



BOARD OF STUDIES
NEW SOUTH WALES

2007

**HIGHER SCHOOL CERTIFICATE
EXAMINATION**

Business Studies

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black or blue pen
- Draw diagrams using pencil
- Board-approved calculators may be used
- Write your Centre Number and Student Number at the top of pages 9, 11, 13, 15 and 17

Total marks – 100

Section I Pages 2–6

20 marks

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

Section II Pages 9–18

40 marks

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

Section III Page 19

20 marks

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

Section IV Page 20

20 marks

- Attempt either Question 27 or Question 28
- Allow about 35 minutes for this section

Section I

20 marks

Attempt Questions 1–20

Allow about 35 minutes for this section

Use the multiple-choice answer sheet for Questions 1–20.

- 1 A business sets the price of a range of furniture at below cost price.
- Which pricing strategy is being used?
- (A) Loss leader
 - (B) Penetration
 - (C) Price point
 - (D) Skimming
- 2 Simran has been left in charge when Jackie, the owner of a hair salon, goes home sick. Simran reschedules Jackie's afternoon appointments by allocating them to other staff.
- What management skills has Simran demonstrated?
- (A) Self-management and vision
 - (B) Strategic thinking and teamwork
 - (C) People skills and strategic thinking
 - (D) People skills and self-management
- 3 What is an example of below-the-line promotion?
- (A) A television advertising campaign
 - (B) Sponsorship of a local sports team
 - (C) A commercial billboard on the side of a main road
 - (D) A product slogan developed by an advertising agency
- 4 Which of the following is an employment contract negotiated by an individual?
- (A) A federal award
 - (B) A collective agreement
 - (C) An enterprise bargaining award
 - (D) A verbal agreement with an employer

- 5** What is an example of market segmentation?
- (A) A bank offering reward points to loyal customers
 - (B) A breakfast cereal manufacturer using advertising to target specific age groups
 - (C) A sporting goods store dividing the floor space into sections to assist with customer flow
 - (D) A biscuit manufacturer repackaging its product as a result of increased market competition
- 6** Which of the following best represents the financial planning cycle?
- (A) Retain profits, acquire equity finance, minimise risks, plan the marketing strategy
 - (B) Address the present financial position, source funds, analyse reports, establish a cost centre
 - (C) Address the present financial position, prepare budgets, analyse financial reports, plan financial controls
 - (D) Conduct a situational analysis, lead structural change, maintain record systems, develop budgets and cash flows
- 7** What is a reason for a business to expand internationally?
- (A) Diversification
 - (B) Licensing agreement
 - (C) Management contract
 - (D) Foreign direct investment
- 8** Australian Bioped Ltd has designed a new safety shoe for use in heavy industrial areas. An overseas company wants to manufacture the shoe under licence.
- Which of the following does Australian Bioped Ltd need to consider before issuing the licence?
- (A) Consumer tastes and credit risks
 - (B) Staffing and currency fluctuations
 - (C) Contracts and intellectual property
 - (D) Interest rates and trade agreements

- 9** Damien has been asked to operate heavy machinery for which he has not been trained. He refuses to operate the machinery and, as a result, his employment is terminated.

What workplace issues are involved in this situation?

- (A) Workers compensation and anti-discrimination
- (B) Occupational health and safety and unfair dismissal
- (C) Occupational health and safety and anti-discrimination
- (D) Equal employment opportunity and working conditions

- 10** A business sells its accounts receivable to improve cash flow.

Which of the following best describes this strategy?

- (A) Factoring
- (B) Equity financing
- (C) Sale and lease back
- (D) Accounts receivable turnover

- 11** Employees are upset when a business is taken over and moves to a new site.

What may be a reason for employee resistance to this change?

- (A) Less travel time to work
- (B) Increased retraining costs
- (C) Reduced career prospects
- (D) The cost of new furniture and fittings

- 12** Which list provides three examples of dispute resolution processes?

- (A) Conciliation, benchmarking, mediation
- (B) Business relocation, arbitration, repatriation
- (C) Grievance procedures, negotiation, induction
- (D) Business closure, common law action, mediation

Use the following information to answer Questions 13 and 14.

	2006	2007	Industry average
Return on owners' equity	8%	5%	7%
Gearing debt to equity ratio	1.4 : 1	1 : 1	1.2 : 1
Expense ratio (as a percentage)	68%	75%	70%

13 Which statement best describes the changed financial position?

- (A) Solvency has declined and profitability has increased from 2006 to 2007.
- (B) Profitability has decreased and solvency has improved from 2006 to 2007.
- (C) The expense ratio has improved and is closer to the industry average in 2007 than in 2006.
- (D) Solvency in 2007 is better than industry average and the expense ratio has improved from 2006.

14 What may have contributed to the change in the expense ratio?

- (A) Increase in cash
- (B) Increase in purchases
- (C) Decrease in drawings
- (D) Decrease in interest rates

15 A local cinema asks customers for their postcode when they purchase tickets. This information is used to plan a marketing campaign.

Which of the following best describes this process?

- (A) Market distribution
- (B) Service differentiation
- (C) Primary data collection
- (D) Secondary data collection

16 A sports clothing manufacturer is experiencing increased competition and plans to relaunch its product.

Which strategy is most appropriate for this phase in the product life cycle?

- (A) Diversify into sports equipment
- (B) Downsize the marketing department
- (C) Decrease accounts receivable turnover
- (D) Create a modern image for the clothing range

17 What are two obligations of employees in the workplace?

- (A) Duty of care and provision of sick leave
- (B) Duty to disclose relevant information and to act in good faith
- (C) Duty to work with skill and to provide promotion opportunities
- (D) Duty to obey lawful instructions and provide on-the-job training

18 What has been a trend in global trade since World War II?

- (A) Static business environments
- (B) Deregulation of financial markets
- (C) Increased regulation of labour markets
- (D) Reduced flows of direct foreign investment

19 Which of the following best describes *outsourcing*?

- (A) Leasing an asset from another business
- (B) Management considering stakeholders' needs
- (C) Purchasing support services from another business
- (D) Establishing a close long-term relationship between businesses

20 What is a possible benefit to employees of industrial conflict?

- (A) Increased insurance costs
- (B) Increased levels of staff turnover
- (C) Employees are able to express their dissatisfaction.
- (D) Employees are able to negotiate workers compensation laws.

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Centre Number

Section II

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Student Number

40 marks

Attempt Questions 21–25

Allow about 1 hour and 15 minutes for this section

Answer the questions in the spaces provided.

Marks

Question 21 (6 marks)

- (a) Outline ONE strength and ONE weakness of political management theory. 2

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- (b) Explain why contingency management theory is being more widely used by businesses. 4

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Centre Number

Section II (continued)

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Student Number

Marks

Question 22 (6 marks)

Alex and Nat design and sell clothes for women. They have been selling nationally and have now decided to sell overseas.

- (a) Describe ONE social or cultural influence Alex and Nat need to consider to sell their clothes overseas. **2**

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- (b) Describe TWO aspects of financial management Alex and Nat need to consider for their global business. **4**

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Centre Number

Section II (continued)

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Student Number

Marks

Question 23 (8 marks)

(a) State the working capital ratio. **1**

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(b) Explain why working capital is important to business. **3**

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(c) Recommend TWO strategies to manage working capital. **4**

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Centre Number

Section II (continued)

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Student Number

Marks

Question 24 (10 marks)

ABC Ltd has restructured and twenty-five employees will be retrenched. Management has not consulted employees about the changes. Employees are considering industrial action.

- (a) Outline ONE type of covert industrial action employees might take in response to the proposed retrenchments. **2**

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- (b) Describe the radical perspective on industrial conflict being used by ABC Ltd. **2**

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Question 24 continues on page 16

Question 24 (continued)

- (c) Evaluate an alternative perspective on industrial conflict ABC Ltd could use to avoid conflict with employees. **6**

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End of Question 24

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Centre Number

Section II (continued)

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Student Number

Marks

Question 25 (10 marks)

A chain of fitness centres in the city is used by office workers. The owners plan to open a new branch in a shopping complex in a new suburb.

- (a) Identify ONE possible target market for the new branch. **1**

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- (b) Describe a market research process appropriate for the new branch. **3**

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Question 25 continues on page 18

Question 25 (continued)

- (c) Analyse how the business could differentiate its existing services for the new branch. **6**

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End of Question 25

Business Studies

Section III

20 marks

Attempt Question 26

Allow about 35 minutes for this section

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

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

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

Way Out Ltd designs and manufactures casual clothing and accessories.

In 2007 the business ran an expensive marketing campaign advertising in teen magazines. Marketing and financial objectives were not met and profits did not reach the forecasted levels.

Other problems for management in 2007 include: inadequate customer service and an inexperienced sales team; cash flow problems due to excessive credit sales; high worker absenteeism; and an unacceptably high rate of production errors.

The company was working at full capacity with factory workers doing double shifts and overtime in order to meet last minute demand.

Way Out Ltd wants to:

- develop a more effective marketing strategy for 2008
- improve staff morale and productivity
- meet financial and profit objectives.

You have been employed as a consultant by Way Out Ltd to prepare a report to assist with planning for 2008.

In your report, describe ONE appropriate marketing promotion strategy for Way Out Ltd. Recommend ONE strategy to improve employment relations and ONE way to measure the effectiveness of employment relations. Analyse cash flow management and profitability management for effective financial planning.

Please turn over

Section IV

20 marks

Attempt either Question 27 or Question 28

Allow about 35 minutes for this section

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

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

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

Outline the external sources of change for a business to expand internationally, and critically analyse the strategies a business may use to ensure ethical practices in a global environment.

OR

Question 28 (20 marks)

Outline the external sources of change for a business to expand internationally, and critically analyse the strategies a business may use to manage employment relations in a global environment.

End of paper