MORIAH COLLEGE

2006

Preliminary Course Examination

Tuesday 5th September 2006

Business Studies

General Instructions

- Reading time – 5 minutes
- Working Time – 2 hours
- Write using black or blue pen
- Board-approved calculators may be used
- Write your computer number where indicated

Total Marks – 80

Section I – 20 marks
- Attempt Questions 1-20

Section II – 40 marks
- Attempt Questions 21 - 26

Section III – 20 marks
- Attempt Question 27

STUDENT NUMBER _____

Section I

20 marks
Attempt Questions 1-20

Rocky Balboa's restaurant, *Pizza-the-Action*, is finding that his business is running smoothly. He has well established procedures and processes and finds that he needs to spend little on advertising and marketing as he has a good profile in the local area.

1. What stage of the business life cycle is *Pizza-the-Action* in?

   A establishment
   B growth
   C maturity
   D renewal

2. Smart Foods Pty Ltd and Confectionary Delight Pty Ltd are both manufacturers of biscuits and confectionary. They have recently engaged in an expansion strategy, which resulted in the owners of the two businesses combining their resources, to form a new organisation.

   What is the method of expansion being used by these two companies?

   (A) Takeover
   (B) Diversification
   (C) Vertical integration
   (D) Merger

3. To which stakeholders does the board of directors of a private company have its primary responsibility?

   A management
   B the managing director
   C consumers
   D shareholders

4. John is the manager of Safety Securities Pty Ltd. He has delegated the responsibility of managing ten junior officers to his senior security officers. Which management role is John undertaking?

   (A) Planning
   (B) Organising
   (C) Leading
   (D) Controlling

5. Sparkly Jewels Pty Ltd relies heavily on their sales assistants to promote their products by outlining the features of their products to the customers to suit the customer's specific needs. It is a time consuming technique but is has been successful in informing and persuading customers to purchase their products.

Which of the following promotion techniques is Sparkly Jewels adopting?

(A) Personal selling
(B) Sales promotion
(C) Publicity
(D) Advertising

6. Tony is a sole trader. He is looking to expand his restaurant to cater for a larger number of customers. He wants to use equity finance to fund this expansion.

Which of the following will provide Tony with equity finance?

(A) Using net profits from the business
(B) Bank overdraft
(C) Commercial bills
(D) Short term loan

Use the following information to answer questions 7 and 8

Financial Statement of Fresh Deli
for the year ending 30 June 2006

	$	$
Sales		400 000
Opening stock	200 000	
Purchases	130 000	
Closing stock	100 000	
Cost of goods sold		?
Gross profit		?
Expenses		
Advertising	15 000	
Rent	5 500	
Wages	24 500	
Delivery expenses	10 000	
Electricity	5 000	
Telephone	1 000	
Net profit		?

7. What is the cost of goods sold?

(A) $430 000
(B) $287 000
(C) $230 000
(D) $130 000

8. What is the net profit?

(A) $339 000
(B) $61 000
(C) $231 000
(D) $109 000

9. Which of the following businesses would **NOT** see visibility as a crucial factor when deciding on business location?

(A) Supermarket
(B) Cafe
(C) Law firm
(D) Petrol station

10. Telecorp Ltd has recently experienced negative publicity due to a computer error which resulted in customers being overcharged. Managers of Telecorp are in the process of devising short term strategies in an attempt to overcome the impact of the negative publicity on the image of the business and win back customer loyalty.

What type of planning are the managers of Telecorp devising?

(A) Tactical planning
(B) Corporate planning
(C) Strategic planning
(D) Operational planning

11. Which of the following is considered a social goal of business?

A reducing business costs
B increasing business wealth
C improving employment opportunities for local people
D increasing the quality of the products

12. GCG telecommunications Ltd has just conducted a SWOT analysis to assess the business environment and identify any threats and weaknesses.

Which of the following would appear as a threat in the analysis?

(A) Cash flow problem
(B) Large staff turnover
(C) Poor customer relations
(D) Cheaper imports coming from overseas

13. Which of the following organisations would be classified as a small business?

A a farm with an estimated value of agricultural operation of $500,000
B a cabinet maker with 35 employees
C a restaurant with 27 employees
D a legal firm with 100 employees

14. What are the two primary causes of business failure?

A setting too many goals and having too many qualifications
B having no business plan and receiving poor legal advice
C adequate capital and too much money spent on a business plan
D undercapitalisation and no business plan

15. A firm is in the process of undertaking market research and an analysis of its strengths and weaknesses.

Which of the following is an internal influence that will assist the business in the market research and analysis of strengths and weaknesses?

(A) Demographic patterns
(B) Technological change
(C) Product characteristics
(D) Economic conditions

16. Tina's winery has been operating for the last 20 years. Since the government has decided to subsidise the wine industry, Tina has faced an increase in competition. For the last year Tina's winery has been experiencing financial difficulties. Management has decided to appoint an independent team to manage the declining business in the hope that they can resolve their financial problem.

What process has Tina's winery undertaken?

(A) Realisation
(B) Bankruptcy
(C) Voluntary administration
(D) Liquidation

17. What is the role of a mission statement?

A to describe the difference between a business and its competitors
B to describe a way to create a large profit in the establishment phase
C to describe the main activity of a business
D to outline the vision of the business

18. Which of the following is likely to increase the cash flow for a business?

(A) Purchase of new machinery to increase output
(B) Increase in owner's equity
(C) Purchase of raw materials for production
(D) Increase in accounts receivable

19. Bob and Maria need $240,000 to purchase and renovate a small café. What is the most appropriate type of finance for this purpose?

A mortgage
B overdraft
C factoring
D debenture

20. Who provides the funds for equity finance?

A customers
B the government
C banks
D owners

End of Section I

MORIAH COLLEGE YEAR 11

MULTIPLE CHOICE

BUSINESS STUDIES

STUDENT NUMBER:

TEACHERS NAME:

1	A	B	C	D
2	A	B	C	D
3	A	B	C	D
4	A	B	C	D
5	A	B	C	D
6	A	B	C	D
7	A	B	C	D
8	A	B	C	D
9	A	B	C	D
10	A	B	C	D
11	A	B	C	D
12	A	B	C	D
13	A	B	C	D
14	A	B	C	D
15	A	B	C	D
16	A	B	C	D
17	A	B	C	D
18	A	B	C	D
19	A	B	C	D
20	A	B	C	D

Section II

40 marks.
Attempt Questions 21 - 25

Question 21 (5 marks).

> **What is small about small business???**
> Research conducted by the ABS has revealed that small businesses contributed around 40 per cent of Australia's GDP and employ almost half of the labour force

(a) Identify three characteristics of small businesses (3m)

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(b) Other than their contribution to GDP and employment, describe TWO contributions small businesses make to the economy (2m)

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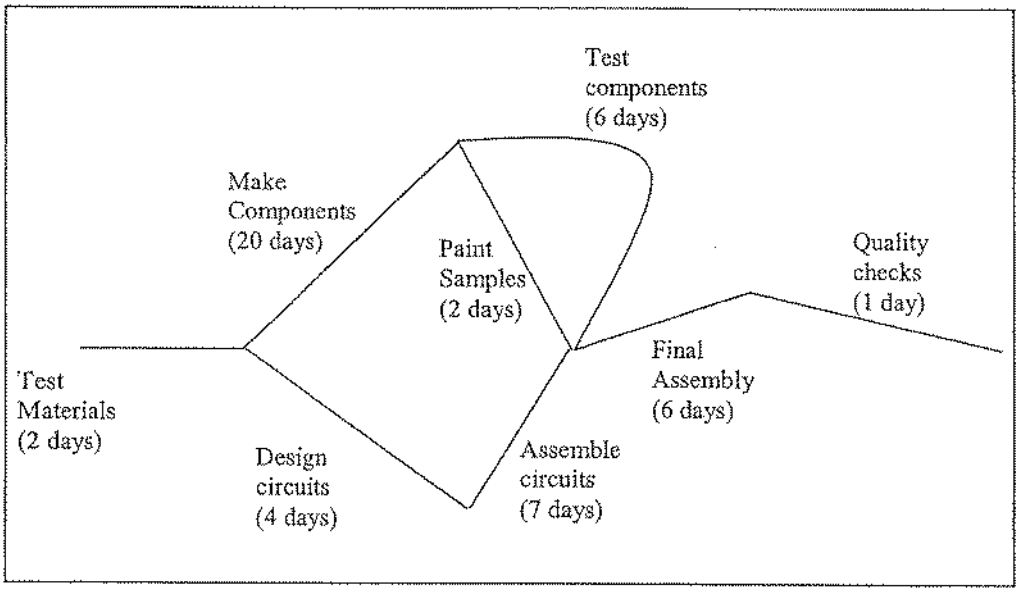
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Question 22 (5 marks).



(a) What is a critical path analysis? (1m)

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(b) Identify the critical path from the diagram above in terms of the number of days. (2m)

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(c) Describe how a critical path analysis is useful for a business manager. (2m)

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Question 23 (10 marks).

The following balance sheet is for Ella Ltd, a manufacturer of footballs as at 30/6/05.

	Ella Ltd.
Current Assets	
Cash	20 000
Debtors	35 000
Inventory	45 000
Non Current Assets	
Vehicles	60 000
Equipment	110 000
Total Assets	270 000
Current Liabilities	
Overdraft	65 000
Accounts payable	50 000
Non Current Liabilities	
Mortgage	55 000
Total Liabilities	170 000
Owners Equity	
Capital	91 000
Net Profits	9 000
Total Owners Equity	100 000

(a) Calculate the accounting equation for this business (show all working). (2m)

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(b) Explain the difference between the debtors and the creditors of a business (2m)

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(c) Distinguish between current and non-current items that appear on a balance sheet. (2m)

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(d) You have been approached by an investor who is looking for a business to purchase. Identify two types of non-financial information that the investor may want and explain why each is important. (4m)

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Question 24 (5 marks).

Simon's Long Skinny Boats Revenue Statement for the year ending 30 June 2005		
	$	$
Sales Revenue		420,000
Less cost of goods sold		
Opening stock	140,000	
Plus purchases	60,000	
	200,000	
Less closing stock	80,000	
Less operating expenses		
Wages	89,000	
Rent	10,000	
Electricity	3,000	
Water	2,000	
Advertising	6,000	
Cleaning	8,000	
Office supplies	2,000	

(a) Calculate the value of the net profit for Simon's Long Skinny Boats (show working). (2m)

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(b) Describe three uses of a revenue statement for the managers of Simon's Long Skinny Boats (3m)

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Question 25 (5 marks).

> Managers who are involved in planning must use tools such as a break-even analysis to predict what may happen in the future.

(a) Identify the purpose of a break-even analysis (1m)

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Data for *Bob and Maria's Muffin Factory*.	
Selling Price	$3.00
Total Fixed Costs	$48,000
Variable Cost (per unit)	$1.40

(b) Calculate the break-even point for *Bob and Maria's Muffin Factory*. (2m)

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(c) List two examples of variables costs in a business. (2m)

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Question 26 (10 marks).

There are different approaches that can be taken to select a target market. Whatever they are, they need to consider both demographic and psychographic characteristics.

(a) What is a target market? (1m).

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(b) Identify two examples of demographic characteristics. (2m)

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(c) Outline three reasons why it is important for a business to identify its target market. (3m)

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(d) Outline the characteristics of each of the "Four P's" which make up the marketing mix. (4m)

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End of Section II

Section 3 – Business Report

Question 27
Total Marks 20
Allow about 45 minutes for this section

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

- **Use your knowledge and 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.**

Question:

Ever since the Federal Treasurer Hon Peter Costello introduced the baby bonus scheme for having children in 2004, people like the Manocchio's have been going crazy producing children. The baby bonus gave parents $3000 per child born after July 2004. However this is now creating a number of problems in the child care industry, where there is a massive shortage of child care places placing pressure on parents who work full time. The Manocchio's both being teachers have thus decided to venture into the world of business and:

- Have decided to purchase an existing day care centre.
- Have a combined 20 years teaching experience.
- Both love children and Mr. Manocchio has an accounting and previous business experience background.
- The proposed purchase is in a good location, however, has had declining enrolments and a high staff turnover due to poor management.
- Equipment and facilities are in average condition.
- They believe they can turn the business around.
- Selling price is $100,000, they have $120,000, however they need a further $50,000 for future expenses.

As their business consultant, write a business report to the Manocchio's that list's the advantages and disadvantages of buying an existing business, outline appropriate sources of funds that the Manocchio's will need to revamp this business and describe the marketing, employment relations and management strategies that they will need to implement so as to take advantage of the large number of children needing day care and the good location of the business.

End of Paper

2006
Term 3 Exam
Solutions

MORIAH COLLEGE YEAR 11

MULTIPLE CHOICE ANSWERS

BUSINESS STUDIES

STUDENT NUMBER:

TEACHERS NAME:

1	A	B	**C**	D
2	A	B	C	**D**
3	A	B	**C**	D
4	A	**B**	C	D
5	**A**	B	C	D
6	**A**	B	C	D
7	A	B	**C**	D
8	A	B	C	**D**
9	A	B	**C**	D
10	**A**	B	C	D
11	A	B	**C**	D
12	A	B	C	**D**
13	A	B	**C**	D
14	A	B	C	**D**
15	A	B	**C**	D
16	A	B	**C**	D
17	A	B	C	**D**
18	A	**B**	C	D
19	**A**	B	C	D
20	A	B	C	**D**

C + (D)

A + C

Section II

40 marks.
Attempt Questions 21 - 25

Question 21 (5 marks).

> **What is small about small business???**
> Research conducted by the ABS has revealed that small businesses contributed around 40 per cent of Australia's GDP and employ almost half of the labour force

(a) Identify three characteristics of small businesses (3m)

Question 21

Part (a)

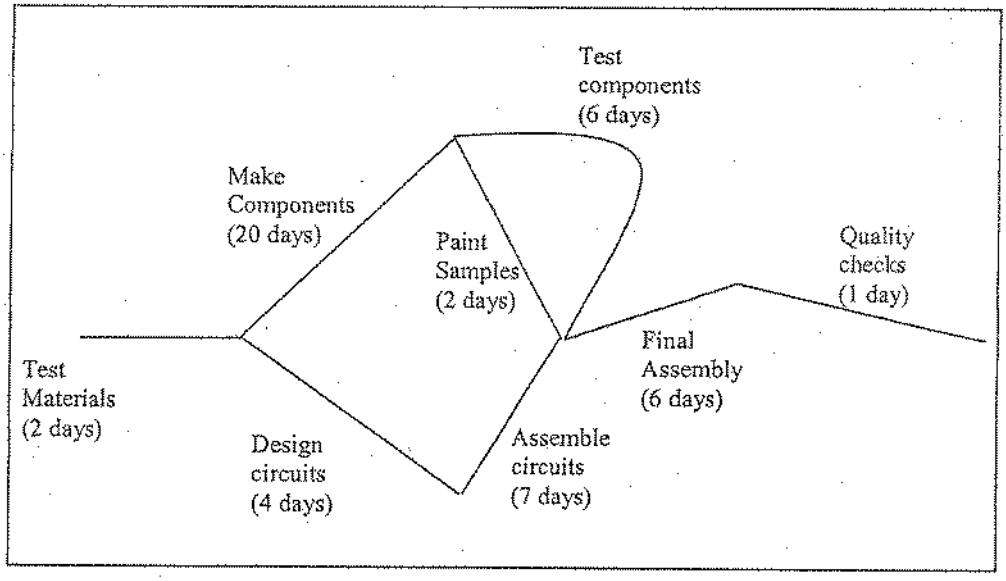
0	Does not present a single accurate characteristic
1	One mark each for any three of the following: One or two persons make critical management decisions No internal specialist personnel Relies on external support services Manufacturing industries – fewer than 100 employees Non-manufacturing firms – fewer than 20 employees Markets are local Owner provides bulk of capital Business is locally based Service is personalised

(b) Other than their contribution to GDP and employment, describe TWO contributions small businesses make to the economy (2m)

Part (b)

0	No accuracy in the presentation of the contributions
1/2	One mark for a description of each for the following: Contribution to Balance of Payments Contribution to invention and innovation Greater variety of goods and services Provide rural areas with product choice Increases competition – which leads to better value Provides business for larger businesses Source of taxation for government

Question 22 (5 marks).



(a) What is a critical path analysis? (1m)

Question 22

Part (a)

0	Does not accurately identify role of critical path analysis
1/2	A critical path analysis calculates the length necessary to complete a process or task

(b) Identify the critical path from the diagram above in terms of the number of days. (2m)

Part (b)

0	Does not accurately define debtors or creditors
1	Identifies either the path or the number of days but not both
2	Identifies the path/individual days per task and correctly calculates the number of days Test Materials (2 days) + Make Components (20 days) + Test Components (6 days) + Final Assembly (6 days) + Quality Checks (1 day) = 35 days

(c) Describe how a critical path analysis is useful for a business manager. (2m)

Part (c)

0	No relevant discussion on the use of the analysis
1/2	One mark each for two of the following - Assists direction and organisation to the planning process - Scheduling gives overall co-ordination and enables a means of control - Scheduling represents the shortest path through the process, having achieved all tasks - Scheduling shows what needs to be done and in what order, including what tasks can be done at the same time - Assists in allocating staff

Question 23 (10 marks).

The following balance sheet is for Ella Ltd, a manufacturer of footballs as at 30/6/05.

	Ella Ltd.
Current Assets	
Cash	20 000
Debtors	35 000
Inventory	45 000
Non Current Assets	
Vehicles	60 000
Equipment	110 000
Total Assets	270 000
Current Liabilities	
Overdraft	65 000
Accounts payable	50 000
Non Current Liabilities	
Mortgage	55 000
Total Liabilities	170 000
Owners Equity	
Capital	91 000
Net Profits	9 000
Total Owners Equity	100 000

(a) Calculate the accounting equation for this business (show all working). (2m)

Question 23

Part (a)

0	Does not accurately identify the accounting equation
1	Identifies A=L+OE Or Identifies 270,000 = 170,000 + 100,000
2	Identifies A=L+OE and Identifies 270,000 = 170,000 + 100,000

(b) Explain the difference between the debtors and the creditors of a business (2m)

Part (b)

0	Does not accurately define debtors or creditors
1	Accurately defines debtors **or** creditors
2	Accurately defines debtors **and** creditors

Debtors are people or organisations who owe money to a business (ie a/c receivable)
Creditors are people or organisations to which a business owes money (ie a/c payable)

(c) Distinguish between current and non-current items that appear on a balance sheet. (2m)

Part (c)

0	Does not accurately define current or non-current items
1	Accurately defines current or non-current items
2	Accurately defines current and non-current items

Current – items realisable or due to be paid in the current accounting period/short-term/12 months
Non-current - items realisable or due to be paid in the long term

(d) You have been approached by an investor who is looking for a business to purchase. Identify two types of non-financial information that the investor may want and explain why each is important. (4m)

Part (d)

0	Does not accurately identify relevant non-financial information
1	Identifies one type of relevant non-financial information
2	Identifies two types of relevant non-financial information Or Explains the use of one type of relevant non-financial information
3	Identifies two types of relevant non-financial information and Explains the use of one type of relevant non-financial information
4	Explains the use of two types of relevant non-financial information

Non-financial information can include:

- reputation/goodwill
- location
- competition
- staffing
- elephants
- external influences
- target market

Question 24 (5 marks).

Simon's Long Skinny Boats Revenue Statement for the year ending 30 June 2005		
	$	$
Sales Revenue		420,000
Less cost of goods sold		
Opening stock	140,000	
Plus purchases	60,000	
	200,000	
Less closing stock	80,000	
Less operating expenses		
Wages	89,000	
Rent	10,000	
Electricity	3,000	
Water	2,000	
Advertising	6,000	
Cleaning	8,000	
Office supplies	2,000	

(a) Calculate the value of the net profit for Simon's Long Skinny Boats (show working). (2m)

Question 24

Part (a)

0	Does not accurately identify the net profit
1	Identifies the formula for net profit ($N\pi = G\pi$ - expenses) Or Identifies $180,000
2	Identifies the formula for net profit ($N\pi = G\pi$ - expenses) and Identifies $180,000

(b) Describe three uses of a revenue statement for the managers of Simon's Long Skinny Boats (3m)

Part (b)

0	Fails to accurately identify any relevant uses
1	Identifies three relevant uses Or Describes one relevant use
2	Describes two relevant uses
3	Describes three relevant uses

Uses can include:

- monitoring past performance
- calculating profitability
- planning for the future
- getting rid of Mr Robertson who can be really annoying sometimes
- Informing stakeholders of performance/publishing in annual reports
- Calculates operating expenses
- Compare opening and closing stock
- Compare to competitors

Question 25 (5 marks).

> Managers who are involved in planning must use tools such as a break-even analysis to predict what may happen in the future.

(a) Identify the purpose of a break-even analysis (1m)

Data for *Bob and Maria's Muffin Factory.*	
Selling Price	$3.00
Total Fixed Costs	$48,000
Variable Cost (per unit)	$1.40

Question 25

Part (a)

Identify the purpose of break-even analysis (1)

0	Does not accurately identify the purpose of break-even analysis
1	Accurately identifies break-even as a technique or tool that can be used to gain information, assist in planning for a business to identify the minimum number of units that must be sold to cover all costs and hence avoid making a loss.

(b) Calculate the break-even point for *Bob and Maria's Muffin Factory.* (2m)

Part (b)

Calculate the break-even point for Bob and Maria's Muffin Factory (2)

0	Does not accurately calculate the break-even point
1	Accurately calculates the break-even point as 30 000 muffins OR accurately identifies the BE formula as TFC/Selling Price-Variable cost per unit.
2	Correctly presents the BE formula **and** correctly gives answer as 30 000 muffins

ie (48 000/3-1.4 = 30 000 muffins)

(c) List two examples of variables costs in a business. (2m)

Part (c)

List two examples of variable costs in a business (2)

0	Does not list any correct example of a variable cost
1	Lists one correct example of a variable cost
2	Lists two correct examples of variable costs in a business

Variable costs can include:
wages
electricity
raw materials
telephone
advertising
delivery costs
stock
selling costs
production costs
storage costs
examples of variable costs specific to a particular business

Computer Number.....

Question 26 (10 marks).

There are different approaches that can be taken to select a target market. Whatever they are, they need to consider both demographic and psychographic characteristics.

(a) What is a target market? (1m).

Question 26

Part (a)

0	Does not accurately identify a target market
1	Accurately identifies a target market as the group of consumers that a business wishes to sell its products to

(b) Identify two examples of demographic characteristics. (2m)

Part (b)

0	Does not accurately identify a demographic characteristic
1	Identifies one demographic characteristic
2	Identifies two demographic characteristics

Demographic characteristics can include;

- age
- gender
- income
- location
- religion
- ethnicity
- family structure
- Mr James' pink shirts
- occupation
- education

(c) Outline three reasons why it is important for a business to identify its target market. (3m)

Part (c)

0 .	Fails to accurately identify any relevant reasons
1	Identifies three relevant reasons Or Outlines one relevant reason
2	Outlines two relevant reasons
3	Outlines three relevant reasons

Reasons can include:

- focus of advertising
- understanding the needs of customers
- ensure that there are enough customers to assist success
- helps with planning such as business location
- use to predict demand
- helps identify competition
- shapes the mission/goals of the organisation
- helps gain a competitive advantage
- helps with distribution
- helps with range of products

(d) Outline the characteristics of each of the "Four P's" which make up the marketing mix. (4m)

Part (d)

0	Fails to accurately identify the four Ps
1	Identifies 1-2 of the 4Ps Or Outlines characteristics of either product, price, promotion or place
2	Identifies all the 4Ps Or Outlines characteristics of two of product, price, promotion or place
3	Outlines characteristics of three of product, price, promotion or place Or Outlines characteristics of two of product, price, promotion or place **and** identifies the other 2
4	Outlines characteristics of product, price, promotion or place

Characteristics could include

Product
The good or service provided for sale
The features of the g or s that are suited to customer
Includes packaging, warrantees etc

Place
The strategies that will allow the consumer to gain access
Methods of distribution (retail, wholesale, mail order etc)
Not relevant to discuss business location here

Price
The cost to customers
To be set high enough to cover costs
Set low enough to be competitive
One of a number of pricing strategies could be used by a business (cost plus margin, competitive pricing, premium pricing etc)

Promotion
Activities to inform or persuade new or existing customers about the product
Advertising is one form of promo but also publicity, media releases, special offers etc

End of short answer section.

Section 3 – Business Report

Question 27
Total Marks 20
Allow about 45 minutes for this section

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

- **Use your knowledge and 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.**

Question:

Ever since the Federal Treasurer Hon Peter Costello introduced the baby bonus scheme for having children in 2004, people like the Manocchio's have been going crazy producing children. The baby bonus gave parents $3000 per child born after July 2004. However this is now creating a number of problems in the child care industry, where there is a massive shortage of child care places placing pressure on parents who work full time. The Manocchio's both being teachers have thus decided to venture into the world of business and:

- Have decided to purchase an existing day care centre.
- Have a combined 20 years teaching experience.
- Both love children and Mr. Manocchio has an accounting and previous business experience background.
- The proposed purchase is in a good location, however, has had declining enrolments and a high staff turnover due to poor management.
- Equipment and facilities are in average condition.
- They believe they can turn the business around.
- Selling price is $100,000, they have $120,000, however they need a further $50,000 for future expenses.

As their business consultant, write a business report to the Manocchio's that list's the advantages and disadvantages of buying an existing business, outline appropriate sources of funds that the Manocchio's will need to revamp this business and describe the marketing, employment relations and management strategies that they will need to implement so as to take advantage of the large number of children needing day care and the good location of the business.

End of Paper

Question ~~26~~ 27

Marking Criteria,

Criteria	Marks
• Presents a sustained, logical and well structured answer and clearly communicates using features of a business report with appropriate business terminology and concepts. • Names advantages and disadvantages of buying an existing business. • Comprehensively indicates the main features of the appropriate sources of funds the Manocchio's require. • Provides detailed characteristics and features of the marketing, employment relations and management strategies that the Manocchio's will need to implement.	17 - 20
• Presents a well organised business report and uses appropriate business terminology and concepts. • Names advantages and disadvantages of buying an existing business. • Indicates the main features of the appropriate sources of funds the Manocchio's require. • Provides characteristics and features of the marketing, employment relations and management strategies that the Manocchio's will need to implement.	13 - 16
• Includes features of a business report and uses some business terminology and concepts. • Names advantages and disadvantages of buying an existing business. • Attempts to indicate the main features the appropriate sources of funds the Manocchio's require. • Provides some characteristics and features of the marketing, employment relations and management strategies that the Manocchio's will need to implement.	9 - 12
• Includes features of a business report and uses some business terminology and concepts. • Names advantages and disadvantages of buying an existing business. • Lists the appropriate sources of funds the Manocchio's require. • Makes no reference to the marketing, employment relations and management strategies that the Manocchio's will need to implement. • May not answer certain parts of the question.	5 - 8
• Uses basic business terminology. • Names advantages and disadvantages of buying an existing business. • May refer to sources of funds. • May not answer certain parts of the question.	1 - 4

Answer should include:

- Executive Summary/Introduction.
- Advantages & Disadvantages of buying an existing business
- Sources of funds - Internal V External (short term V's long term).
- Internal – OE, float the business
- External – short – overdraft, bank bills, leasing, commercial bills, bridging loan
  Long – mortgage
- Marketing – competitive advantage, marketing research, marketing mix.
- Employment Relations – Aspects of the human resource cycle
- Management – POLC
- Conclusion