



HIGHER SCHOOL CERTIFICATE EXAMINATION

1997

BUSINESS STUDIES

2/3 UNIT (COMMON)

*Time allowed—Three hours
(Plus 5 minutes reading time)*

DIRECTIONS TO CANDIDATES

- You may ask for extra Writing Booklets if you need them.
- Board-approved calculators may be used.

Section I (20 marks)

- Attempt ALL questions.
- Mark your answers in pencil on the Answer Sheet provided.
- Select the alternative A, B, C, or D that best answers the question.

Section II (30 marks)

- Attempt ALL questions.
- Answer the questions in the spaces provided in this paper.
- Section II should be detached and handed in.
- Write your Student Number and Centre Number in the spaces provided on the first page of each question.

Section III (50 marks)

- Attempt TWO questions, each from a different option.
- Answer each question in a *separate* Writing Booklet.

SECTION I

Attempt ALL questions.

Each question is worth 1 mark.

Mark your answers in pencil on the Answer Sheet provided.

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

1. Maria would achieve improved financial control of her business operations by
 - (A) establishing a public relations office.
 - (B) developing an organisational structure.
 - (C) comparing actual with budgeted performance.
 - (D) introducing a new management information system.

2. A business is said to be organised functionally if departments are related to the
 - (A) products manufactured.
 - (B) location of customers.
 - (C) work activities of employees.
 - (D) cost structure.

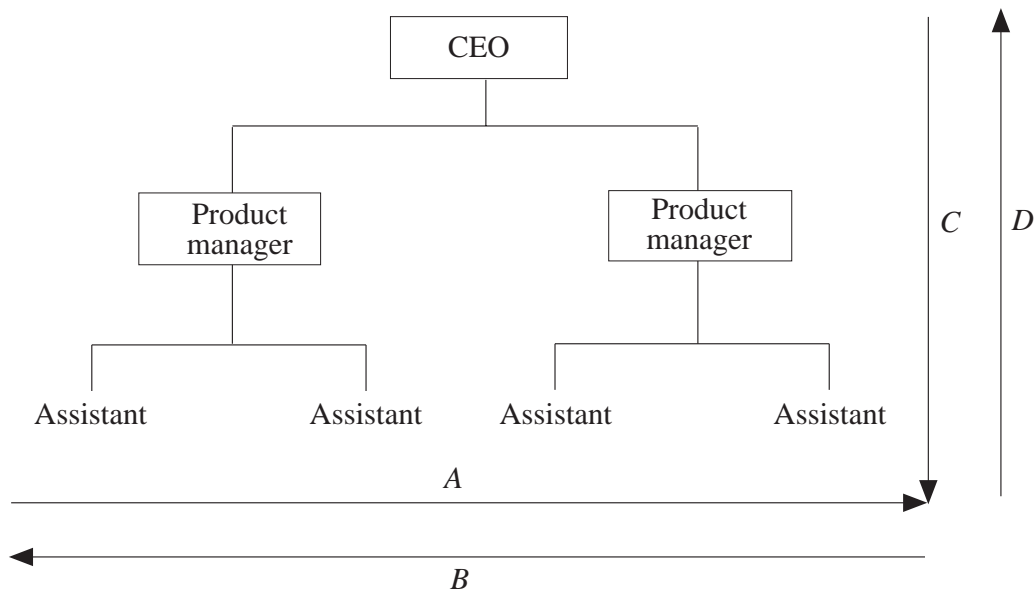
3. Robyn, the owner of a chain of hardware stores, allows individual managers to be left alone to make their own operating decisions. This style of management is called
 - (A) laissez-faire.
 - (B) collegial.
 - (C) democratic.
 - (D) authoritative.

4. The balance sheet of Auto Manufacturers Ltd includes stocks of finished goods. These would be classified under the heading
 - (A) non-current assets.
 - (B) current assets.
 - (C) non-current liabilities.
 - (D) current liabilities.

5. To assess how a company would be affected by an increase in interest rates, you would first analyse
- (A) liquidity ratios.
 - (B) gross profit ratios.
 - (C) gearing ratios.
 - (D) current ratios.
6. The process of developing long-term plans for business operations is called
- (A) strategic planning.
 - (B) operational planning.
 - (C) tactical planning.
 - (D) structural planning.
7. The cash-flow statement of a business is an important indicator of
- (A) gearing.
 - (B) liquidity.
 - (C) profitability.
 - (D) leverage.
8. An Australian computer business establishes links with other computer firms to improve its productivity. This business aims to achieve
- (A) a code of practice.
 - (B) legal regulations.
 - (C) total quality management.
 - (D) world best practice.
9. When David discovered his actual production was less than he had planned, he consulted a small-business adviser. The type of control David is using is called
- (A) feedforward.
 - (B) concurrent.
 - (C) feedback.
 - (D) prevention.

- 10.** The Finders Keepers Gold Company has three possible sites for mineral exploration. To identify the site likely to provide the best return, the managers would use
- (A) SWOT analysis.
 - (B) decision trees.
 - (C) schedules.
 - (D) critical path analysis.
- 11.** A business sells its 'accounts receivable' to improve cash flow. This source of finance is called
- (A) leasing.
 - (B) debentures.
 - (C) gearing.
 - (D) factoring.
- 12.** Jack allocates appropriate tasks to his workers on the basis of a series of tests. His management approach is based on
- (A) behavioural theory.
 - (B) classical theory.
 - (C) quantitative theory.
 - (D) systems theory.
- 13.** A budget is used by a business to
- (A) prepare a balance sheet.
 - (B) predict future products.
 - (C) guide the use of inputs.
 - (D) calculate profitability.
- 14.** Action Sports is a medium-size company providing materials and equipment to the growing fitness market. To meet its need for expansion, the owners decide to borrow money direct from the public. This could be done by issuing
- (A) debentures.
 - (B) commercial bills.
 - (C) shares.
 - (D) a promissory note.

USE THE FOLLOWING INFORMATION TO ANSWER QUESTION 15.



15. The chain of command is shown by

- (A) line A.
- (B) line B.
- (C) line C.
- (D) line D.

16. The manager of a small leather-belt business grouped the production tasks and assigned them to her workers. In doing so, she was undertaking the function of

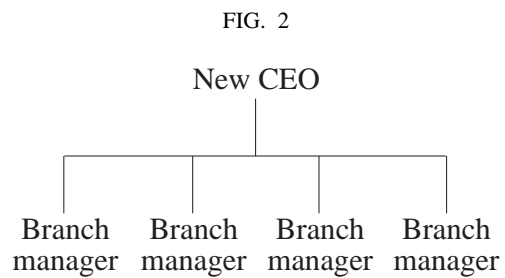
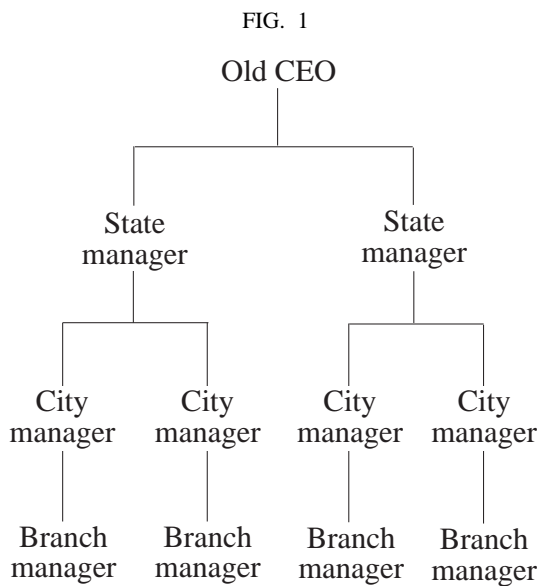
- (A) planning.
- (B) organising.
- (C) leading.
- (D) controlling.

17. When a manager decided that his workers should use their own coffee mugs, instead of the firm providing plastic cups, he was encouraging

- (A) social justice.
- (B) ecological sustainability.
- (C) compliance with the law.
- (D) total quality management.

- 18.** When a consumer tried to get his three-year-old CD player repaired, he was told that the manufacturer no longer made parts for its older models. This is a consequence of
- (A) consumerism.
 - (B) new and better products.
 - (C) inertia of manager.
 - (D) planned obsolescence.

USE THE FOLLOWING INFORMATION TO ANSWER QUESTIONS 19 AND 20.



- 19.** The organisational transformation of structure from Figure 1 to Figure 2 is
- (A) geographical pyramid to flat.
 - (B) functional flat to pyramid.
 - (C) geographical flat to pyramid.
 - (D) functional pyramid to flat.
- 20.** The effect on the business of the change in organisational structure is to create
- (A) more delegation.
 - (B) increased middle management.
 - (C) greater bureaucracy.
 - (D) a level playing field.

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EXAMINER'S USE ONLY

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CENTRE NUMBER

SECTION II**Marks**

Attempt ALL questions.

Each question is worth 5 marks.

Answer the questions in the spaces provided in this paper.

QUESTION 21. (5 marks)

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.

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Question 21 continues on page 10

QUESTION 21. (Continued)

Marks

(b) (i) What is goodwill?

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(ii) Comment on the value of goodwill for this business.

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(c) (i) Calculate a liquidity ratio for this business.

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(ii) Suggest how this liquidity ratio might affect your decision to buy this business.

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QUESTION 22. (5 marks)**Marks**

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?

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- (b) Suggest TWO reasons for resistance to internal change that may occur in this company.

2

- (i)

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- (ii)

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QUESTION 22. (Continued)

Marks

- (c) Explain TWO ways in which the planning function could be used to manage the internal change being considered. **2**

- (i)
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- (ii)
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QUESTION 23. (5 marks)**Marks**

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. **1**

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- (b) Compare TWO sources of finance that may be available to Monica. **2**

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- (c) Explain why SWOT analysis might be used by Monica and Paul to analyse their current problem. **2**

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QUESTION 24. (5 marks)

Marks

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

Additional information:

	\$'000s
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
Owners' equity at 31 December 1996	1 500

Question 24 continues on page 16

QUESTION 24. (Continued)

Marks

(a) From the financial statement, identify:

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(i) a distribution expense;

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(ii) a selling expense.

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(b) (i) Calculate a profitability ratio for Guildford Engineering Pty Ltd for 1996.

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(ii) Comment on the change in profitability from 1995 to 1996.

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(c) Discuss TWO strategies that managers of Guildford Engineering Pty Ltd may have adopted in 1996 that would have affected profitability.

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(i)

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(ii)

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QUESTION 25. (5 marks)**Marks**

Aussie Industries is the manufacturer of 'Australian wildlife' soft toys. The following information is part of their financial forecast for 1997–98.

- 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?

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(b) For Aussie Industries:

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(i) Calculate the break-even sales volume.

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(ii) How may break-even analysis guide production decisions?

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QUESTION 25. (Continued)

Marks

- (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. **2**

- (i)
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- (ii)
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QUESTION 26. (5 marks)**Marks**

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

	<i>% of Customer response</i>			
	<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? **1**

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- (b) Describe TWO methods of control that could be used to assess the performance of this business? **2**

(i)

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(ii)

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Question 26 continues on page 20

QUESTION 26. (Continued)

Marks

- (c) Identify and explain TWO strategies that management might introduce in response to this survey. **2**

- (i)
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- (ii)
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SECTION III

Attempt TWO questions, each from a different option.

Answer each question in a *separate* Writing Booklet.

BUSINESS LAW

EITHER

QUESTION 27. (25 marks)

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.

OR

QUESTION 28. (25 marks)

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?

INDUSTRIAL RELATIONS

EITHER

QUESTION 29. (25 marks)

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.

OR

QUESTION 30. (25 marks)

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?

MARKETING*EITHER***QUESTION 31.** (25 marks)**COUNTRYLINK AIR SERVICES**

Countrylink Air Services provides passenger air travel between major country towns. Recently 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?

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

'... 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.'

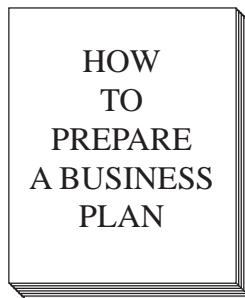
- (a) Why is marketing important to a business?
- (b) With reference to a business you have studied:
 - (i) outline a current marketing plan;
 - (ii) in what way has the product life cycle impacted on the marketing mix?

Please turn over

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

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

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.