candidates were unclear about:

- the application of Net Present Value, Internal Rate of Return and Payback Period
- the use of the investment criteria for a business such as ACE Constructions.

Most candidates were able to:

- attempt an explanation of the meaning of Net Present Value, Internal Rate of Return and Payback Period
- discuss the characteristics of a financial instrument
- recommend the best investment strategy for ACE Construction.

Excellent Responses

In these responses candidates dealt with all three parts of the question, using a report format with particular reference to the stimulus material. They clearly explained the meaning of Net Present Value, Internal Rate of Return and Payback Period and supported their understanding with formulae and reference to the stimulus material.

In the second part of the question they discussed the investment criteria identified in the syllabus. Often they expanded this discussion by describing the general characteristics that apply to all instruments.

In the concluding part of the question a number of alternative strategies that ACE Construction could have employed were indicated and, after careful evaluation, these candidates were able to make a formal recommendation.

Above-average Responses

Here, candidates explained the meaning of Net Present Value, Internal Rate of Return and Payback Period.

In the second part of the question, however, they focused on the general characteristics that apply to all instruments rather than concentrating on investment criteria.

In the concluding part they made recommendations, which they justified with appropriate reasoning.

Average Responses

In these responses candidates had difficulty in explaining Net Present Value, Internal Rate of Return and Payback Period. They might have successfully explained one or two or provided a poor explanation in all three. In the second part of the question they focused on the general characteristics that apply to all instruments and/or described a number of instruments.

Although these candidates made a recommendation in the concluding part of the question, their reasoning was either superficial or flawed.

Human Resource Management

Question 5

Human Resource Management has come a long, long way from the personnel departments of the past that processed your pay packet and holiday pay. Nowadays it involves highly trained specialists. Good HRM is now regarded as being of great financial benefit to corporations.

- (a) **Outline the different roles of Human Resource Managers within the changing business environment in Australia.**
- (b) **Refer to a business you have studied.**
 - (i) **Examine the management practices used to maintain human resources.**
 - (ii) **Discuss the motivational procedures used to improve the performance of the business.**
 - (iii) **Evaluate human resource management policies within the business.**

Topic outcomes examined:

- outline of the function and role of human resource management within an organisation
- outline of the relationship between the strategic plan and human resource management
- description of the components and effects of motivation and its relationship to job satisfaction, performance and human resource management policies
- evaluation of methods used for maintenance and attrition of human resources within the legal and organisational constraints of the business.

The majority of candidates were able to achieve outcomes relating to:

- outline of the function and role of human resource management within an organisation
- description of the components and effects of motivation and its relationship to job satisfaction, performance and human resource management policies
- evaluation of methods used for maintenance and attrition of human resources within the legal and organisational constraints of the business.

They were, however, less clear about the following outcome:

- outline of the relationship between the strategic plan and human resource management.

General Comments

In this question candidates were required to outline, examine, discuss and evaluate the changing roles of human resource management and the way in which management practices are used to maintain and motivate human resources. They were also required to use a case study in applying this knowledge.

Almost all candidates could identify the different roles of human resource management but only a few successfully related the roles to changes in the business environment. The majority were able to examine management practices and discuss motivational procedures, and implied that business performance would be enhanced by good human resource management. They also succeeded in applying a case study. Those, however, who chose a business, often a small business, without a defined human resource function found this question difficult to answer.

A small number were able to evaluate policies in terms of human resource management indicators such as staff turnover rates, absenteeism, dispute levels and productivity in the specific business.

Excellent Responses

Here, candidates explained in detail the different and changing roles of human resource managers. They identified and described the major elements of the changing business environment, naming, for example, technological change, workplace restructuring, employment of an increasing number of women in the workforce, and part-time work, and linked these to the role of the human resource manager. In excellent responses candidates referred to a case study in depth in describing a range of human resource management practices used to maintain human resources, for example rewards, benefits, compliance with legal obligations, good industrial relations and welfare.

Motivational procedures were discussed at length and relevant motivational theorists such as Maslow and Herzberg were usually referred to and linked with the performance of the business.

Human resource policies were related to the specific business case study through reference to indicators such as staff turnover rates.

Above-average Responses

In these responses candidates outlined the different and changing roles of human resource managers. Many identified and described the major elements of the changing business environment, linking them to the role of human resource managers. These candidates referred to a case study and described the human resource practices used in terms of maintenance and motivational procedures. They usually referred to relevant theories, but in less detail than the excellent responses, a distinction that also applied to the evaluation of human resource policies within the business.

Average Responses

In these responses candidates answered well either all parts of the question or only two parts. Many identified and described the major elements of the changing business environment and linked these to the role of human resource managers.

They referred to a specific case study and described human resource management practices in terms of maintenance and motivational procedures, but in less detail. They usually referred to theories, but in less detail than the better responses. Evaluation of the human resource management policies was satisfactory but contained less detail than the above-average responses.

Question 6

Laycock, Walters and Associates have been operating as accountants for many years. A new partner has persuaded the management to introduce a computerised accounting system. Some of the most experienced staff are now thinking of leaving.

As the Training Manager of the firm Laycock, Walters and Associates, write a report to:

- (a) identify the legal and external factors influencing training;**
- (b) describe an effective training scheme;**
- (c) discuss a possible voluntary separation package.**

Outcomes examined:

- explanation of the way in which legislation influences human resource management activities
- identification of the characteristics of effective induction and training programs
- evaluation of methods used for maintenance and attrition of human resources within the legal and organisational constraints of a firm.

General Comments

The majority of candidates answered all parts of the question. Most described components of a training program, such as consideration of individual and organisational needs, process, methods and evaluation. Some, however, were unable to relate the scheme to the needs of the business.

Many candidates had difficulty in identifying the legal factors influencing training and referred to the now suspended Training Guarantee Levy. Whilst Occupational Health and Safety, Equal Employment Opportunity (Affirmative Action) and Anti-discrimination legislation were described, they were not related to the needs of the business.

Whilst the majority of candidates were able to describe a separation package, some failed to demonstrate its application to the needs of the employees of the business. Types of separation package were mentioned, but these did not take into account issues such as financial provisions, counselling, retraining or outplacement.

Although candidates referred to some features of an effective training program, they were less able to suggest ways in which the effectiveness could be evaluated, eg through the use of indicators of productivity, absenteeism, defect rates, labour turnover, industrial disputes and performance appraisals.

Excellent Responses

In this category candidates answered all three parts of the question in report form and in considerable depth. They clearly identified a range of external and legal factors and related them to the stimulus material. Nevertheless, excellent candidates still had difficulty in identifying a wide range of legal factors, since only few of these are related to training.

These candidates described a range of the components comprising an effective training scheme and related the scheme to the needs of the specific business by discussing individual, task and organisational needs, training process and methods of implementation and evaluation of the scheme.

They devised an appropriate separation package including outplacement, financial provisions and counselling suitable to the needs of the employees of Laycock, Walters and Associates.

Above-average Responses

Here, candidates answered all parts of the question, identifying a range of legal and external factors influencing training and usually relating these to the specific firm. Some components of an effective training scheme for the firm were described, eg performance appraisal after training, and some features of separation packages, including voluntary redundancy packages; these features usually related to the employee needs of Laycock, Walters and Associates.

Average Responses

These candidates either answered all parts of the question or dealt with some parts in greater detail. They outlined the legal and external factors that influence training but did not always relate them to the firm mentioned. The majority described general elements of training but did not describe ways in which a training scheme could be evaluated for effectiveness. Many briefly outlined general features of separation without referring to Laycock, Walters and Associates.

Production Management

Question 7

STINKBUG SKATEBOARDS

Stinkbug Skateboards produces a popular skateboard using imported wheels mounted on a board. The board is produced from locally manufactured plywood sheets. The traditional policy has been to buy the wheels and plywood in large batches to gain bulk discounts and to stockpile finished skateboards prior to Christmas when there is always a burst in sales. The Managing Director has read an article about Just In Time (JIT) and has asked you, the Production Manager, to look into it. When your suppliers hear of this they offer to increase the bulk discount.

- (a) Describe the way JIT, if implemented, would alter the organising, leading and controlling stages of the manufacturing process.
- (b) Discuss the impact that a move to JIT would have on this business in terms of employment patterns, workplace practices and agreements, the environment and quality control.
- (c) Explain why JIT may be inappropriate to this business.

Outcomes examined:

- analysis of the production process, its main functions and its impact on how people work, employment levels and the goods available to consumers.
- identification, planning and simulation of the steps involved in bringing together the resources needed to produce goods efficiently
- understanding and application of the steps in quality assurance and quality control, and recognition of the benefits of quality production.

The majority of candidates achieved outcomes relating to:

- analysis of the production process
- identification, planning and simulation of the steps involved in bringing together the resources needed to produce goods efficiently
- understanding and application of the steps involved in quality assurance and quality control.

Many, however, had a limited understanding of Just In Time (JIT). Only some understood JIT as being an inventory control system as it applied to the stimulus. Many did understand that JIT is a philosophy that includes the entire system of production. This, however, misdirected their focus to the output of the business and the peak consumer demand of the Christmas period.

General Comments

This question required candidates to show their understanding of the organising, leading and controlling stages in the manufacturing process. They were also required to discuss the impact of the introduction of JIT to a hypothetical manufacturing business — Stinkbug Skateboards.

Some candidates had difficulty in understanding that change would apply *not* in total production but *only* in scheduling.

Many candidates took the wording of part (c) to be an indication that JIT must be inappropriate to Stinkbug Skateboards, while the better candidates recognised both the advantages and problems associated with the implementation — particularly in a business dependent on imported raw material.

The better candidates also assumed the role of the Production Manager who was required to report back to the Managing Director.

Some candidates used the 2 Unit Core Topic, Management in Action, to discuss organising, leading and controlling rather than focusing on the topics specific to production management, viz.:

- purchasing, organisation and storage of inputs
- production scheduling
- production
- assembly
- packaging
- dispatch
- integrated quality control.

Excellent Responses

These candidates addressed all sub-parts of the question, giving specific details of the impact of JIT on Stinkbug Skateboards, describing both the advantages and the disadvantages for Stinkbug Skateboards of the introduction of JIT.

Above-average Responses

These responses usually focused on general production management processes rather than those appropriate to the stimulus material. They discussed the impact of JIT on only some aspects of the business, not on all listed in the question.

Average Responses

In this category candidates lacked knowledge of JIT, focusing on theory but, generally, with little application to the specific case study. Changes mentioned that would result from JIT were usually simple, such as the need to change workplace practices without any explanation.

Question 8

HEARTBEAT HIGH

Channel Twenty TV runs the series *Heartbeat High*. In an interview, the producer explained that a prototype episode was made to show the potential and feasibility of the series. It was not played first because it belonged to the middle of the series. He also said that all the beach scenes from a batch of five episodes were filmed on the same day.

- (a) Describe the design process leading up to the series being produced.
- (b) A new series is being considered. Discuss product design aspects that may be taken into account.
- (c) From the above, and from a manufacturing business you have studied, explain the planning process with reference to forecasting, type of production and evaluating capacity.

Topic outcomes examined:

- evaluation of the features of acceptable product design.

The majority of candidates were able to:

- describe the design process and discuss aspects applicable to the production of a TV series
- explain the planning process of a manufacturing business they had studied and that of the production of a TV series.

General Comments

This question required candidates to show an understanding of the design process and design aspects of a television series and link them to the stimulus material.

The better candidates noted the differences between the planning process of their case study and the production of a TV series. Some, however, had difficulty in identifying information relevant to the question and tended to write very long responses.

Excellent Responses

Here, candidates described in detail the design process used by *Heartbeat High*, such as concept development, business analysis and product development. Aspects such as legal requirements and industry standards were also discussed. Relevant aspects of their specific case study and the television series *Heartbeat High* were used to explain the planning process.

Above-average Responses

These candidates referred less to the stimulus material and concentrated more on the theory.

Average Responses

Candidates in this category made limited use of stimulus material. The design process and design aspects were often described but these descriptions were also confused.

International Business

Question 9

Judging from its current growth rate, Asia should become the centre of the world economy in the twenty-first century. However, to take advantage of the opportunities Asian markets offer, there must be a greater appreciation of business ethics and practices necessary for successful penetration of markets overseas. Indeed it can be hard to know where to start.

- (a) Explain the changing nature and composition of Australia's trade to the Asia-Pacific region over the last ten years.
- (b) Refer to a business you have studied.
- (i) Discuss the financial risks involved in its expansion into the Asia-Pacific region.
- (ii) Evaluate the social, cultural and political factors that have hindered the expansion of its operations into a Pacific Rim market.

Topic outcomes examined:

- description of nature and the changing composition of the national economy's international transactions in the Asia-Pacific region over the past ten years
- analysis of how specific economic, financial, cultural, legal and business practices of overseas markets affect the success of a business expanding internationally
- recognition of the fact that differences in business culture and practice exist on an international scale and analysis of their impact on business
- explanation of the economic, financial, social, political, cultural and legal factors influencing the expansion of a particular business into a Pacific Rim market.

The majority of candidates were able to achieve outcomes that required them to:

- describe the changing composition, importance and direction of the national economy's international transactions
- recognise that differences in business culture and practice exist on an international scale and analyse their impact on business.

They were less clear, however, about the outcomes that required them to:

- analyse how specific economic, financial, cultural, legal and business practices of overseas markets affect the success of Australian businesses when expanding internationally
- explain the economic, financial, social, political, cultural and legal factors influencing the expansion of a particular business into a Pacific Rim market.

General Comments

Most candidates were able to describe the composition of Australian trade to the Asia-Pacific region by using appropriate statistics, eg trade to South Korea has increased from 4% to 9% in the past 10 years. It is now our second largest destination for exports.

The majority of candidates referred to a case study but were less able to discuss financial risks and link them directly to their case study. They did not appreciate the impact of such risks on the international expansion of the specific business and the need to use hedging tools to protect against currency fluctuations.

Although the problems associated with conducting business in countries with different social and cultural practices were described well, candidates' discussions of the political factors and their implications were less well covered. Only the better candidates were able to deal with the requirements of the question to evaluate the social, cultural and political factors.

Excellent Responses

Here, candidates were able to explain and justify the changing direction of Australian trade with the Asia-Pacific region and supported their explanations with accurate statistics. Many commented on the current turmoil in Asian markets and discussed the effects that this will have on business expanding into that region.

The best responses included some reference to recent fluctuations in Asian currencies (eg the Thai baht depreciating 43% since July) and referred to the use of hedging tools by the specific business to protect itself against such fluctuations.

Excellent candidates were not only able to appreciate the importance of social, cultural and political practices, they could also relate them directly to their case study.

Above-average Responses

In above-average responses candidates applied relevant statistics less successfully than the excellent respondents and were less likely to refer to current changes.

These candidates generally described hedging tools but did not discuss them adequately in the context of their specific business.

Although their evaluation of the social, cultural and political practices was generally good, they failed to reach the standard of the excellent responses.

Average Responses

These responses tended to describe the nature of Australia's trade with the Asia-Pacific region, but included little explanation and few statistics. Their discussion of financial risks was brief and made little reference to hedging tools. Social, cultural and political factors were described but only limited reference was made to a specific case study.

Question 10

The *Uruguay Round* of the G.A.T.T. Agreement in 1994 made significant progress towards the liberalisation of world trade, and created the *World Trade Organisation (WTO)* to lead global trade reform into the twenty-first century. For example, in December 1996, twenty-seven WTO countries agreed to eliminate tariffs on a wide range of information technology and communications products by the year 2000.

- (a) Identify and explain the current trends in world trade deregulation.
- (b) Outline the opportunities and threats for Australian businesses resulting from an increasing commitment to links with the world economy.
- (c) Discuss the options for international expansion that a deregulated world market presents to Australian business.

Topic outcomes examined:

- recognition of the fact that business in the national economy is increasingly linked to the world economy
- explanation of how diversification and investment into overseas markets increases competitiveness for both the business and the economy
- analysis of how specific economic, financial, cultural, legal and business practices of overseas markets affect the success of Australian businesses when expanding internationally.

Knowledge and understanding of outcomes examined:

- recognition of the impact of changes in the business environment on different areas of business
- identification of the response of business to changes in the external business environment
- identification of the alternative business strategies available to decision makers.

The majority of candidates were able to achieve outcomes relating to:

- recognition of the fact that, in the national economy, business is increasingly committed to links with the world economy
- explanation of how diversification and investment into overseas markets increase competitiveness of both business and the economy
- analysis of how specific economic, financial, cultural, legal and business practices of overseas markets affect the success of Australian business when expanding internationally
- identification of the alternative business strategies available to decision makers.

Candidates were less clear, however, about outcomes relating to:

- explanation of how diversification and investment into overseas markets increase competitiveness of the business and of the national economy
- identification of the response of business to changes in the external business environment.

General Comments

The majority of candidates answered all parts of the question, though responses tended to describe rather than following the directions in the question, *explain* and *discuss*. Many identified opportunities and threats arising from deregulation. A number referred to Australian businesses generally or presented macro-economic responses. Relatively few referred to specific business examples, while a number confused the terms *opportunities* and *options*.

Excellent Responses

Here, candidates identified a range of current trends related to the deregulation of world trade, including tariff and non-tariff barriers, deregulation of financial markets and relaxed foreign ownership controls. Some argued that regional trade blocs might both assist and hinder the process of deregulation. They canvassed a range of opportunities (eg new markets, achievement of economies of scale and technology transfer) and threats (eg the need to increase productivity in import-competing businesses and exposure to exchange-rate fluctuations) and referred to specific businesses to illustrate their responses. Options for expansion, including joint ventures, direct exporting and the extension of multinational activities, were discussed in relation to specific examples.