

## Leading Edge Business Studies Trial HSC 2008 Answers

### Question 21

- a) (1/2 marks each) 4 steps in market research processes are: (1) Identifying market research needs (2) apply market research processes (primary and secondary research) (3) interpretation of data (4) analysis of data
- b) Two types of research are primary market research which is especially commissioned in order to answer specific inquiries which cannot be answered from existing data sources (2 marks) and secondary market research which utilises already existing information. This already existing information may be contained in industry reports, ABS compilations of statistics, media articles, government reports and other data bases (2 marks).
- c) Standardisation is a reference to utilising the same product in different markets rather than varying it to suit the specific tastes of the market. This is essential when creating global brands. Differentiation is a strategy which allows that products are varied in response to meeting the needs of specific features and preferences of the market. Thus, for example Coca Cola Amatil produces Powerade, a sports drink, in Australia but focuses more on iced tea in South East Asian nations.

### Question 22

- a) 4 dispute resolution processes include any 4 of (1/2 mark for each): mediation, grievance procedures, conciliation, arbitration, common law action. Negotiation is a feature of all of these.
- b) (One mark each): Unions: represent employee interests and will therefore campaign for higher wages, job security (certainty), training, improved working conditions. Employer associations will argue for cost reductions (job cuts), restrictions to wage rises, an aligning of wage increases with productivity gains, greater workplace flexibility and efficiencies.
- c) Three costs and three benefits are:
  - a. Costs: there are five possible costs: social, personal, financial, political and international. Costs tend to be incurred before and during disputes. Students could chose any **three** of these: from the perspective of the people involved the biggest costs are personal (stress), financial (loss of income/profits) and social (affects on the wider community).
  - b. Benefits: there are five possible benefits: social, personal, financial, political and international. Benefits tend to be realised after the settlement of disputes. Again, students could chose any three of these: from the perspective of the people involved the greatest benefits are personal (less stress following the settlement of the dispute), financial (a flow of business income and wages) and social (greater certainty in the society).

### Question 23

- a) The financial report is the balance sheet (in narrative format)
- b) Working capital ratio (also called the liquidity ratio or the current ratio) is current assets ÷ current liabilities =  $\$50,000/\$40,000 = 1.25 : 1.0$ . This is well above the industry average and suggests that for every \$1 of currently due debt there is \$1.25 available to meet it.

The gearing ratio is given by total debt ÷ total equity =  $\$290,000/\$110,000 = 2.64 : 1.0$ . This is also well above the industry average and indicates that for every \$1 contributed by owners an additional \$2.64 has been drawn from outside sources.

- c) Profitability of Andrew's Treehouses P/L: Return on Equity = Net Profit ÷ Owners Equity =  $\$20,000/\$110,000 = 18.2\%$ . The industry average profitability is: 30%. Thus this business is operating well below the industry average.

Three management strategies to improve profitability:

- i) cost controls such as cost centres, and
  - ii) expense minimisation
  - iii) revenue controls such as sales mix
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- (i) Cost controls: Andrew's Treehouses (ATs) could isolate cost centres to determine how much cost is being incurred in different aspects of the business. Managers then could then see how best to earn revenue from such centres thus minimising the costs or reduce the actual costs associated with them (eg through outsourcing).
  - (ii) Expense minimisation: ATs could start with sourcing and then look at other expenses (selling, admin and financial expenses) in order to isolate which expenses are highest and which could be reduced. For example, labour costs could be minimised through casualisation.
  - (iii) Revenue controls could also be looked at which may focus on the sales mix or the pricing policy. The idea is to maximise income through revenue thus selling those items which sell best and /or have the greatest margins (pricing policy).

### Question 24

- a) Ethnocentric: the appointment of home nation nationals in host nation subsidiary operations; geocentric: the appointment of host nation national to manage host nation operations; polycentric: the appointment of managers on the basis of ability regardless of where in the world they come from.
- b) The effect of globalisation on employment relations in Australia: At the highest level (CEO) there is the globalisation of the highest wages. Global management practices influence organisational structures in Australia. Thus the use of outsourcing, multiskilling, down sizing and casualisation has characterised employment relations in Australia. Australian workplaces have had to become more flexible to cope with globalisation. Structural changes to industry have been necessary as manufacturing has gone offshore. Thus there has been a shift to the services sector affecting the nature of work done within Australia.
- c) Two employment relations strategies to raise labour standards would be any two of: formalised induction and matching training to rewards (monetary). Other strategies include encouraging contribution to team work, and rewarding worker participation (including innovation). Moreover, a business could focus on a reduction in Lost Time Injuries (LTIs) as a means by which safety could be measured and employees appropriately rewarded for raising the standard of care within the workplace. The business would have to spend money on safety training to ensure this.

## Question 25

### Report for AeroFalcon P/L

This question covers three HSC topics: marketing, financial management and employment relations. A report will generally be structured around the following headings:

#### Marketing:

- Significant loss of revenues and market share has fallen. These relate directly to marketing objectives and strategies. Thus the objective of increasing market share, find new markets and maximising revenues must be addressed
- Pricing is a factor due to fuel cost rises – therefore pricing methods need to be reviewed – cost-plus pricing may be a significant consideration, as is competition-based pricing
- The price and quality mix must be addressed for AeroFalcon to compete effectively with Flying Higher

#### Financial management:

- The issue here is effective profitability management. This requires a mix of cost controls (managing higher fuel prices and also the increased maintenance costs) and revenue controls – pricing policy (to cover costs and cover increased quality processes in training and in safety)

#### Employment relations:

- Effective employment relations requires that managers at AeroFalcon address the staffing issues. It can do this by:
  - Encouraging worker participation and team briefings
  - Giving financial and non-financial rewards (tied to improvements in the next 6 months as changes are implemented)
  - Benchmarking quality work processes with rewards

<ul style="list-style-type: none"><li>• Student comprehensively addresses the marketing, financial and employment relations issues facing AeroFalcon</li><li>• Student writes a well synthesised and well-structured report in report format</li><li>• Student explores in detail the options available to AeroFalcon managers in the context of the scenario and the given competitive and market forces</li></ul>	17 – 20
<ul style="list-style-type: none"><li>• Student addresses the marketing, financial and employment relations issues facing AeroFalcon</li><li>• Student writes a well analysed and well-structured report in report format</li><li>• Student explores many of the options available to AeroFalcon managers in the context of the scenario and the given competitive and/or market forces</li></ul>	13 – 16
<ul style="list-style-type: none"><li>• Student addresses some of the marketing, financial and employment relations issues facing AeroFalcon</li><li>• Student write well-structured report in report format</li><li>• Student explores some options available to AeroFalcon managers in the context</li></ul>	9 – 12
<ul style="list-style-type: none"><li>• Student refers to marketing, financial and/or employment relations issues</li><li>• Student writes a report</li><li>• Student refers to some options available to AeroFalcon managers</li></ul>	5 – 8
<ul style="list-style-type: none"><li>• Student may refer to some business issues</li><li>• Student may make reference to the business/stimulus</li></ul>	1 – 4

## Question 26

### Extended Response Section IV

<ul style="list-style-type: none"><li>• Student presents a logical, well-structured answer to the question, including detailed reference to case study/ case studies</li><li>• Student assesses the effectiveness of management responses to the change processes in the context of business examples</li><li>• Student assesses the effectiveness of management application of global business strategies in the context of change</li></ul>	17 – 20
<ul style="list-style-type: none"><li>• Student presents a logical, well-structured answer to the question, including detailed reference to case study/ case studies</li><li>• Student explains the effectiveness of management responses to the change processes in the context of business examples</li><li>• Student explains the effectiveness of management application of global business strategies in the context of change</li></ul>	13 – 16
<ul style="list-style-type: none"><li>• Student presents a logical, well-structured answer to the question, including reference to case study/ case studies</li><li>• Student describes management responses to the change processes in the context of business examples</li><li>• Student describes some global business management business strategies</li></ul>	9 – 12
<ul style="list-style-type: none"><li>• Student presents a well-structured answer to the question and refers to case study</li><li>• Student makes reference to management responses to change</li><li>• Student refers to management strategy</li></ul>	5 – 8
<ul style="list-style-type: none"><li>• Student presents an answer</li><li>• Student may refer to business</li><li>• Student may make reference to change</li></ul>	1 – 4

## Question 27

<ul style="list-style-type: none"> <li>• Student presents a logical, well-structured answer to the question, including detailed reference to case study/ case studies</li> <li>• Student assesses the effectiveness of management responses to the change processes in the context of business examples</li> <li>• Student assesses the effectiveness of management application of global business strategies in the context of change</li> <li>• Student integrates a reference to the quote</li> </ul>	17 – 20
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### Multiple Choice Answers:

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