

Leading Edge Trial HSC Business Studies Exam 2005

Suggested Answer

Section 1 – Multiple Choice Questions

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

Section 2 – Short Answer Questions

Question 21

- a. Two reasons for PPO Ltd to expand into global markets are:
 - a. To minimise competitive risk – expansion into global markets reduces PPO’s exposure to business conditions in the Australian market.
 - b. To take advantage of regulatory differences – by relocating its production to a country with lower minimum wages, PPO can reduce the impact of increasing minimum wages in Australia on its profitability.
- b. The two methods of international expansion appropriate for PPO Ltd are:
 - a. Foreign Direct Investment (FDI) – By establishing a new operation in an overseas market, PPO can take advantage of lower labour cost in the new market and minimise transport costs.
 - b. Licensing – this is a low-risk method of international expansion for PPO Ltd which allows the company to take advantage of its valuable trademarks and reputation. However, the opportunities for greater profits are limited as all revenue in excess of the license fees will accrue to the business that licenses PPO’s trademarks.
- c. Two marketing strategies PPO could adopt to increase market share include:
 - a. Product – by positioning PPO’s products as Australian-made, innovative or high-quality products, PPO would be able to differentiate its products from relatively cheaper imports of lower quality. Through product differentiation, reinforced by strong branding of its Australian image, PPO will regain some of its market share in Australia.

- b. Promotion – the new product strategy should be complemented by an intensive advertising and public relations campaign in Australia. Using a national advertising strategy, PPO would be able to reinforce its Australian image. Public relations, such as sponsoring local sporting activities, would further strengthen such image.

Question 22

- a. Cash balance from previous period = \$3663 (provided in the December statement)

Net change in cash held in January = \$9250

Therefore, cash available to AmazingRide at the end of January 2005 = \$3663 + \$9250 = \$12913

- b. The two reasons why AmazingRide had negative cash flows in November 2004 include:
 - i. Receipts from sales were low in the period, as November is usually an off-peak tourist season.
 - ii. However, major cash outflows such as drivers and coaches' salaries remained constant. In addition, a large amount of cash was used to purchase new ATVs.
- c. Two limitations of this cash flow statement include:
 - i. It only shows the cash flows of AmazingRide but does not report other important financial figures such as profits and total assets.
 - ii. It does not show non-cash transactions that may have important consequences for the business. For example, AmazingRide may perform an action that will earn substantial revenue in the future. But until cash actually changes hands, it will not be recorded in the cash flow statement.
- d. AmazingRide should look at the distribution of its payments. Currently, its major cash outflow, drivers and coaches' salaries, is not linked to its cash inflows. As receipts from sale vary from month to month, AmazingRide should consider rearranging its payments to be consistent with its cash inflow pattern. For example, it could employ more casual drivers to reduce its wage bills in times of low demand.

Question 23

- a. The TWO sources of change include:
 - i. The changing nature of markets – Junion Record's target market has expanded into other major cities.
 - ii. Technological developments – the development of technology has allowed Junion Record to distribute its records to other major cities.

- b. As the geographical spread of its target market changes, Junion Record will need to choose an appropriate transport mode that is safe and cost effective to distribute its CDs.
- b. Two reasons for resistance to change include:
 - i. Financial cost – the financial outlay involved in relocating can be prohibitive, as new production plant may be required.
 - ii. Employees who do not relocate from Perth to Newcastle may find themselves out of work. As a result they may resist this change.
- c. The CEO needs to communicate with the business's employees and other stakeholders the need to change and explain how it would be beneficial to the business. Through effective communication (e.g. by having employees involved in decision making process), the CEO will become aware of employees needs and can tailor the change to these needs. The CEO should also use changing models, such as Force-field analysis, to gain a better understanding of the change process and the driving and restraining forces of this change.

Question 24

- a. Global web
- b. The TWO key influences of a global workforce will include:
 - a. Social – varying business practices would affect effective employment relations management.
 - b. Legal – differences in contracts law and labour law will create difficulty for the Human Resources department in drafting employment contracts for employees in overseas operations.
- c. The cultural influence that is most likely to affect JKC Software would be language. As JKC Software's overseas subsidiaries operate in locations with different languages, it would affect both of its employment relations management, especially communication between head office and its overseas operations, as well as the way the products are marketed.
- d. Given the size of JKC Software's operation, communication systems will play an important role in effective employment relations management. In particular, a set of formalised grievance procedures need to be developed, taking cultural differences into consideration. Providing formalised training and development is also important when the size of workforce is large. JKC Software should consider incorporating cultural awareness training into its induction program.