Knox Grammar School

2019
Business Studies
HSC Trial Examination

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using a black pen
- Board-approved calculators may be used
- Write your Student Number at the top of the front cover, multiple choice answer sheet and every writing booklet
- Answer the multiple choice questions on the answer sheet provided

Total marks - 100

Section I
20 marks
- Attempt Questions 1- 20
- Allow about 35 minutes for this section

Section II
40 marks
- Attempt Questions 21 - 24
- Allow about 1 hour and 15 minutes for this section

Section III
20 marks
- Attempt Question 25
- Allow about 35 minutes for this section

Section IV
20marks
- Attempt Questions 26 or 27
- 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.

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1 Organic Foods has used information from its own sales reports to create a new marketing plan.

What type of market research data has Organic Foods used?

(A) Secondary data
(B) Experimental data
(C) Situational data
(D) Primary data

2 Which of the following is an example of transformed resources in a manufacturing business?

(A) Machinery and equipment
(B) Raw materials and equipment
(C) Raw materials and employees
(D) Raw materials and customer feedback

3 Strong Tyres Pty. Ltd. has decided to increase its production in an attempt to decrease its average cost per unit.

Which operations strategy is Strong Tyres Pty. Ltd implementing?

(A) Economies of scale
(B) Global sourcing
(C) Logistics
(D) Supply chain management

4 Paleo Foods conducts annual appraisals of staff. The purpose of this is to plan for collective staff training needs in the future.

Which of the following best describes the type of performance management strategy being used?

(A) Developmental

(B) Administrative

(C) Skills development

(D) Job design

5 Robert wants to buy the latest mobile phone being released on the market since he believes this would suit his personality and impress his group of friends.

Which of the following factors are influencing Robert's purchase in this case?

(A) Psychological and economic factors

(B) Economic and sociocultural factors

(C) Psychological and sociocultural factors

(D) Psychological and government factors

6 Which of the following methods of international payment offers the least risk for the exporter?

(A) Letter of credit

(B) Clean payment

(C) Bill of exchange

(D) Derivatives

7 Which of the following best describes a role of the Fair Work Commission?

(A) To promote harmonious workplaces

(B) Monitor certain 457 subclass visa arrangements

(C) To provide a safety net of minimum conditions

(D) Provide advice on entitlements under an award or registered agreements

8 During an economic upturn, which of the following is likely to be a human resource
outcome?

(A) Increasing wage costs

(B) Decreasing wage costs

(C) Decreased production

(D) Increase in personal savings

9 Michael was dismissed from his workplace. He believes this dismissal was unfair.

Which of the following is the appropriate organisation to take this matter further?

(A) Fair Work Ombudsman

(B) Fair Work Commission

(C) Fair Work Australia

(D) Work Cover NSW

10 Which of the following provisions is included in the National Employment

Standards?

(A) Six weeks notification by either employee or employer of separation

(B) Paid leave to work for natural disaster relief organisations such as SES

(C) A maximum of 38 hours for full-time employees plus reasonable additional hours

(D) Five weeks paid annual leave each year

11 Which inventory rotation method would a cafe likely use?

(A) LIFO

(B) FIFO

(C) JIT

(D) Consignment

12 SportsZone Gym is offering half price personal training sessions when new customers sign up to a 12 month membership contract.

Which of the following best describes this promotion strategy?

(A) Advertising

(B) Sales promotion

(C) Loss leader pricing

(D) Penetration pricing

13 Mee Farms grows and cultivates wheat.

Which type of market does Mee Farms belong to?

(A) Mass market

(B) Intermediate market

(C) Primary market

(D) Resource market

14 Armondo is opening a new fine dining restaurant in Sydney.

What should he do when implementing his marketing plan?

(A) Identify his marketing plan

(B) Conduct a SWOT analysis

(C) Conduct market research

(D) Develop a financial forecast

Use the following information for Question 15 and 16.

Organic Coffee has published the following balance sheet for its shareholders:

Current Assets	**$**	**Current Liabilities**	**$**
Cash	20 000	Accounts payable	8 000
Inventory	15 000	Overdraft	12 000
Accounts receivables	15 000		
Non Current Assets		**Non Current Liabilities**	
Equipment	25 000	Loan	25 000
Vans	65 000		
		Owners' Equity	
		Capital	?
		Retained Earnings	15 000

15 What is the value of capital?

(A) $15 000

(B) $45 000

(C) $20 000

(D) $80 000

16 Organic Coffee sells the remaining inventory for $15,000.

What impact will this have on the balance sheet?

(A) Current Assets will increase

(B) Current ratio will improve

(C) Current Assets remain unchanged

(D) Sales will increase

17 Tom redesigns his café so that customers experience a unique design.

Which marketing strategy has Tom used?

(A) Product

(B) Promotion

(C) Processes

(D) Physical evidence

Use the table below to answer Question 18

18 Selected financial data for 2018 and 2019.

Financial information	**2018**	**2019**
Return on Equity	0.30:1	0.20:1

Additional information:
Return on equity = net profit ÷ total equity
Accounts receivable turnover ratio = sales ÷ accounts receivable

The information in the above table indicates:

(A) Net profit has increased

(B) Owners' equity has increased

(C) Total expenses have decreased

(D) The accounts receivable turnover has improved

19 Selected information for SportsZone Bikes Pty. Ltd.

2019

	$
Sales	960 000
Opening stock	90 000
Purchases	220 000
Closing stock	130 000
Advertising	10 000
Lease	25 000
Electricity	15 000
Wages	456 000

Additional information:

2018 Gross Profit Ratio (Gross Profit ÷ Sales) : 70%

2018 Net Profit Ratio (Net Profit ÷ Sales) : 30%

Which of the following best describes the changes in profitability of SportsZone Bikes from 2018 to 2019?

	Gross Profit Ratio (Gross Profit ÷ Sales)	Net Profit Ratio (Net Profit ÷ Sales)
(A)	Improved	Improved
(B)	Improved	Decreased
(C)	Decreased	Increased
(D)	Decreased	Decreased

20 Cheaper Petrol4U has a debt to equity ratio (total liabilities ÷ total equity) of 2:1.

What will happen if the bank increases interest rates?

(A) Solvency remains unchanged and expenses will increase

(B) Solvency will improve and expenses will increase

(C) Liquidity will deteriorate and expenses will decrease

(D) Solvency will deteriorate and expenses will decrease

2019

HSC Business Studies Trial Examination

Student Number

Section II

40 marks
Attempt Questions 21–24
Allow about 1 hour and 15 minutes for this section

Question 21 (10 marks)

(a) Distinguish between negotiation and mediation as methods to resolve workplace disputes. **2**

Question 21 continues on the next page

(b) Review the following data.

Human resource data collected at Flexatron Manufacturing.

Measures	**2018**	**2019**
Absenteeism	8 days	18 days
Staff turnover	8%	18%
Levels of disputation	5%	24%
Corporate culture	13%	13%
Training spent per employee	$1500	$200
Accidents	10%	20%

4

To what extent is human resource management effective at Flexatron Manufacturing?

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Question 21 continues on the next page

(c) Recommend TWO human resource strategies that could be used by Flexatron Manufacturing to improve the effectiveness measures. **4**

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End of Question 21

Student Number

Question 22 (10 marks)

Mixon Manufacturing is a leading car manufacturer based in Australia and is considering expanding its production capability to meet demand requirements for the market in China.

(a) Outline how legal regulations may influence Mixon Manufacturing in its operations management. **2**

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(b) Analyse the supply chain management strategies that may need to be considered as part of this expansion. **4**

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Question 22 continues on the next page

Question 22 (continued)

(c) How can Mixon Manufacturing demonstrate environmental sustainability and social responsibility in its operations? **4**

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End of Question 22

Student Number

Question 23 (10 marks)

3Tel Ltd. is a financial services firm. An external audit was recently conducted and indicated that discrepancies exist in the financial accounts.

(a) Examine ONE ethical financial reporting practice that 3Tel Ltd. needs to consider to address concerns raised. **2**

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Question 23 continues on the next page

Question 23 (continued)

Use the following financial information to answer the questions (b) and (c) below.

Balance Sheet at 30 June 2019 Echo Industries Pty Limited			
Current Assets		***Current Liabilities***	
Cash	5,000	Accounts Payable	10,000
Accounts Receivable	35,000	Overdraft	5,000
Inventory	20,000		
		Non-Current Liabilities	
Non-Current Assets		Mortgage	200,000
Plant & Equipment	10,000		
Land & Buildings	210,000	***Owners Equity***	
R&D	20,000	Share Capital	50,000
		Retained Earnings	35,000

Additional information:

Sales in year ended 30 June 2019 = $350,000

Industry averages:

- Current ratio (Current assets ÷ Current liabilities) = 2:1
- Debt to Equity Ratio (Total Liabilities ÷ Total Equity) = 1:1
- Accounts Receivable Turnover Ratio (Sales ÷ Accounts Receivable) = 15 days

(b) Assess TWO potential financial risks for Echo Industries. **4**

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Question 23 continues on the next page

Question 23 (continued)

(c) Recommend TWO methods that Echo Industries can implement to improve its debt **4**

to equity ratio.

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End of Question 23

Supersize Burgers is a new fast food restaurant chain that has entered the Australian market. Products are oversized burgers, chips, with various sauces, and mega sized thick shakes. Their tagline is "Burgers to make your heart scream".

(a) Examine TWO ethical issues in marketing that Supersize Burgers must consider. **4**

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Question 24 continues on the next page

Question 24 (continued)

(b) Evaluate the promotions mix that could be used by Supersize Burgers. **6**

End of Question 24

Section III

20 marks
Attempt Question 25
Allow about 35 minutes for this section

Answer the question in the Section III Writing Booklet. Extra writing booklets are available.

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

- demonstrate knowledge and understanding relevant to the question
- apply the hypothetical business situation
- communicate using relevant terminology and concepts
- present a sustained, logical and cohesive response in the form of a business report

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TARA is an Australian fashion clothing and accessories manufacturer and retailer servicing the needs of women, men and children throughout Australia. They have experienced significant growth over the last 5 years creating challenges concerning product quality leading to a significant increase in returns. The distribution centre is located in Western Sydney.

Additional challenges facing the business include:

- meeting the different needs of Australian consumers
- a monopolistic competitive environment exists which is impacting their profitability.

Management is concerned with:

- How to manage the influence of volume and variety in its operations processes
- The implications of its growth and subsequent product quality issues
- Reviewing its pricing strategies in light of the competition

You have been hired by TARA as a consultant to write a report. In your report:

- Explain how the influence of volume and variety impact the operations processes of TARA.
- Analyse the use of TWO quality management approaches that TARA could use to address the product quality issues.
- Recommend TWO pricing strategies that TARA could implement to achieve marketing objectives.

Section IV

20 marks
Attempt Question 26 or Question 27
Allow about 35 minutes for this section

Answer the question in the Section IV Writing Booklet. Extra writing booklets are available.

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

- Demonstrate knowledge and understanding relevant to the question
- Apply relevant business case study/studies and contemporary business issues
- Communicate using relevant business terminology and concepts
- Present a sustained, logical and cohesive response

Question 26 (20 marks)

Analyse the human resource processes used to meet the goals of a business.

OR

Question 27 (20 marks)

Analyse how sources of finance influence the objectives of financial management.

End of paper

Knox Grammar School

2019

Business Studies

Marking Criteria

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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.

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

Student Number

2019

HSC Business Studies
Trial Examination

Section II

40 marks
Attempt Questions 21–24
Allow about 1 hour and 15 minutes for this section

Question 21 (10 marks)

(a) Distinguish between *negotiation* and *mediation* as methods to resolve workplace disputes. **2**

Criteria	*Marks*
Correctly distinguishes between negotiation and mediation as methods to resolve disputes	*2*
Provides information on negotiation and/or mediation	*1*

Answers could include:

Negotiation *is a formal or informal discussion or bargaining process between the employee and employer. Each party takes part in the negotiation to try to reach a compromise whereas* ***mediation*** *refers to the confidential discussion of issues in a non-threatening environment, in the presence of a neutral / objective third party…resolving own disputes before escalation to more expensive methods of dispute resolution*

Markers Comments:

- Connective word - e.g. whereas
- Definition - whereas - definition
- Must have the connective word to access 2 marks

(b) Review the following data.

Human resource data collected at Flexatron Manufacturing.

Measures	**2018**	**2019**
Absenteeism	8 days	18 days
Staff turnover	8%	18%
Levels of disputation	5%	24%
Employee satisfaction levels	87%	87%
Training spent per employee	$1500	$200
Accidents	10%	20%

To what extent is human resource management effective at Flexatron Manufacturing?**4**

Criteria	Marks
Comprehensive judgement on effective HRM evident with effective integration of 2 stimulus data	4
Some judgement evident on effective HRM evident with some integration of stimulus data	3
Relates cause and effect of HRM with one example using stimulus data	2
Limited information on HRM	1

Answers could include:

The data presented for FM demonstrate ineffective HRM processes most notably on training and development, dispute resolution methods and performance management.Flexatron M HR indicators reveal issues in the number of disputes (from 5% to 24%) indicating ineffective training and development or management such as leadership styles, dispute resolution methods that may be creating a culture where disputes are not effectively resolved leading to high levels of absenteeism (8 days to 18 days). Training expenses have decreased YOY and this may be adding to the ineffectiveness of processes such that it leads to accidents in the manufacturing processes this will add cost burden (lower levels of productivity)…leading to the increase in the staff turnover ratio (from 8% to 18%). The corporate culture is effective and has remained stable (indicating that the leadership style is effective. FM may need to adjust their HR strategies such as T&D, maintenance and leadership style to effectively integrate new processes that address the ineffective indicators.

Markers Comments:

- Effectively integration two pieces of stimulus data
- Can explore effective and/or ineffective
- Need to address the - to what extent
- High levels of engagement with the stimulus (restating stimulus is not enough...links to other parts of HR required)
- Appropriate links to influences, processes and strategies

(b) Review the following data.

Human resource data collected at Flexatron Manufacturing.

Measures	2018	2019	
Absenteeism	8 days	18 days	↑ bad
Staff turnover	8%	18%	↑ bad
Levels of disputation	5%	24%	↑ bad
Employee satisfaction levels	87%	87%	same
Training spent per employee	$1500	$200	↓ bad
Accidents	10%	20%	↑ bad

– Indicators

4

To what extent is human resource management effective at Flexatron Manufacturing?

Human resource management for Flexatron Manufacturing (FM) has been predominately ineffective. This is evidenced firstly through a rise in absenteeism from 8 days (2018) to 18 days (2019), this indicates an overt industrial action. Moreover, workplace accidents have risen from 10% (2018) to 20% (2019), which is a negative implication and can be attributed to the decline in training spent per employee reducing from $1500 (2018) to $200 (2019). As a result, this has seen the level of disputation rising from 5% (2018) to 18% (2019), and by extention has contributed to the raising levels of staff turnover from 8% (2018) to 18% (2019). However, FM has been effective in maintaining the same employee satisfaction levels. This could be due

Question 21 continues on the next page

to FM providing benefits such as flexible working arrangements, which employees have valued. Overall, FM has been ineffective in acheiving effectiveness measures of human resources.

(c) Recommend TWO human resource strategies that could be used by Flexatron Manufacturing to improve the effectiveness measures. **4**

Criteria	Marks
Comprehensively provides reasons in favour of TWO HR strategies using Flexatron Manufacturing	4
Provides reasons in favour of TWO HR strategies using FM	3
Provides reasons in favour of ONE HR strategies using FM OR Some information on TWO HR strategies using FM	2
Limited information on HR/Flexatron	1

Answers could include:

Markers comments:

Students have **not integrated stimulus** - you were provided a table with lots of data to make reference to - if this was not used but you did answer with correct strategies the response w**as capped at 3**. Flexatron is not deemed as stimulus integration - please use all the information when answering questions.

Strategies recommended must includes **REASONS** in favour - not just one reason. Saying that training and development will lead to improved satisfaction without writing about ***how*** means you haven't adequately answered the question,

Training and development – with reasons in favour

Training *aims to develop skills such as …., knowledge and attitudes that lead to superior work performance.* ***Development*** *is focused on* ***enhancing the skills of the employee*** *in line with the changing and future needs of the FM. This is a win/win benefit for the FM and its*

employees as they will feel valued and the business benefits from the enhanced skill (in the form of a more productive employee in the production process.Training and development such induction, coaching, mentoring will lead to a competitive advantage for a FM and address the current high rate 20% of accidents number of accidents (with WH&S training) that occur in the production of products. This will reduce the number of accidents that occur at FM and positively impact the current high levels of staff turnover (18%) which has significantly increased and above general benchmarks. A review of skill requirement may also be required as part of T&D due to the dynamic nature of the business environment that may include the integration of AI and robotics in the manufacturing processes.

Additional benefits: ***Improved quality and productivity,*** *accuracy and efficiency, good work safety practices, training reduces wasted time and materials, reduces absenteeism, recruitment costs (given the high staff turnover – this means FM will need to invest in their acquisition process)*

Workplace dispute resolution – with reasons in favour

As the number of disputes has increased (5% to 24%) it may be beneficial for FM to implement formal grievance procedures that can effectively resolve any disagreements between employees. Effective conflict management strategies may provide benefits and in many cases improve workplace practices and foster innovation such as grievance procedures. Grievance procedures create a transparent and fair process for both parties to a dispute to be heard and resolve difference. Managementat FM should attempt to handle grievances in such a way that they do not escalate and become more serious formal grievances.

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Performance management – with reasons in favour

It is recommended that FM implement performance management. This refers to the process of evaluating and managing employee performance such as lower levels of accidents in order to achieve the best outcomes for FM in their manufacturing process. Effective implementation of performance management will lead to an evaluation an employee's performance based on a set of criteria. This process will help develop FM's employees by providing feedback and recognition, identification of

training needs, assessment of performance against targets and thus lower the number of accidents that are ocurring.

Rewards – monetary, non-monetary, group, individual

Maintenance is concerned with building a long term relationship with the employees. Reward management sees rewards and recognition as part of a total business strategy ensuring the organisation has the skilled people it needs. Consisting of :

financial rewards (pay, bonuses, profit sharing, share bonus schemes, fringe benefits)

non-financial rewards (the intrinsic reward of the work itself, increased responsibility or challenge, positive feedback, certificates of appreciation).

FM should consider a mix of individual rewards, group, performance based pay and non-monetary rewards as this will provide the necessary motivation (reducing absenteeism), recognition of individual work, sense of control. The group rewards will encourage a sense of team (less disputes), improvement in communication/collaboration. This will need to be effectively managed and implemented as not all employees apply same effort, different goals, and given there has been significant conflict at FM. Additionally, the implementation of performance based pay (assuming the employees will be motivated through increased financial benefits) may encourage FM employee's to work more effectively and align the objectives of the business with that of their employees.

Other benefits:

Maintenance of staff involves looking after staff wellbeing, safety and health, managing communications effectively, and complying with industrial agreements and legal responsibilities (WH&S)

Markers Comments:

- Two reasons in favour for each
- Appropriate stimulus specific link (differentiate between a 3 and 4 out of 4)
- Need to be specific with the syllabus points

Weaker responses did not integrate stimulus at all or limited. You must integrate the stimulus especially as so much data was provided in the table.

Recommend: You must use language that demonstrates you are recommending with REASONS in favour! Detailed reasons will be rewarded with the highest marks.

Question 21 (continued)

(c) Recommend TWO human resource management strategies that could be used by Flexatron Manufacturing to improve the effectiveness measures. 4

reasons for

Training and Development: This could involve FM emplo
doing on and off site job training or from an
provider. This is beneficial as it will increase the skill
knowledge and abilities of FM employees. Moreover, this
is advantageous as it can allow for a reduction
workplace accidents which has currently increased to 20% (20
Additionally, this strategy is beneficial as employee sati
may increase as FM is allowing them to have future
Rewards: Include monetary and non-monetary benefits (
This can be done through allowing flexible family
working arrangements. This is an example of non-mone
and is advantageous as it can reduce the level
absenteeism from 18 days (2019). This is because it
FM employees the ability to work from home. Furthe
this strategy is beneficial as it can reduce

good

End of Question 21

staff turn over from 18%. This will occur as a
employee satisfaction levels rising, as FM employee
receive better rewards.

excellent response!

2019 Student

HSC Business Studies Trial Number

Question 22 (10 marks)

(a)

Mixon Manufacturing is a leading car manufacturer based in Australia and is considering expanding its production capability in its Australian facility to meet demand requirements for the market in China.

2

Outline how the legal influence may impact Mixon Manufacturing in its operations management.

Criteria	Marks
Correctly sketches in general terms on how the legal influence may impact MM Operations Management	2
Limited information on a legal influence	1

Answers could include:

WH&S (2011) – Workplace Health and Safety

Ensure that the work environment at MM is safe

- e.g. safe worksite, environment
- Safe machinery and materials (i.e. no harmful chemicals without
- appropriate protection)
- Information, training and supervision

Competition and Consumer Act (2010)

Goods such as sthe cards manufactured may need to comply with environmental standards – labelling system to inform the consumer

Safety standards – goods must comply with particular performance, composition, contents, methods of manufacture, design, construction, finish or packaging rules, country of manufacture, ingredients.

Fair Work Act - hire more people

Discrimination legislation

Markers Comments:

- Common legislation addressed - Work Health and Safety Act 2011 and Environmental Protection and Biodiversity Conservation Act 1999
- Students who stated 'WHS' legislation were awarded marks as it was deemed as being specific enough; however, students who simply stated legislation relating to 'safety' were not able to achieve full marks as it was too general.
- Please note: whilst a lot of students were still awarded the mark, please ensure that the name of the legislation is correct (especially the year) - this was common with the Environmental Protection and Biodiversity Conservation Act 1999
- Most students were able to access at least one mark for this question. However, responses that didn't achieve full marks were due to being too vague, not referencing specific legislation and/or not state HOW it would influence operations.
- Some responses explored marketing legislation (i.e.

(b) **4**

Competition and Consumer Act 2010), however, may have received marks if they stated that implied conditions, fit for purpose, quality standards would impact on car manufacturing.

- It was less common for students to be awarded marks for making reference to taxation as these responses were not related back to operations management and/or back to car manufacturing. Some responses did mention tariffs when exporting to China which would increase operations costs and may impact MM's ability to achieve cost leadership (which was accepted).
- If taken in the context of China - no need for legislation reference - instead - comment of Chinese laws and/or compliance costs
- **Areas for improvement:** specific reference to legislation and making specific references to stimulus (in this case, going beyond the stimulus such as toxic chemical disposal such as car paint).

Student Samples:

Sample #1:

Legal regulations will impact MM's expansion in operations through legislation outlining safety requirements and standards, such as the WHS Act 2011, which requires MM to provide staff with appropriate safety equipment and relevant training to mitigate safety risks, incurring compliance costs.

Sample #2:

Legal regulations refer to the legislation and appropriate legislative bodies that impact MM's manufacturing process. As such, MM should adhere to Work Health and Safety regulations to ensure that their production capability has safe workplaces, machinery requirements, and non-hazardous washes and chemicals. Thus, ensuring that MM's manufacturing minimises costs through decreased waste and not facing fines for non-compliance.

Sample #3:

Mixon Manufacturing (MM) is influenced by legal regulations in operations management as they must adhere to the Work Health and Safety Act 2011 (Cth). This may require compliance costs such as independent inspections and safety training for

employees within their manufacturing facility. However, non-compliance will result in fines, penalties and damage to reputation.

Analyse the supply chain management strategies that may need to be considered as part of this expansion.

Criteria	Marks
Comprehensively draws out and relates implications of supply chain management strateg**ies** that may need to be considered as part of the expansion.	4
Draws out and relates implications of supply chain management strateg**ies** that may need to be considered as part of the expansion.	3
Relates cause and effect of supply chain management strategies/y that may need to be considered	2
Limited information on supply chain management	1

Answers could include:
SCM – logistics, e-commerce, global sourcing

Logistics:

- Logistics refers to the transport of physical raw materials, inputs and the distribution of finished goods
- It includes transportation, storage, warehousing, distribution centres, materials handling and packaging, and security and insurance of warehouses
- It is important as businesses need to move inputs, resources and outputs through the supply chain as quickly as possible, saving as much time at each point in the supply chain (speed)
- This can be done through:
    - Automated warehouse trucks (AWT)
    - Modes of transport - bicycle/motorbike courier,

van, truck, train, aeroplane, ship
- Positive implications: (use of these modes/technologies can):
    - Improve speed
    - Improve efficiency
    - Improve reliability
    - Decrease costs
- Negative implications:
    - Type of good being distributed will impact on the cost and type of logistics

E-Commerce:

- E-Commerce involves the buying and selling of goods and services via the internet
- E-Procurement, or the use of online systems to management supply, allows suppliers direct access to the business's level of supplies. When stock/inventory falls to a predetermined point, the supplier will supply even without a formal request from the buyer.
- Positive implications of e-commerce (and the use of e-procurement):
    - Improve speed
    - Allows businesses to source efficiently
    - Receive customer orders electronically
    - Ensure that sufficient inventory is ordered
- Negative implications:
    - Cost of implementing systems
    - More difficult in certain industries - i.e. highly customised goods

Global sourcing:

- Global sourcing refers to businesses purchasing supplies or services without being constrained by location
- It involves a business sourcing its inputs from many different countries, creating a global web of supply
- Factors influencing choice of sources/suppliers:
    - Consumer demand
    - Quality of inputs required
    - Flexibility and timeliness of supply
    - Cost of supplier
- Positive implications:
    - Assist with cost saving - supplier consolidation,

vertical integration (backwards), cost minimisation, flexible/responsive supply chain processes
    - Improve quality
    - Improve flexibility
- Negative implications:
    - Not appropriate for all industries - dependent on product
    - Exchange rate conversion might not be favourable
    - Additional costs - freight

Markers Comments:

- Overall, this question wasn't done as well as expected. A full range of marks were awarded. A number of students need to revise this area of the syllabus as they were writing about either inventory management or outsourcing.
- For the majority of instances, outsourcing was not accepted - however, marks were awarded if students wrote that Mixon could global source human resources (inputs) in order to assist with the increase in volume. Outsourcing manufacturing to China is not an appropriate supply chain management strategy.
- Students were required to address at least two strategies with at least two implications for each (positive and/or negative)
- Reference to the stimulus material for each strategy was required - i.e. Mixon, China, expansion, glass, tyre, rubber, car, etc. Simply stating "Mixon" was not sufficient.
- If explain one and analyse the other (¾)
- If explain both (2/4)
- If all 3 SCM strategies were addressed as an explanation for each, students were awarded (¾)

Student Samples:

Sample #1

<u>E-Commerce</u>: Mixon Manufacturing (MM) will need to consider the supply chain management strategy of E-Commerce, which relates to the purchasing and selling of goods online. The positive implications of using E-Commerce includes that the use of e-procurement will allow MM to have the suitable amount of applies they need which will lead them to be able to meet the demand requirements of China. As well as this, E-Commerce will allow MM customers in China to purchase their cars online,

making it easier to take orders. The negative implications of using E-Commerce, is that it may be expensive for MM to setup, and some customers may not find buying cars online to be suitable thus leading to decreased sales and profitability.
Global sourcing: MM will also need to consider global sourcing as a supply chain management strategy, which involves sourcing goods and inputs from overseas, such as tyres. The positive implications of global sourcing is that MM will be able to source low cost suppliers, such as glass, and inputs for their car manufacturing. The negative implications of global sourcing is that the quality of the supply might not be as good, thus leading to decreased customer satisfaction, lower sales and therefore impacting on profitability.

Sample #2:
Global sourcing: Global sourcing refers to Mix acquiring inputs of steel, paint and leather from overseas. This will result in decreased cost of production as globalisation has allowed for the sourcing of cheaper inputs. The implication of this is that Mixon can spend more funds on researching the Chinese market in order to create a competitive advantage. However, global sourcing means that international businesses can also access Australian inputs. Thus, Mixon needs to find the correct balance between price and quality. E-Commerce is another strategy that Mixon could use - more specifically, e-procurement. Selling internationally adds complexity to the supply chain, and hence Mixon needs to have online systems whereby their Chinese wholesalers can notify Mixon on new stock automatically. This will result in a more efficient supply chain management. However, online systems are expensive to run and operate. Hence, that is money that could be spent on product development. Mixon needs to consider global sourcing and e-commerce.

Sample #3:
During their expansion, Mixon may need to consider their global sourcing,which refers to the sourcing of inputs for Mixon regardless of their location. This volves Mixon having access to an international supply of metal and plastic inputs from producers with comparative advantage in production. As such, Mixon can source high quality, low costing inputs that hold positive implications on cost and quality objectives. However, global sourcing involves the creation of a global supplier network which

may be complicated to manage, potentially leading to bottlenecks in the sourcing of metal and plastic. Consequently, global sourcing may contribute to increased lead times, diminishing Mixon's ability to quickly address demand requirements. Moreover, Mixon may engage in the use of logistics which refers to the transportation of plastic and metal inputs to Mixon's Australia production facility and the distribution of finished cars to China. As part of logistics, Mixon may use Automated Warehouse Trucks to assist in the movement of finished car products, thus allowing Mixon to improve the speed of transportation to China. Subsequently, this would have positive implications on Mixon's ability to address Chinese demand and effectively expand.

(c) How can Mixon Manufacturing demonstrate *environmental sustainability* and *social responsibility* in its operations?
4

Criteria	Marks
Comprehensively details how can MM demonstrate environmental sustainability and social responsibility in its operations	4
details how can MM demonstrate environmental sustainability and social responsibility in its operations	3
Details ONE of environmental sustainability OR social responsibility	2
Limited information on CSR	1

Answers could include:

Environmental sustainability: reducing carbon footprint, recycling, green energy, ethical sourcing of inputs, waste reduction, transparency in reporting
Social responsibility: human rights/labour, training and development, pay above legal requirements, supplier codes of conduct, audits of supply chain, ethical working conditions, making sure no child labour

Markers Comments:

- Overall, this question was done reasonably well. However, there were a number of reasons why students were awarded either a 2 or 3 out of 4.

- Mark allocation: 2 marks for environmental sustainability AND 2 marks for social responsibility. Within each, students were required to
    - Detail how at least one way that Mixon Manufacturing could demonstrate within operations
    - Specific reference to the stimulus material REQUIRED FOR BOTH
    - Provide TWO clear reasons HOW with stimulus references AND/OR relates cause and effect on ONE with stimulus references
- Some of the reasons for students being awarded 2 or 3 out of 4:
    - Response too vague - need to state specifically how - e.g. “reduce carbon footprint” is the outcome but doesn’t state HOW. Better responses stated “installing solar panels on the roof of their manufacturing plant to reduce their co2 carbon emissions.”
    - Examples were not linked back to operations - e.g. “sponsoring fundraisers or local sporting teams” is more marketing but needed to be linked back to operations e.g. “allowing employees within the manufacturing plant to have one day paid leave to support a local charity or event.”
    - Lacking elaboration on the effect - e.g. whilst this may increase production costs in the short-term due to the initial outlay, long-term costs will reduce which will assist Mixon will achieving cost leadership”
    - Examples provided were not relevant to operations
    - Examples provided were not technically accurate/true.
    - Students who did not address both environmental AND social responsibility

Student Samples:

Sample #1

Environmental sustainability: refers to Mixon taking responsibility for environmental impact of their manufacturing. Mixon can display environmental sustainability through adopting greenhouse reduction measures in their car manufacturing factories, such as converting to renewable resources like wind power. In addition, Mixon can develop eco-friendly products, such as a new line of electric cars, thus further minimising negative environmental impact, and achieving intergenerational equity.

Social responsibility: refers to Mixon acting in accordance with domestic and international guidelines of behaviour. Specifically, Mixon can ensure that their supply chain - in mining metals for their car hoods - do not exploit workers, thus achieving ISO 26,000 objectives of respect for human rights. In addition, Mixon can display social responsibility through ensuring transparency in publications to society, further achieving ISO 26,000 accreditations (transparency).

Sample #2:

Mixon Manufacturing (MM) can demonstrate environmental sustainability through the process of an efficient process layout with quality control checks that monitor the amount of wastage produced when manufacturing cars. Such as checking every 50th car and analysing the amount

of leftover leather for the seats is wasted. Thus, taking corrective action upon finding any wastage will ultimately allow MM to demonstrate environmental sustainability. Furthermore, aimploying social responsibility refers to MM sourcing global materials such as leather from local Australian farmers as society is increasingly expecting business to help farmers and care for fauna. Thus, the supporting of local farmers within society through the manufacturing of their cars demonstrates ways that MM can be social responsible.

Question 23 (10 marks)

3Tel Ltd. is a financial services firm. An external audit was recently conducted and indicated that discrepancies exist in the financial accounts.

(a) **2**

Examine ONE ethical financial reporting practice that 3Tel Ltd. needs to consider to address concerns raised.

Criteria	Marks
Comprehensively inquires into ONE ethical financial reporting practice that 3Tel Ltd. needs to consider	2
Some information on ONE ethical reporting practice	1

Answers could include:

Internal audits - internal auditors work with management to systematically review systems and operations. These reviews (audits) are aimed at identifying how well risks are managed including whether the right processes are in place, and whether agreed procedures are being adhered to. Audits can also identify areas where efficiencies or innovations might be made.

Management audits - establish the current level of effectiveness, suggest improvements, and lay down standards for future performance. Management auditors do not appraise individual performance but critically evaluate the senior executives as a management.

'triple bottom line' to reflect a socially responsible/ethical practice

Record Keeping - ensure that adequate systems, processes, procedures and training is in place to ensure that all transactions are accurately recorded.

Reporting Practices - provide broader stakeholder access to reports and publish corporate governance procedures to ensure greater transparency and improve the likelihood of discrepancies being identified

Markers Comments:

- Can't do external audit (as mentioned in stimulus material). Must be beyond the mandatory external audit required by public companies
- Difference between 1 and 2 related to depth and use of stimulus material (discrepancies in the accounts)
- Many students identified a 'limitation' of financial reports. This generally received one mark. However, if only identified a limitation - no mark. If clearly linked to 'ethical' and integrated with stimulus - 2 marks.
- Must actually 'examine' - cannot just identify 'reporting practices' or ' record keeping'
- Need to be clear what is the ONE practice you are examining. Do not 'waffle' on in the hope that somewhere there is ONE practice that the marker will accept.

Sample #1

Internal Audit - 3Tel should ensure it has a comprehensive internal audit process to ensure that the financial accounts are prepared in a way that meet all relevant accounting standards and are accurate. The internal audit team should report directly to the Board of 3Tel Ltd and therefore be 'external' to the CEO and CFO. By doing this, there is less chance of discrepancies when the formal external audit is completed.

Sample #2

Record Keeping - 3Tel must review all systems, processes, procedures to ensure that all transactions are being accurately recorded. All staff must be provided with appropriate training. Having all information and data accurately recorded and readily available will improve the quality of the external audit and reduce the likelihood of discrepancies.

Use the following financial information to answer the questions below.

Balance Sheet at 30 June 2019 Echo Industries Pty Limited			
Current Assets		***Current Liabilities***	
Cash	5,000	Accounts Payable	10,000
Accounts Receivable	35,000	Overdraft	5,000
Inventory	20,000		
		Non-Current Liabilities	
Non-Current Assets		Mortgage	200,000
Plant & Equipment	10,000		
Land & Buildings	210,000	***Owners Equity***	
R&D	20,000	Share Capital	50,000
		Retained Earnings	35,000

Additional information:

Sales in year ended 30 June 2019 = $350,000

Industry averages:

- Current ratio (Current assets ÷ Current liabilities) = 2:1
- Debt to Equity Ratio (Total Liabilities ÷ Total Equity) = 1:1
- Accounts Receivable Turnover Ratio (Sales ÷ Accounts Receivable) = 15 days

(b) Assess TWO potential financial risks for Echo Industries. **4**

Criteria	Marks
Comprehensive judgement of value, outcome of TWO potential financial risks for Echo Industries	4
Some judgement of value, outcome of TWO potential financial risks for Echo Industries	3
Judgement of ONE or relates cause and effect of potential risks	2
Limited information on the potential risks	1

Answers could include:

1. Current ratio is 4:1 versus 2:1 benchmark – relatively high compared to benchmark. Risks:

    - not capitalising on opportunities
    - AR too high - risk of bad debt
    - Inventory too high - risk of obsolescence

2. Debt to equity ratio is 2:5:1 which is very high compared to benchmark of 1:1. Risks:

    - Risk of insolvency (not able to repay debts)
    - Less ability to use debt financing in future
    - More susceptible to interest rate increases

3. Accounts Receivable T/O ratio - 10 times or 36 days - high compared to benchmark of 15 days (or 24 times). Risk:

    - Risk of non-collection - bad debts

Markers Comments:

- Two different risks (2 marks for each)
- Comprehensive judgement required:

- Stimulus integration - financial figures
- Comparison of Echo & industry average ratios
- Judgement - too high/too low - elaboration on judgement

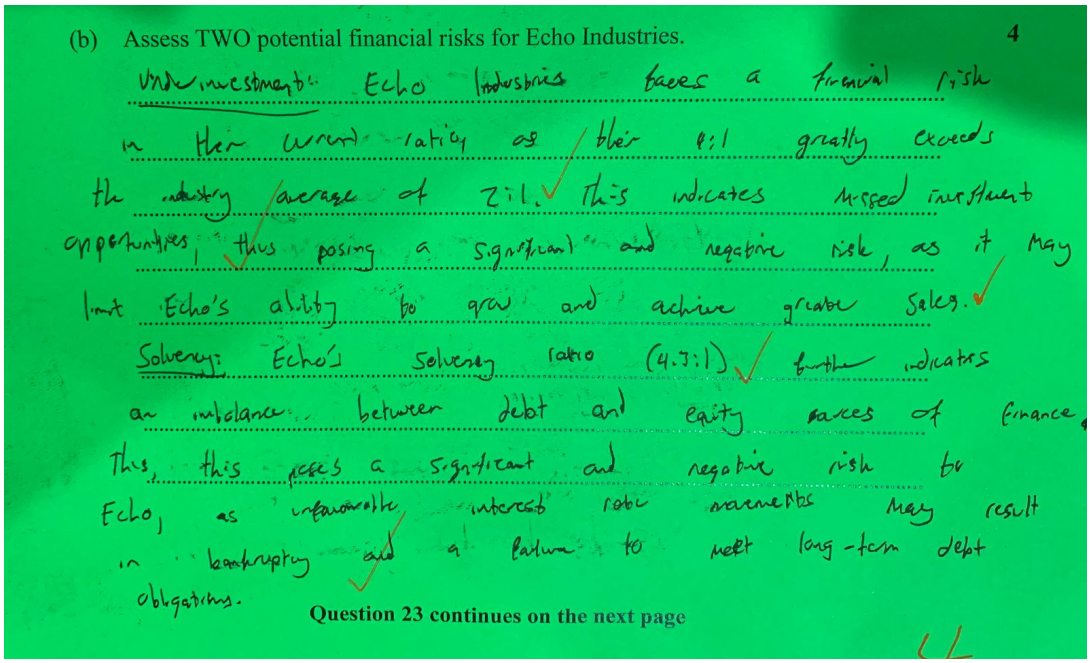
Some students referred to the R&D expense. 2 marks were only awarded if the student noted that there could be a financial risk that the R&D amount was incorrectly capitalised and should have been treated as an expense. Must note that this means there is a risk that profits were overstated.

Some students just noted the risk of having a mortgage. There needed to be some assessment to obtain two marks. For example, there is Land & Buildings with a higher value. Its OK to assess something as NOT having a significant risk. There is a tendency to try and assess all risks as 'huge' or 'significant'.

Enough information was provided to make assessments of two financial risks without having to make broad assumptions.

Many students did the ratio calculations for Echo but didn't include the figure in their response. This was a missed opportunity to improve your assessment.

Sample #1



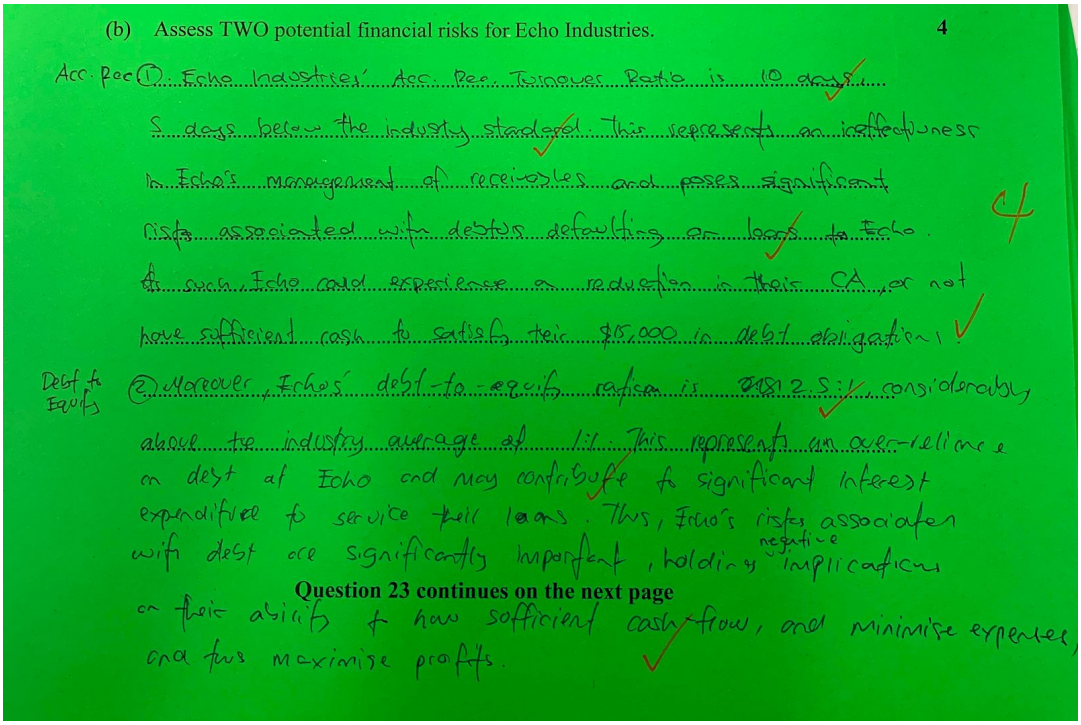
(b) Assess TWO potential financial risks for Echo Industries. 4

Under investments: Echo Industries faces a financial risk in their current ratio as their 4:1 greatly exceeds the industry average of 2:1. This indicates missed investment opportunities, thus posing a significant and negative risk, as it may limit Echo's ability to grow and achieve greater sales.

Solvency: Echo's solvency ratio (4.3:1) further indicates an imbalance between debt and equity sources of finance. This, this poses a significant and negative risk to Echo, as unfavourable interest rate movements may result in bankruptcy and a failure to meet long-term debt obligations.

Question 23 continues on the next page

Sample #2



(b) Assess TWO potential financial risks for Echo Industries. 4

Acc. Rec (1). Echo Industries' Acc. Rec. Turnover Ratio is 10 days, 5 days below the industry standard. This represents an ineffectiveness in Echo's management of receivables and poses significant risks associated with debtors defaulting on loans to Echo. As such, Echo could experience a reduction in their CA, or not have sufficient cash to satisfy their $15,000 in debt obligations. 4

Debt to Equity (2). Moreover, Echo's debt-to-equity ratio is 2.5:1, considerably above the industry average of 1:1. This represents an over-reliance on debt of Echo and may contribute to significant interest expenditures to service their loans. Thus, Echo's risks associated with debt are significantly important, holding negative implications on their ability to have sufficient cash flow, and minimise expenses, and thus maximise profits.

Question 23 continues on the next page

23 (c) Recommend TWO methods that Echo Industries can implement to improve its debt to equity ratio.

Criteria	Marks
Provides reasons in favour of TWO methods which explicitly improve the debt to equity ratio	4
Provides reasons in favour of TWO methods which explicitly improve the debt to equity ratio - but does not use any financial information from the stimulus	3
Provides reasons in favour of ONE method which explicitly improves the debt to equity ratio	2
Identifies a method that may improve the debt to equity but provides no reasons for recommending or any details on how or why the ratio will be improved	1

Answers could include:

<u>Reduce Liabilities - Sale and Leaseback</u> - Echo could enter into S&L arrangement. That is, sell the Land and Buildings and then immediately lease them back. The

sales proceeds of $210,000 could be used to repay the mortgage of $200,000. This would significantly reduce the amount of Liabilities and therefore substantially improve the debt to equity ratio to approx 0.2:1.

Reduce Liabilities - control of CA or CL - Echo could either generate funds by either factoring or providing a discount for early payment of the AR amount $35,000. The discounted amount received could be used to repay debt, in particular the current liabilities of AP ($10,000) and overdraft ($5,000). The balance could be used to pay a capital component of the mortgage. This would have the effect of reducing TL and therefore improving the debt to equity ratio (albeit not significantly - would still be above the industry average)

Increase Equity - being a company, Echo can issue shares in return for additional capital. This will increase the amount of Owners Equity, thereby improving the debt to equity ratio. This improvement will be even greater if the additional equity is used to repay debt. For example, the debt to equity ratio would be lower than the industry average if additional capital of $70,000 was raised and used to repay a portion of the mortgage. Being a private company, Echo could either issue new shares to the existing shareholders or it could use outside private equity. Alternatively it could make an IPO on the ASX and become a public company.

Markers Comment:

Many students did not adequately show how their recommended method will actually improve the debt to equity ratio. Be explicit.

Some students said that Echo should take advantage of discounts for early payments and pay AP. However, it should be noted that AP is only $10,000 and cash is only $5,000. How willAP be repaid.

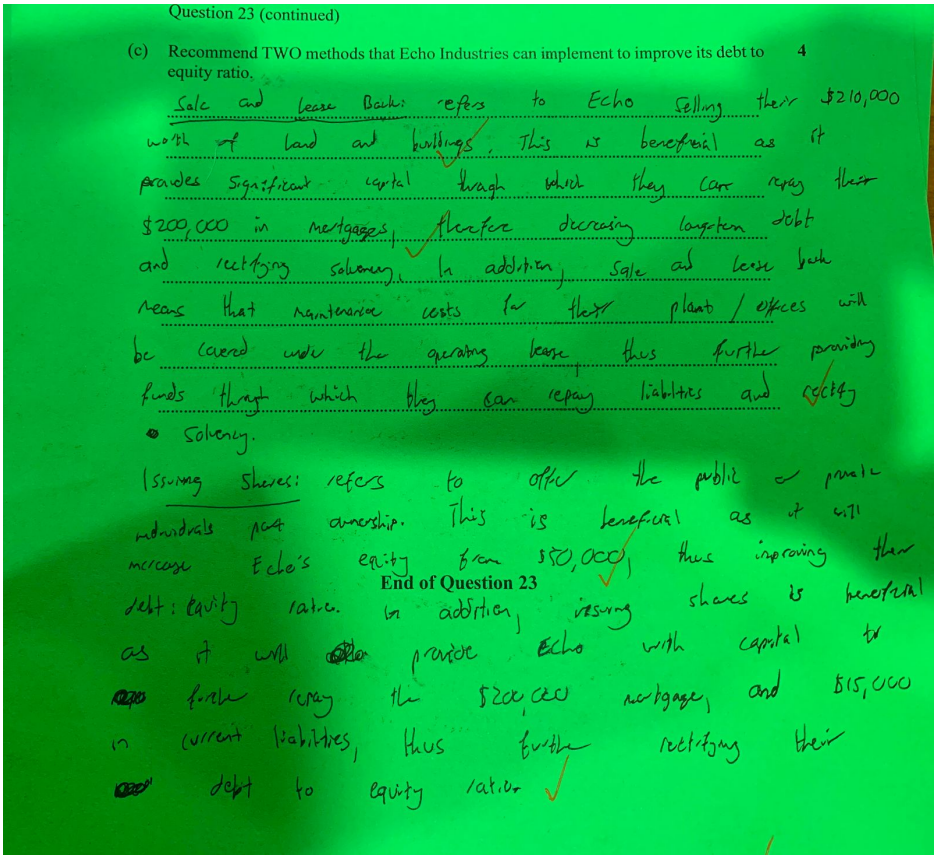
'Leasing' is not really appropriate. You cannot lease what you already own (unless it is a sale and leaseback) and leasing future assets will not improve the current Debt:Equity ratio.

Students who went down the path of profitability strategies needed to make the link to increasing the level of retained earnings/owners equity and therefore improve debt to equity over time. Language needed to be very precise.

Equity -

You cannot just 'use' retained earnings to improve the debt to equity ratio by paying back debt. There is only $5,000 cash available. It is OK to note that all future profits should be retained and not paid as a dividend in order to improve the debt to equity ratio over time.

Sample #1



Question 23 (continued)

(c) Recommend TWO methods that Echo Industries can implement to improve its debt to equity ratio. 4

Sale and lease Back: refers to Echo selling their $210,000 worth of land and buildings. This is beneficial as it provides significant capital through which they can repay their $200,000 in mortgages, therefore decreasing long-term debt and rectifying solvency. In addition, sale and lease back means that maintenance costs for their plant / offices will be covered under the operating lease, thus further providing funds through which they can repay liabilities and rectify solvency.

Issuing Shares: refers to offer the public or private individuals part ownership. This is beneficial as it will increase Echo's equity from $50,000, thus improving their debt : equity ratio. In addition, issuing shares is beneficial as it will provide Echo with capital to further repay the $200,000 mortgage, and $15,000 in current liabilities, thus further rectifying their debt to equity ratio.

End of Question 23

Sample #2

(c) Recommend TWO methods that Echo Industries can implement to improve its debt to equity ratio. 4

① Echo Industries can change their ownership structure to a public company via a new share issue, whereby they would list on the ASX and source funding from the public. This new share issue would be advantageous as it would decrease reliance on debt, with a gearing ratio of 2.5:1, generating significant owner's equity, bringing their ratio more in line with the industry benchmark 1:1. This would also be advantageous due to the significant volume of funds Echo could generate via a new issue, reducing the need for debt for future expansion plans.

End of Question 23

② Echo Industries could also utilize a sale-leaseback strategy, selling their $210,000 plant to lease it back. This would provide them with enough funding to pay of their $200,000 mortgage, eliminating the largest component of their CL. And, as leasing does not appear on the balance sheet, the leaseback's effect on their debt position will not be demonstrated on the balance sheet or gearing ratio.

4

2019

HSC Business Studies Trial

Question 24 (10 marks)

Supersize Burgers is a new fast food restaurant chain that has entered the Australian market. Products are oversized burgers, chips, with various sauces, and mega sized thick shakes. Their tagline is “Burgers to make your heart scream”.

(a) Examine TWO ethical issues that Supersize Burgers must consider. **4**

Criteria	Marks
Comprehensively inquires into TWO ethical issues that SB must consider	4
Inquires into TWO ethical issues that SB must consider	3
Inquires into ONE or sketches in general terms TWO ethical issues SB must consider	2
Limited information on ethical issues	1

Answers could include:
Truth, accuracy and good taste in advertising, products that may damage health, engaging in fair competition, sugging.

Markers Comments:

- Direct syllabus
- Two appropriate ethical issues
- Need to elaborate on point
- Must make specific reference to the stimulus
- 2 marks per ethical issue

Markers Comments cont:

1. This question was very well done across the cohort, most students achieved a (4).
2. Many candidates had very strong theoretical knowledge of ethical issues, if a candidate received a (3), the main reason was because of poor stimulus application, not due to poor theory.

EXEMPLAR STUDENT RESPONSE (4 marks)
Products that may damage health: Supersize Burgers (SB) will need to ensure their “mega sized thick shakes” are not advertised largely to children. This is due to society, and the health concerns that arise from it, such as heart disease if the food is consumed too much. As such, it is an important consideration as ignoring this ethical issue can cause negative publicity and the ability to achieve marketing objectives such as expansion of product range.
Truth and accuracy: SB will need to ensure that their “oversized burgers and chips” meet the customer expectations. This will mean SB not

delivering small burgers or chips. If this issue is ignored it can create negative brand awareness, and by extension a loss in sales impacting profit maximisation.

Question 24 (continued)

(b) Evaluate the promotions mix that could be used by Supersize Burgers. **6**

Criteria	Marks
Comprehensive judgement based on criteria on the promotions mix that could be used by SB (at least two in detail). Comprehensive stimulus integration.	6
Judgement based on criteria on the promotions mix that could be used by SB (at least TWO)	4-5
Relates cause and effect of promotions mix that could be used by SB or ONE detailed judgement of a promotions element	3
Sketches in general terms promotions mix that could be used by SB	2
Limited information	1

Answers could include:
Advertising, personal selling, relationship marketing, sales promotions, PR and publicity

Markers Comments:

- Intro and conclusion sentence required (if no, capped at %)
- At least TWO promotions mix
- Detailed judgement (effective/ineffective) in achieving specific marketing objectives.
- Don't have to look at both sides (effective/ineffective)
- Stimulus integration for each promotion strategy

Markers Comments cont:

3. Remember to include both an introduction and a conclusion in (6) mark responses
4. Generally most candidates had very strong knowledge of the syllabus relating to the promotion mix
5. Most candidates engaged in evaluation (mostly exploring 'effective' aspects of their selected promotion mix strategies), stronger candidates generally engaged in 'balanced' evaluation - i.e. examining the 'effective' and 'ineffective' elements of their selected promotion mix strategies
6. There were a lot of '5's'. Most of these candidates engaged in a detailed evaluation, however the integration and application of the stimulus throughout their response was limited. STIMULUS integration is key. You need to show explicitly how your selected promotion strategies could be applied to the business.

EXEMPLAR STUDENT RESPONSE (6 marks)

Introduction: The promotions mix has varied effectiveness for Supersize Burgers (SB).
Advertising: refers to a paid non-personal message communicated on a mass-medium. Through social media advertising, SB can raise awareness of their new burger, thus generating demand and consequently effective in increasing sales revenue. However, advertising - such as a TV commercial or billboard - may be very costly to SB, thus is detrimental as it will reduce profit maximisation from their thickshakes.
Sales Promotion: refers to activities acting as direct inducements to purchase. Indeed, SB can use coupons for their burgers - such as 1 free for every 10 bought - leading to an enticement to purchase, and therefore is beneficial as it increases sales revenue. However, the use of sales promotion subsequently negatively impacts SB in restoring profits, thus impacting profit maximisation.
Relationship Marketing: refers to activities to create a strong long-term cost effective relationship with consumers. Through SB sending regular newsletters to consumers promoting its products, this can lead to customer loyalty and repeat sales, demonstrating effectiveness. However, relationship marketing focuses on existing customers, thus restricting SB's promotion of chips and sauces to new customers, limiting expansion of geographic markets.
Conclusion: Therefore, the promotional mix for Supersize burgers has varied effectiveness.

Section III Question 25

Criteria	Marks
· Clearly relates cause and effect on how the influence of volume and variety impact the operations processes of TARA. · Comprehensively draws out and relates implications of the use of TWO quality management approaches that TARA could use to address the product quality issues. · Comprehensively provides reasons in favour of TWO pricing strategies that TARA could implement to achieve marketing objectives. · Makes effective use of the information provided, demonstrating extensive knowledge and understanding relevant to the question · Presents a sustained, logical and cohesive business report integrating relevant business terminology	17 - 20
· Relates cause and effect on how the influence of volume and variety impact the operations processes of TARA. · Draws out and relates implications of the use of TWO quality management approaches that TARA could use to address the product quality issues. · Provides reasons in favour of TWO pricing strategies that TARA could implement to achieve marketing objectives. · Makes some use of the information provided, demonstrating extensive knowledge and understanding relevant to the question · Presents a sustained, logical and cohesive business report integrating relevant business terminology	13 -16
· Sketches in general terms on how the influence of volume and variety impact the and/or operations processes of TARA. · Provides characteristics and features of TWO quality management approaches that TARA could use to address the product quality issues. · Provides characteristics and features of TWO pricing strategies/methods that TARA could implement. · Includes details of a business report and uses some business terminology and concepts	9 - 12
· Some information on the influence of volume and variety · Some information of TWO quality management approaches · Some information on TWO pricing strategies · May include some features of a business report and uses basic business terminology	5 - 8

· Refers to the influence of volume and variety /operations · Refers to quality management · Refers to pricing strategies · Uses basic business terminology	1 - 4

Answers could include:

1. Volume and Variety

- Should address separately
- At some point make the link that greater variety makes it difficult to increase volume and vice versa
- <u>Volume</u>
  - Definition
  - Helps achieve lower unit costs (economies of scale)
  - Allows materials (eg. fabrics, zippers to be purchased in bulk)
  - Allows technology/facilities (eg. sewing machines, laser cutting of fabrics) to be scaled up and take advantage of fully automated manufacturing processes, including CAD, CAM, robotics etc
  - Allows labour (eg. fabric cutters) to be specialised
  - Scheduling and Sequencing can be more simplified with fewer steps, fewer batch runs, and more efficient task design
  - Process layout can be more fixed with higher capacity machinery/technology
  - Quality management can be more simplified eg. fewer inspections required
  - Higher volume (and less variety) makes it more difficult to meet customer demands (sizes and designs)
  - Higher volumes still need to be sold, work with marketing to increase sales
- <u>Variety</u>
  - Definition
  - Helps meet wide range customer needs
  - Not able to have high volume for each type
  - Variety adds complexity and higher unit costs. Higher prices required.
  - More types of material inputs required - eg. fabrics, more staff
  - May need more technology and more difficult to take advantage of robotics etc
  - Scheduling and sequencing is more complex, more batch runs and less efficient task design
  - Process layout cannot be as fixed, greater human intervention
  - Quality management more complex, more inspections required due to greater variety and batch runs
  - Greater variety adds complexity throughout the distribution process - including inventory management and warehousing

2. Quality management approaches: QC, QA QI

- Regardless of which two approaches were chosen, students must demonstrate knowledge of each approach - how it works - and use all appropriate terminology for that approach.
- Students must, at some point, must demonstrate how the product quality issues will actually be addressed. They first need to be identified, then rectified.
- The implications of addressing the quality issue (ie having goods of a high quality) should be examined. These include:
    - not having the cost associated with managing returns
    - no longer having the damage to reputation that comes from existing customers needing to return goods
    - the are various implications that could be examined of having products of a high quality
    - All methods will involve some degree of cost - the amount will depend on the approach.
- Control - inspections at various points along production process (be specific,). Reactive. Must have defined standards, KPI's, benchmarks (eg 2mm margin of error). Be creative with stimulus and specific – when inspections can occur eg at time fabrics/inputs arrive; after stitching, at the final stage; on what type of products – hats, shoes etc; how inspections can be done – visual, automated, technology such as infrared scanning, lasers etc. Can make reference to increasing the number of stages that are inspected or the number of inspections at each stage (eg from 1 in 100 to 1 in 10). Control is possibly the best approach to identify the cause of the quality issue. However, will be cost in terms of time and money - including appropriately trained staff.
- Assurance - use of a system to ensure set production standards are achieved. Proactive. Could achieve ISO Certification (especially ISO9002 - production). This is an expensive and time consuming process. Can be used as a marketing tool.
- Improvement - key focus is an ongoing commitment to incremental improvement overtime. Adoption of 'Kaizen' or 'Six Sigma' principles. Quality Management is not a department, it is the focus of the whole business and applied to every aspect of the Tara's operations - Total Quality Management. This includes employee involvement, quality circles etc

3. Pricing strategies: skimming, penetration, loss leaders, price points

- Students must, first and foremost, demonstrate knowledge of the two pricing strategies recommended. That is, what it is and how it is designed to work.
- Students must explicitly use information from the stimulus to support their pricing recommendation. Eg. type of product, level of competition (monopolistic competition), the wide range of products and accessories, the potentially wide range of target markets - 'the different needs of the Australian people', the fact that products may now be of a higher quality. However, students must reference the level of competition given that management is 'reviewing its pricing strategies in light of the competition'.

- Students must link their selected pricing strategy to the achievement of one or more of the marketing objectives - eg. profit, sales, market share.
- Skimming - charging the highest possible price during the introduction phase. Main marketing objective - profit maximisation. Usually applies to highly innovative products where there is little competition in the short term. The higher prices may be required to recoup the R&D costs associated with developing highly innovative products. This strategy is perhaps not the best/easiest option for Tara. Students would need to reference some sort of innovation or reason to be able to charge a high price. Could make reference to 'prestige pricing' and link to quality management. Reference could also be made to the probable need to decrease prices overtime to maintain sales but at the cost of reduced profits.
- Penetration - where the initial price of a new product is set as low as possible and lower than competing products. Used where there are already competing products in existence. The aim is to entice customers away from competing products and gain high sales, increase market share and build brand loyalty in the short term. Prices may need to increase over the longer term (and may lose some customers, but still in a better financial position if had not 'penetrated').
- Loss Leader - where a product is deliberately sold at or below its cost price in the hope that customers will be attracted into a store and will then also buy other products which have higher profit margins. The loss leader is often of a relatively low value and is often advertised as part of a special promotion. The marketing objective of the loss leader product is higher sales. Holistically, the overall marketing objective is both higher sales and profits across the product range. This strategy could be appropriate for Tara. Students should identify what could be the loss leader product and what other products customers might buy. This strategy could be applied across the major segments - men, women and children. Alternatively, a sale in a child's item could help attract sales in women's clothing.
- Price Points - refers to a system of 'tiered' pricing whereby a 'base' product is charged at a low price point and then additional pricing tiers (or price points) are available for similar products which typically have additional features or levels of quality (eg. cotton/silk). The aim is to attract customers to the base price, but encourage them to purchase products at higher pricing tiers and higher gross profit margins. Able to attract a wider range of segments – eg. high/low socioeconomic status. Gives customers more choice/options.The marketing objectives are higher profits and sales. Profit is not maximised if only the 'base' product is sold. This strategy could be appropriate for Tara. Students should identify what could be the 'base' model (accessories?) and how the tiering might apply.

Markers Comments:

Volume and Variety - Operations Processes

- A:
    - Detailed explanation
    - Specific links to process/s

        - Clear/direct link to the stimulus
        - Both volume and variety addressed
- B:
    - Some explanation
    - Some links
    - Superficial examples from the stimulus\
    - Both volume and variety addressed
- C:
    - Appropriate syllabus point with relevant information
    - Superficial links to processes may/may not have been made
    - May / may not make reference to stimulus
    - Capped at C if only done volume or variety
- D:
    - Limited information

Quality management approaches:

- A:
    - 3 implications on each TWO quality management approach (any combination of positive AND negative implications)
    - Specific reference to the stimulus material - must link to product quality issues
- B:
    - 2 implications on each TWO quality management approaches (any combination of positive and/or negative implications)
    - Reference to the stimulus material
    - 13 = explain
- C:
    - Addresses TWO quality approaches but is not analytical; OR 3 implications on ONE quality management
    - May / may not make specific reference to the stimulus
- D:
    - Limited relevant information

Pricing strategies:

- A:
    - 3 reasons in favour for each pricing strategies (TWO strategies)
    - Must make specific reference to marketing objectives
    - Specific reference to the stimulus
- B:
    - 2 reasons in favour for each pricing strategy
    - Reference to the stimulus
- C:
    - Addresses TWO pricing strategies (description)

    - No link to marketing objectives
    - May / May not make reference to the stimulus
- D:
    - Limited information

Question 26 Section IV HR

Criteria	Mark
● Details components and the relationship between them;draws out and relates implications on the human resource processes of a business in the achievement of business goals ● Applies relevant case study/ies and contemporary business issues ● Presents a sustained, logical and cohesive response and communicates clearly using relevant business terminology and concepts	17 - 20
● Details some components and the relationship between them;draws out and relates implications on the human resource processes of a business in the achievement of business goals ● Uses relevant case study/ies and contemporary business issues ● Presents a logical and cohesive response and communicates clearly using relevant business terminology and concepts	13 - 16

● Provides characteristics and features of the human resource processes of a business in the achievement of business goals ● May refer to case study/ies and contemporary business issues ● Communicates using business terminology and concepts	9 - 12
● Sketches in general terms the human resource processes ● May refer to case study/ies and contemporary business issues ● Communicates using some business terminology and concepts	5 - 8
● Makes limited reference to human resource processes ● Mayidentify case study/ies ● Uses basic business terminology	1 - 4

Answers could include:
HR processes:

1. Acquisition
2. Development
3. Maintenance
4. Separation

Markers Comments:

- A: Detailed analysis
    - Cover all stages
    - Acquisition: IRS
    - Development: at least two
    - Maintenance: at least two
    - Separation: both voluntary and involuntary
    - Links to goals
- B: 13-14 (explanation) 15-16 (some analysis)
    - Acquisition:
    - Development:
    - Maintenance:
    - Separation:
    - All stages covered
    - Only done one of each, most likely low B
    - Links to goals
- C:
    - Most description overall
    - Limited links to goals

OR

Question 27 (20 marks)

Analyse how sources of finance influence the objectives of financial management.

Question 26 Section IV

Criteria	Mark
● Details components and the relationship between them;draws out and relates implications on how sources of finance influence the objectives of financial management ● Applies relevant case study/ies and contemporary business issues ● Presents a sustained, logical and cohesive response and communicates clearly using relevant business terminology and concepts	17 - 20
● Details some components and the relationship between them;draws out and	13 - 16

relates implications on how sources of finance influence the objectives of financial management ● Uses relevant case study/ies and contemporary business issues ● Presents a logical and cohesive response and communicates clearly using relevant business terminology and concepts	
● Provides characteristics and features of how sources of finance influence the objectives of financial management ● May refer to case study/ies and contemporary business issues ● Communicates using business terminology and concepts	9 - 12
● Sketches in general terms sources of finance ● May refer to case study/ies and contemporary business issues ● Communicates using some business terminology and concepts	5 - 8
● Makes limited reference to sources of finance ● May identify case study/ies ● Uses basic business terminology	1 - 4

Answers could include:

Internal sources: Retained profits

External sources of finance:

Debt - S-T:COF, L-T: MUDL

Equity - Ordinary shares, new issues, rights issues, placements, share purchase plans, private equity

LINKED to PEGSL

Markers Comments:

- Any source of finance but need a mix (i.e. debt and equity AND/OR internal and external - capped at 16/20)
- A:
    - At least 4 in detail
    - Must effectively address objectives
    - 3 implications (any combination of positive and negative) for each
    - Some analysis evident in case study
- B:
    - At least 3 in detail
    - Addresses appropriate objectives
    - At least 2 implications (any combination of positive and negative) for each (mid-high B) OR explanation (lower B)
    - Explanation evident in case study
- C:
    - Description / Sketch in general terms
    - May / May not link to objectives
    - Case study descriptive

- D:
    - Limited