

# Sample Preliminary

## Business Studies

### Exam

#### Instructions

Reading time: 5 minutes

Working time: 2 hours 30 minutes

Use pen to write your answers

Use pencil to draw diagrams

Section	Questions	Marks
I: Multiple choice	1–20	20
II: Short answer	21–24	40
III: Business report	25	20

Although the Board of Studies recommends a time limit for each section of the exam, students should attempt to save time in the multiple-choice and short-answer sections so they have more time for the business report section.

## SECTION I: MULTIPLE CHOICE

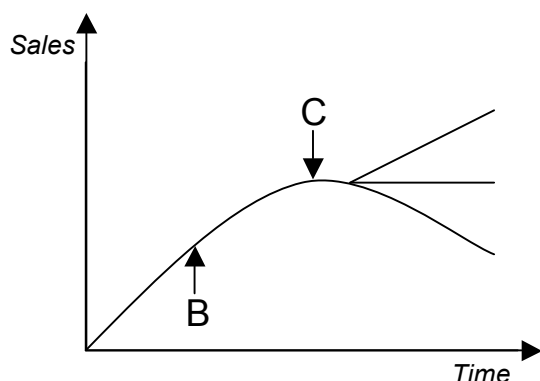
(20 MARKS)

Select the alternative that best answers the question.

- 1 A business has decided to pursue a number of goals. Which of the strategies outlined below would represent a social goal?
  - a to improve the training and development opportunities for employees
  - b to increase market share by 15 per cent
  - c to provide shareholders with increased returns
  - d to reduce the amount of plastic bags used by consumers
- 2 Joey's Jellybeans has purchased a warehouse to store ingredients, which will be used later in the production of sweets and lollies. What activity is this an example of?
  - a non-value adding
  - b primary non-value adding
  - c value adding
  - d outsourcing
- 3 Cheryl has decided to survey customers to gain feedback on the level of service offered by her employees. Which management function are Cheryl's actions an example of?
  - a planning
  - b organising
  - c leading
  - d controlling
- 4 What would be a feature of involuntary business cessation?
  - a the owner has retired
  - b the business has been sold
  - c the Supreme Court of New South Wales has been asked by shareholders to appoint a receiver to sell the business
  - d creditors have requested that the business be sold due to the business's inability to repay debt
- 5 The creditors of Hanben Pty Ltd have applied for the business to be wound up. What impact is this likely to have on the shareholders of the business?
  - a they will be required to pay creditors all monies owing
  - b they will be able to seek compensation from managers for the loss of funds invested in the business
  - c their personal assets could be sold in the event that the business has insufficient funds to cover all debt
  - d they will lose either part or all of the money that they have invested in the business

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Questions 6 and 7 relate to the diagram below.



- 6 During which stage of the business life cycle is a business moving towards when it moves from point B to point C?
- a establishment to growth
  - b growth to maturity
  - c maturity to post-maturity
  - d post-maturity to decline
- 7 The business is now positioned at point C. What is the business experiencing at this stage?
- a falling sales
  - b growing customer loyalty
  - c increased competition
  - d cash flow shortages
- 8 Antcher Cosmetics has released a new line of soaps that will have wide and popular appeal to teenage market. The production of these soaps does, however, involve the use of a considerable range of natural resources. Which two stakeholders is this new product range likely to cause conflict between?
- a management and shareholders
  - b employees and consumers
  - c shareholders and the environment
  - d management and employees
- 9 A business has been advised to source a non-current liability to finance the purchase of a new warehouse. What would be an appropriate form of finance?
- a overdraft
  - b debenture
  - c mortgage
  - d commercial bill

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**10** The figures below apply to Shaun's Shears as of 30 June 2005.

Sales	\$200 000	Opening stock	\$60 000
Purchases	\$70 000	Closing stock	\$30 000

What is the cost of goods sold for this business?

- a** \$170 000
  - b** \$130 000
  - c** \$100 000
  - d** \$30 000
- 11** Alfa Antonio Motors has entered into a distribution agreement that would see its cars only sold at specific motor dealers in Sydney's eastern suburbs. What element of the marketing mix would this involve?
- a** product
  - b** price
  - c** promotion
  - d** place
- 12** Which of the following statements best describes a mass market?
- a** a product that has appeal to a select group of consumers
  - b** a product that is widely used by consumers based on their age, gender or income
  - c** a product that has appeal to all sorts of consumer groups
  - d** a product that is easily accessible to a specific group of consumers
- 13** What is human resource management concerned with?
- a** the process of managing the employees of a business
  - b** the process of managing the finances of a business
  - c** the process of stock control
  - d** the process of inventory control
- 14** A business has decided to develop a database of the skills and qualifications of existing employees. Which two parts of the employment relations cycle would most likely benefit from this database?
- a** acquisition and development
  - b** development and maintenance
  - c** maintenance and separation
  - d** separation and maintenance
- 15** Helsam has found that its level of stock wastage is increasing. Which form of stock control could the business use to reduce this problem?
- a** FILO
  - b** kaizen
  - c** just-in-time
  - d** LIFO

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- 16** Why are franchises more likely to succeed than other business options?
- a** they require a smaller financial outlay
  - b** the name of the business is generally well known
  - c** they require owners to undertake an extensive training program
  - d** the business is often located in close proximity to its customers
- 17** Which of the following is an example of a local government regulation that would impact on the operations of a new business?
- a** the registration of a business name
  - b** zoning and the location of a business's premises
  - c** wage and working condition requirements
  - d** the registration of the business logo
- 18** A business is attempting to improve its ability to repay short-term debt through the process of generating greater cash sales. What part of the businesses operations would this be concerned with?
- a** working capital
  - b** over-extension of finance
  - c** the business plan
  - d** maintaining competitive advantage
- 19** Tel Communications has developed a plan to guide the business over the next five years. What form of planning is this an example of?
- a** operational
  - b** tactical
  - c** strategic
  - d** long term
- 20** Why is a business plan important?
- a** it gives a business a structure to follow when making decisions
  - b** it provides the business with an opportunity to employ more staff
  - c** it ensures that the marketing department is correctly promoting the goods and services of the business
  - d** it develops a structure for teamwork within the business

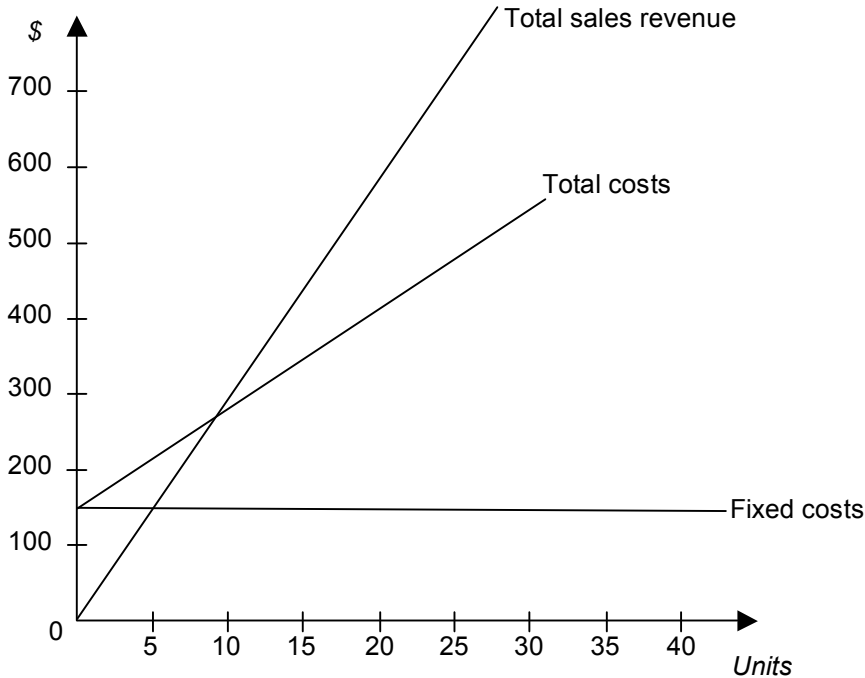
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**SECTION II: SHORT ANSWER**

**(40 MARKS)**

**21**

**(12 marks)**



**a** Name the above diagram and explain how it is used. **(2 marks)**

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**b** Explain the calculation of: **(2 marks)**

**i** total cost \_\_\_\_\_

**ii** sales revenue. \_\_\_\_\_

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- c** Explain the meaning of break-even point. At what point is break-even point achieved in the diagram on the previous page? (2 marks)

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- d** Determine the level of profit or loss at each of the following levels of output. (2 marks)

**i** 25 units \_\_\_\_\_

**ii** 5 units. \_\_\_\_\_

- e** When is the analysis shown in the diagram of best use to a business? Give reasons for your answer. (4 marks)

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22 (10 marks)

***Bright Water Pty Ltd has developed a new low-cost soft drink that has a very low sugar content. The firm intends to begin marketing with a lemon-flavoured drink and gradually expand its range of flavours as more finance becomes available.***

**a** Identify Bright Waters' current legal structure. (1 mark)

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**b** Identify a realistic target market for this product. (1 mark)

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**c** Identify one strength of this business. (1 mark)

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**d** Identify one weakness of this business. (1 mark)

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**e** Suggest a possible marketing plan that Bright Water could use to make this venture successful. (6 marks)

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**23** (8 marks)

**a** Identify the four stages of the human resource cycle. (2 marks)

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**b** Explain the acquisition stage of the human resource cycle. (6 marks)

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**24** (10 marks)

**a** Identify the parties to an employment contract. (1 mark)

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**b** Identify one monetary benefit and one non-monetary benefit an employee may receive. (2 marks)

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**c** Describe the rights and responsibilities of the parties to an employment contract. (5 marks)

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**d** Outline two benefits that can be gained from occupational health and safety practices at the workplace. (2 marks)

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### SECTION III: BUSINESS REPORT

(20 MARKS)

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

- use your knowledge and the information provided
- communicate using relevant business terminology and concepts
- present a logical, well-structured answer to the question in the form of a business report.

25 You have been hired by Snoop McTone to write a business report that outlines the situation of the business and recommends appropriate strategies to ensure the future success of Countdown Music.

***Countdown Music is a small, independent music retailer located in the rural town of Tamworth, New South Wales. As the town's only non-country music store, the owner, Snoop McTone, specialises in more contemporary music, such as R & B, hip hop, gangsta rap and reggae. Although Snoop has only recently opened his shop, sales have increased rapidly, the business is making a profit and three new staff members have been hired. The staff are paid award wages for casual employees. Owing to the cost of computer equipment, Snoop has decided to use a manual record-keeping system. One staff member is responsible for writing down financial transactions that are later given to an accountant.***

***Recently Countdown Music has experienced:***

- ***increased competition from Internet websites selling music online***
- ***increased demand for DVDs for movies and concerts***
- ***cash flow problems***
- ***low staff morale***
- ***stock loss owing to theft from the store and lost items.***

***The owner of Countdown Music has decided to seek the advice of a business consultant about strategies to address these problems and ensure the business remains competitive.***

# Preliminary Business Studies

## Sample Exam Answers and

## Marking Guide

### SECTION I: MULTIPLE CHOICE

(20 MARKS)

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

### SECTION II: SHORT ANSWER

(40 MARKS)

#### Question 21a (2 marks)

*Outcomes: P2.2, P2.3*

Criteria	Marks
• Identifies the diagram as a break-even analysis or cost-volume-profit analysis	1
• Details the use of break-even analysis in production or sales to determine units sold as required to cover costs or reach a specified level of profit	1

#### Question 21b (2 marks)

*Outcomes: P5.1, P5.6*

Criteria	Marks
<b>i</b> Identifies that total cost = fixed cost + variable cost <i>or</i> Identifies that total cost = all the expenses of production added together	1
<b>ii</b> Identifies that sales revenue = units sold x price per unit <i>or</i> Identifies the total value of sales over a period of time	1

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**Question 21c (2 marks)***Outcomes: P5.3, P5.6*

Criteria	Marks
<ul style="list-style-type: none"> <li>Shows an understanding that at break-even point all costs are covered <i>or</i></li> <li>Shows an understanding that total revenue = total cost</li> </ul>	<b>1</b>
<ul style="list-style-type: none"> <li>Identifies that break-even point on the diagram is where revenue = \$280 or 10 units are sold</li> </ul>	<b>1</b>

**Question 21d (2 marks)***Outcomes: P5.6*

Criteria	Marks
<b>i</b> Gives the answer as \$225 profit	<b>1</b>
<b>ii</b> Gives the answer as approximately \$60 loss	<b>1</b>

**Question 21e (4 marks)***Outcomes: P2.2, P5.3*

Criteria	Marks
<ul style="list-style-type: none"> <li>Answers should reflect the function of planning as well as control</li> <li>Clearly identifies the determination of break-even point before production begins to determine the feasibility of the project</li> <li>Clearly describes its use as a control method to determine whether actual results are proceeding according to the plan</li> </ul>	<b>4</b>
<ul style="list-style-type: none"> <li>Only refers to planning</li> </ul>	<b>2</b>

**Question 22a (1 mark)***Outcomes: P1.2, P5.3*

Criteria	Marks
<ul style="list-style-type: none"> <li>Gives the answer as proprietary limited company or private company</li> </ul>	<b>1</b>

**Question 22b (1 mark)***Outcomes: P2.2, P5.3*

Criteria	Marks
<ul style="list-style-type: none"> <li>Identifies that a realistic target market for this business could include diet-conscious or health-conscious individuals, such as diabetics</li> </ul>	<b>1</b>

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**Question 22c (1 mark)***Outcomes: P2.2, P2.3*

<b>Criteria</b>	<b>Marks</b>
<ul style="list-style-type: none"> <li>Provides an internal feature that is a benefit to the business and is directly under its control, such as being the first to develop the product, the product being low cost or the product having a low sugar content</li> </ul>	<b>1</b>

**Question 22d (1 mark)***Outcomes: P2.2, P2.3*

<b>Criteria</b>	<b>Marks</b>
<ul style="list-style-type: none"> <li>Provides an internal feature of the business that could present a problem for this firm, such as lack of finance</li> </ul>	<b>1</b>

**Question 22e (6 marks)***Outcomes: P2.1, P2.2, P4.2, P5.3*

<b>Criteria</b>	<b>Marks</b>
<ul style="list-style-type: none"> <li>Clearly presents a marketing plan that establishes its target market as well as clearly integrates the four elements of price, product, promotion and place for the successful marketing of this product</li> </ul>	<b>6</b>
<ul style="list-style-type: none"> <li>Provides a disjointed presentation of the marketing mix</li> </ul>	<b>3</b>
<ul style="list-style-type: none"> <li>Provides a generalisation of the elements of the marketing mix</li> </ul>	<b>2</b>

**Question 23a (2 marks)***Outcomes: P5.3*

<b>Criteria</b>	<b>Marks</b>
<ul style="list-style-type: none"> <li>States the four stages as acquisition, development, maintenance and separation</li> </ul>	<b>2</b>

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**Question 23b (6 marks)***Outcomes:* P2.1, P2.2, P4.1, P5.3

<b>Criteria</b>	<b>Marks</b>
<ul style="list-style-type: none"> <li>Clearly identifies acquisition as the first stage of the human resource cycle</li> <li>Explains each of the key steps of identifying the need, recruiting potential candidates and selecting the best person for the job</li> <li>Discusses details of job analysis, recruitment sources (both internal and external) and alternative selection methods</li> </ul>	<b>6</b>
<ul style="list-style-type: none"> <li>Clearly identifies acquisition as the first stage of the human resource cycle</li> <li>Explains each of the key steps of identifying the need, recruiting potential candidates and selecting the best person for the job</li> </ul>	<b>3</b>
<ul style="list-style-type: none"> <li>Clearly identifies acquisition as the first stage of the human resource cycle</li> </ul>	<b>1</b>

**Question 24a (1 mark)***Outcomes:* P5.3

<b>Criteria</b>	<b>Marks</b>
<ul style="list-style-type: none"> <li>Makes reference to both the employer and the employee</li> </ul>	<b>1</b>

**Question 24b (2 marks)***Outcomes:* P5.3

<b>Criteria</b>	<b>Marks</b>
<ul style="list-style-type: none"> <li>Clearly states one monetary benefit, such as wage, bonus or profit sharing</li> </ul>	<b>1</b>
<ul style="list-style-type: none"> <li>Clearly states one non-monetary benefit, such as company parking, housing assistance or child care</li> </ul>	<b>1</b>

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**Question 24c (5 marks)**

*Outcomes:* P3.2, P4.1, P5.3

<b>Criteria</b>	<b>Marks</b>
<ul style="list-style-type: none"><li>• Provides areas of employers' rights and responsibilities and features and/or characteristics of each <i>and</i></li><li>• Provides areas of employees' rights and responsibilities and features and/or characteristics of each</li></ul>	<b>5</b>
<ul style="list-style-type: none"><li>• Provides areas of employers' rights and responsibilities and features and/or characteristics of each <i>or</i></li><li>• Provides areas of employees' rights and responsibilities and features and/or characteristics of each</li></ul>	<b>2</b>

**Question 24d (2 marks)**

*Outcomes:* P3.2, P5.1

<b>Criteria</b>	<b>Marks</b>
<ul style="list-style-type: none"><li>• Clearly states two OH&amp;S benefits, such as improved business performance, improved competitiveness, lower levels of staff absenteeism and lower labour turnover</li></ul>	<b>2</b>

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**SECTION III: BUSINESS REPORT****(20 MARKS)****Question 25***Outcomes: P2.1, P3.1, P4.1, P5.3*

<b>Criteria</b>	<b>Marks</b>
<ul style="list-style-type: none"><li>• Presents a sustained, logical and well-structured business report and clearly communicates using appropriate terminology and concepts</li><li>• Effectively uses stimulus throughout answer</li><li>• Outlines a situational analysis/SWOT and the stage of the business life cycle</li><li>• Recommends marketing, finance, employment relations and operations strategies that solve the present difficulties and will ensure that the business remains competitive</li></ul>	<b>17–20</b>
<ul style="list-style-type: none"><li>• Presents a well-organised business report with appropriate terminology and concepts</li><li>• Uses and refers to stimulus throughout answer</li><li>• Outlines a situational analysis or SWOT and identifies the stage of the business life cycle</li><li>• Recommends marketing, finance, employment relations and operations strategies that solve the present difficulties</li></ul>	<b>13–16</b>
<ul style="list-style-type: none"><li>• Includes features of a business report and uses some business terminology and concepts</li><li>• Refers to stimulus within some parts of the answer</li><li>• Outlines the business environment, such as a SWOT, and identifies the stage of the business life cycle</li><li>• Recommends some suitable strategies that may solve the business's existing problems</li></ul>	<b>9–12</b>
<ul style="list-style-type: none"><li>• Includes some features of a business report and uses basic business terminology</li><li>• Refers to stimulus</li><li>• Outlines some features of a SWOT or the business life cycle</li><li>• Suggests some strategies to solve some of the business's problems</li></ul>	<b>5–8</b>
<ul style="list-style-type: none"><li>• Does not use report style and uses basic business terminology</li><li>• Identifies the business's potential problems from the question</li><li>• Identifies some features of a SWOT or life cycle</li><li>• May suggest some strategies a business may use to solve some existing problems</li></ul>	<b>1–4</b>

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