



**B O A R D O F S T U D I E S**  
NEW SOUTH WALES

## **2012 HSC Business Studies 'Sample Answers'**

When examination committees develop questions for the examination, they may write 'sample answers' or, in the case of some questions, 'answers could include'. The committees do this to ensure that the questions will effectively assess students' knowledge and skills.

This material is also provided to the Supervisor of Marking, to give some guidance about the nature and scope of the responses the committee expected students would produce. How sample answers are used at marking centres varies. Sample answers may be used extensively and even modified at the marking centre OR they may be considered only briefly at the beginning of marking. In a few cases, the sample answers may not be used at all at marking.

The Board publishes this information to assist in understanding how the marking guidelines were implemented.

The 'sample answers' or similar advice contained in this document are not intended to be exemplary or even complete answers or responses. As they are part of the examination committee's 'working document', they may contain typographical errors, omissions, or only some of the possible correct answers.

## Section II

### Question 21 (a)

**Sample answer:**

Bad publicity from a lack of respect for human rights or from low environmental standards can result in loss of sales and profits for a business. Acting in an ethical and socially responsible manner will avoid this risk.

A business that conducts its operations in an ethically responsible manner may also have a more motivated and productive workforce who will contribute to higher profits, as employee trust and commitment to the business is higher.

*Students may take an alternative approach that, if correct, should be rewarded.*

### Question 21 (b)

**Sample answer:**

Meeting their corporate social responsibilities may cost a business money, especially in the short run. For example, reducing pollution and treating employees more ethically may be more expensive than polluting air and water and exploiting workers. A business may decide not to pay these expenses in the hope of achieving a higher profit.

*Students may take an alternative approach that, if correct, should be rewarded.*

**Answers could include:**

Financial costs, inertia of management

### Question 22 (a)

**Sample answer:**

Current ratio = current assets/current liabilities  
= 35 000/14 000  
= 2.5 : 1 (or 250%)

**Question 22 (b)****Sample answer:**

$$\begin{aligned}\text{Debt to equity ratio} &= \text{total liabilities} / \text{total owners equity} \\ &= 34\,000 / 34\,000 \\ &= 1 : 1 \text{ (or 100\%)}\end{aligned}$$

**Question 22 (c)****Sample answer:**

A higher debt to equity ratio for a firm means potentially higher profit but also greater risk of failure if the business does not generate sufficient cash to meet its debt repayments as they fall due. If the ratio gets too high, the business's risk of failure increases significantly. For business success, a manager needs to keep the ratio to a level low enough for the business to be able to easily cover its debt repayments.

*Students may take an alternative approach that, if correct, should be rewarded.*

**Question 22 (d)****Sample answer:**

Operations decisions to change production methods may result in high costs in the short run eg purchasing of new equipment. The operations managers will be dependent on the finance function to ensure that the necessary funds are available.

Liquidity is an important financial goal for a business. A business's inventory management will contribute to the goal. Poor inventory management, eg excess stock and raw material, will reduce cash flow and reduce a business's liquidity.

*Students may take an alternative approach that, if correct, should be rewarded.*

**Question 23 (a)****Sample answer:**

By using global branding XYZ Ltd will be using the same name, term, symbol or logo in different markets leading to lower costs.

**Question 23 (b)*****Sample answer:***

Warehousing – goods must be stored in convenient locations to adequately service major population centres and/or transport routes. XYZ Ltd needs to decide how many and what size warehouses are needed so that customers get their orders as quickly as possible. The more warehouses involved, the higher the cost.

Transport is the movement of products by air, rail, water etc. The choice of transport method for XYZ depends on the speed required and distances that need to be covered. This is not a perishable product and can be stored and packaged accordingly. Insurance is also needed when products need to be transported – this adds extra costs.

*Students may take an alternative approach that, if correct, should be rewarded.*

***Answers could include:***

Transport, warehousing, inventory

**Question 23 (c)*****Sample answer:***

Customising the marketing means that XYZ will change the marketing mix of their shoes in response to different customer tastes in the different markets. This decision may ensure that customer needs are better met and, as a result, sales may be higher. However, it will be more expensive as the business may not be able to take advantage of economies of scale. The implication of this is that the financial costs of this decision will need to be carefully weighed against the possible higher sales to ensure that the benefits outweigh the costs. On the other hand, standardising the mix in all markets will be less expensive for XYZ, but may not be as effective at meeting the needs of the different customers and so lower sales may result. Therefore the lower cost of this marketing option needs to be considered against the possibly lower sales.

*Students may take an alternative approach that, if correct, should be rewarded.*

**Question 24 (a)*****Sample answer:***

Separation (eg redundancy) and Acquisition (eg recruitment)

**Question 24 (b) Same criteria to be used for (i) and (ii)*****Sample answer:***

- (i) One problem TextMore may have to address is the impact that downsizing will have on the remaining workforce's morale. To effectively deal with this the HR department should consult with staff prior to downsizing and provide affected staff with access to support services. The removal of staff should be done swiftly but in a professional and caring way. This is less likely to impact negatively on remaining staff.
  
- (ii) Secondly TextMore will need to address the legal ramifications of dismissing staff, eg when an employee is terminated they should be provided with a written statement confirming the termination and the date of termination. They should also ensure that they correctly address any payments to staff that would be due as outlined in the relevant award/agreement/contract. This means that the business meets its legal obligations and will not be in a position where disgruntled employees may make a legal challenge.

*Students may take an alternative approach that, if correct, should be rewarded.*

## Section III

### Question 25

*Answers could include:*

*Human resources*

- Change in leadership style
- Change in job design
- Training and development
- Rewards
  - monetary and non-monetary
  - individual/group
  - performance pay
- Dispute resolution – negotiation, mediation, grievance procedures, involvement of courts and tribunals

*Operations*

- Performance objectives
- New product design
- Supply chain management
- Inventory management
- Quality management
  - control
  - assurance
  - improvement

*Students may take an alternative approach, which, if correct, should be rewarded.*

## Section IV

### Question 26

*Answers could include:*

- Ethical behaviour
  - truth, accuracy and good taste in advertising
  - products that may damage health
  - engaging in fair competition
  - sugging
- Government regulation
  - consumer laws
  - deceptive and misleading advertising
  - price discrimination
  - implied conditions
  - warranties
- Examples of reasons for ethical behaviour and compliance with government regulation
  - provision of quality products and services for the consumer
  - builds business reputation
  - allows business growth/expansion
  - improved profits
  - maintains employment and contributes to the economy

*Students may take an alternative approach, which, if correct, should be rewarded.*

### Question 27

***Answers could include:***

- Objectives of financial management
  - profitability, growth, efficiency, liquidity, solvency
  - short-term and long-term
  
- Sources of funds
  - internal sources of finance – retained profits
  - external sources of finance
    - debt – short-term borrowing (overdraft, commercial bills, factoring), long-term borrowing (mortgage, debentures, unsecured notes, leasing)
    - equity – ordinary shares (new issues, rights issues, placements, share purchase plans), private equity

*Students may take an alternative approach which, if correct, should be rewarded.*