BUSINESS STUDIES (BST315116)

Of great concern to marking examiners in 2017 was the large number of students who completed every question in at least one section (or booklet) of the exam. This can significantly impact the examination result and final award students receive, as they run out of time to adequately address other sections / criteria. Students are reminded to use reading time to familiarise themselves with the requirements of the exam, and all instructions within the paper. Reading time is also a useful time to nominate which questions students wish to complete.

In addition, there was a general lack of business terminology evident in many students’ responses which limited their overall results. Students are reminded to utilise business language and concepts in all their answers, particularly when outlining appropriate business strategies.

This assessment report is the result of the combined efforts of the script writer, exam critics and marking examiners. The dedication of these individuals to their subject and its students is immense, and much appreciated. The report contains comments on each question, and an overall impression of students’ performance in the examination and where this could have been improved. The suggested answers are just that; there are many answers which, for reasons of time and space, could not be included.

SECTION A

Students are reminded to utilise reading time effectively. Rather than using it as extra writing time, use some of this time to read and structure / plan responses, breaking down questions in the process, into the required parts would be extremely helpful. Many students completed every question in this section, where only four responses were required, and this cost student’s valuable time in later sections; other criteria.

Common issues in this section were students providing unstructured responses with no examples, even when the question specifically called for examples. Better responses were structured to reflect different parts of the question; in paragraphs, using subheadings, examples and, sometimes, diagrams.

QUESTION 1

Students generally did well on this question, though several students missed marks due to brevity i.e. not fully explaining their goals and how they conflicted.

Many students stated that Market Share was a financial goal e.g. a financial goal is to increase market share by 3% by Dec 2018. There needed to be an explanation about how this would affect profits for it to be accepted as a financial goal. Increasing market share is not a financial goal on its own, nor is business growth unless it is explained in context.

Customer loyalty and a good reputation were frequently stated as being a social goal. This is incorrect. A social goal may indirectly improve a business’s reputation but the intent of a social goal is to benefit the community. For example, students stated that if a firm finds the right target market, that it will enhance the community’s opinion of the firm. This explanation of a social goal was not acceptable. Likewise a ‘new and exciting advertising campaign designed to attract customers’ is not a social goal.

QUESTION 2

This question was difficult for students, since when purchasing an existing business there would already be a legal structure in place. Student who did attempt generally did well, though many were unable to write at length about how factors influencing choice of legal structure would differ when starting a business from scratch. Better
responses discussed the costs involved in establishing a legal structure, the size of the business, and whether or not limited liability or additional capital were required.

QUESTION 3

This should have been a straight forward question to answer. Better answers used examples, described a stakeholder, and understood that a business had little or no control over external influences. The best responses referred to the PESTLE acronym and ‘unpacked’ components of this. Some students named a category of external business influence (one of the PESTLE) but did not explore a specific example, i.e. a student may have said politics or technology as an external influence without breaking it down further to increased government regulation, changes in tax or new technological innovations affecting the production process or competitors utilising improved technology.

Few students referred to a regulatory body such as Fair Work Australia, ASIC, ACCC. Many did not adequately explain the impact of legislative changes or increases in taxation. Instead, merely wrote that a company (or to be accurate, a business) had to abide by laws and were fined if laws were broken. It is advisable that students learn the difference between legal and political external influences to ensure clarity in their answers.

Location was mentioned by several students and is incorrect. Location is an internal influence on business as it is within the businesses control; a business owner makes the decisions about location. Marks were not awarded for discussion about location. Many students referred to geographic location, which is included in ‘Business Studies in Action: Preliminary’ as an external influence, but limited their discussion to aspects of the location within the businesses control, and so did not receive marks. Any answers which mentioned geographic location and then made links to challenges presented by changing demographics or globalisation, issues outside of the businesses control, did receive marks. For future reference it is best not to cite geographic location as an external influence, particularly given the course documents focus on PESTLE.

As well as location, many answers referred to marketing and target markets. These are also within the businesses control and are internal influences.

Some students mentioned economical goals. The word economical is incorrect; it refers to good value, using resources carefully and avoiding waste. It has a different meaning to economic – which is a category of external goal. A few answers included a diagram of the economic cycle and noted the peaks and troughs (or boom and recession). This was excellent but students are reminded to label axis, and refer to the diagram in your explanation.

The discussion of external influences was generally better done than the second part of the question which required affects on stakeholders. One nuance to the question which many students missed was ‘changes in’ the external influences. Several students talked about how the influence affected stakeholders without using an example of a change in that influence.

Lastly, many students seemed confused between stakeholders and shareholders. A shareholder is just one of the stakeholders in business. Stakeholders are not shareholders exclusively – they include everyone with an interest in a business’s decision-making – customers, employees, managers, owners, suppliers, the community and (in some cases) future generations.

QUESTION 4

This was a popular question but perhaps not as easy as student’s anticipated. For full marks students needed to use an example and explain how the attributes assessed could help an entrepreneur identify business opportunities and ideas. The word ‘assess’ may have confused some students.

Terminology used to explain the attributes of an entrepreneur was generally of a better standard in this question. However, many students did not address that part of the question that required a link to ‘identifying opportunities and ideas’.
Good answers used an example, such as Richard Branson, Steve Jobs or Francesca in Hobart to demonstrate the attributes and how these entrepreneurs had identified ideas.

**QUESTION 5**

Several students mentioned product differentiation and cost leadership as examples, and provided minimal links to operations management. Product differentiation and cost leadership are ways in which a business can achieve a competitive advantage, with a focus on a broad or narrow market. Better answers used examples such as achieving quality output via quality control or Total Quality Management (TQM) and developing unique product features to achieve a competitive advantage based on product differentiation, or keeping expenses low, reducing waste & improving efficiency in order to offer a low cost to consumers and maintain a cost leadership competitive advantage.

Many students focused on either the quote in the question, or the second part of the question, and did not address all aspects of the question well. Many students wrote very general and disjointed responses with little business terminology and no examples.

While some students did find it difficult to write enough detail to achieve full marks; a thorough knowledge of competitive advantage and operations management in conjunction with detailed examples produced the best responses.

**QUESTION 6**

This question had two distinctive parts, and both parts needed to be addressed for full marks.

The first part of the question required students to describe two inputs and use an example. Some students used one example and described two inputs, others used two separate examples; and either approach was fine. Some students used a transformation process flow chart in their answer which was excellent. However, many students did not address this part of the question adequately.

Many students answered the second part well. However several students focused on increasing profits or reducing waste but did not cover both adequately.

**QUESTION 7**

Students tended to answer only part of this question – drawing on either the quote about transformation or the reference to technology in the body of the question. The question also required two examples and these were often omitted. Students need to read questions carefully and break them into parts, addressing each part to achieve full marks.

For this question in particular students did not read the question well. As a result students either focused on transformation, without incorporating how technology transforms a product, or on the impact of technology on operations, rather than how it is used in the transformation process.

**QUESTION 8**

This was another question in this section that students tended not to read well. Many responses were very general and lacked business terminology.

Students tended to focus on the quote in the question, and discussed efficiency without discussing quality output. Although efficiency comes into it, students needed to incorporate operational decisions relevant to quality output e.g. purchasing quality inputs, quality control, etc. Again examples were a requirement that was not always evident.

Better responses included two examples and a focus on quality outputs, with specific examples used. Students frequently used quality control, quality assurance and total quality management (TQM) as examples. These concepts are correct here but could have yielded better results if explained and then applied to specific examples e.g. manufacturing toasters and product defects are high, TQM could assist.
SECTION B

Many students missed the instruction that there was a choice of answering two questions out of the three in this section and attempted to answer all three. As a result those students had less time to read each question as carefully and gave less detailed responses.

Student’s responses to this section were characterised by a general lack of business terms and concepts used. Business terminology and key course content should be evident in each student response throughout the exam. A lack of appropriate terminology use was disappointing.

It is also important to draw as much as possible on the stimulus material provided, utilising relevant details to inform decisions / analysis, evaluate and justify strategies / recommendations.

QUESTION 9

Part (a)
Students were able to either respond using examples from the stimulus or speak in general terms about issues for any business resulting from poorly targeted marketing strategies. Better responses drew from the stimulus, explained the issues fully and used appropriate terminology around promotional strategies. Some students missed the word ‘promotional’ and spoke in more general terms about issues 7-Eleven were experiencing.

Part (b)
Students were able to write reasonable responses to this question, though many lacked critical analysis. In addition many spoke about the importance of market research in general and made few links to 7-Eleven. Better responses explored the importance of market research for effective marketing plans and/or strategies, and made links to the stimulus.

Part (c)
This part of the question elicited many generic responses on marketing strategies without referring to the 7-Eleven stimulus and demonstrated a lack of analysis of the impact on business performance. This meant that many students received minimal marks for this question. In addition many students missed the word ‘product’ and discussed other marketing strategies (price, promotion, and place). The question required a discussion of product marketing strategies.

Part (d)
Students were generally able to explain impacts on competitors with many discussing the threat to market share and sales revenue. Few students noted the possibility that consumers may begin demanding a low sugar option from competitors. Many responses included more choice and self-service for consumers as impacts, again with few touching on the low sugar option.

Part (e)
This part of the question was answered well with many students able to clearly outline two promotional strategies. Better answers linked their promotional strategies to establishing new products in the market, which is what the question asked for.

Part (f)
Most students did not write enough for this question; an 8 mark question, requiring a lengthy response, indicated by the space provided. Students tended to outline a few short improvements without an adequate discussion of short and long term improvements. Better responses were structured to address short and long term improvements separately, and made several links between the short and long term improvements eg. in the short term attracting a greater number of customers, leading to long term increased market share.

Part (g)
This part of the question was answered fairly well, though students were more readily able to outline environmental and ethical issues, than to explain an economic issue. Given that each issue is equally weighted, for
full marks students were required to mention an economic issue. In addition, the question did not allow adequate space and time for critical analysis, and this was largely absent in student responses.

**QUESTION 10**

**Part (a)**
This question was generally well done. Stronger answers focused on the importance of the reduction of penalty rates and the previous underpayment of staff as being contributing factors in low retention. Both low morale and the impact of a poor business culture were often used as factors contributing to low staff retention.

Most students showed a lack of critical analysis, focussing instead on explanation.

**Part (b)**
Most responses to this question were strong. Student's generally explained the relationship between highly motivated staff and increased productivity and an improved business culture well. Stronger answers explained the relationship between high levels of staff motivation and the potential for an increase in profitability through a reduction in staff turnover costs, increased productivity or improved customer service & customer satisfaction.

**Part (c)**
Most students clearly understood what was being asked of them in this question, however a large number of answers lacked depth. The relationship between Sunday trading and staff satisfaction and performance was clearly established by most students, as was the impact of the reduction of Sunday penalty rates. Few students discussed or analysed the importance of training and the impact of additional staff on the organisations business culture.

A large minority of respondents provided little critical evaluation, rather stating perceived causal relationships between Sunday opening and performance and profits.

**Part (d)**
Students may have been confused by the unfamiliar terms 'cost' and 'benefit'.

Students were, in general, able to readily identify the benefits to employees arising from a more highly developed business culture but were less certain in their evaluation of the benefits to managers; which is what the question required. A very small number of students commented on the more obvious costs to managers, such as those associated with training of staff and increased workload for managers.

**Part (e)**
By far the strongest student responses were to this part of the question. Most students were readily able to recommend two strategies to employ new staff with the aim of deceasing staff turnover. Monetary and non-monetary rewards, a thorough selection process and formal induction processes were included in the stronger answers.

**Part (f)**
Many students saw this as an opportunity to talk about HRM in very general terms and a large minority were unable to differentiate between short and long term impacts. In many cases students simply repeated their answers to part (e) with minor modification. Better answers were able to relate employment policies to improved productivity, profitability and lowering staff training and recruitment costs.

**Part (g)**
Students gave a very wide range of responses to part (g). Concepts of fairness and happiness were commonly mentioned, and there were many examples of responses which mentioned important topics such as OHS, fair and equitable working conditions and the need for a workplace to be diverse; a minority were able to relate their answers to the relevant legislation.
QUESTION 11

Part (a)
Better responses briefly explained two OM issues that related to the introduction of the new product. Some responses explained issues that were from other key business functions; these did not answer the question.

Part (b)
Better responses discussed different inputs more fully; several included other inputs, not just the product ingredients.

Part (c)
In general, this question was not answered well as many students missed that the question was directed at the waste outputs and continued to discuss waste of inputs from the previous question. Better responses then described the impacts on business performance clearly. There was little evidence of critical evaluation in most responses to this question.

Part (d)
This question was generally answered well with students making the link between the changes in offerings and writing an explained effect on the two stakeholders.

Part (e)
Students who gave a very specific strategy for this question were less able to give a detailed response to question (f). Better responses were at a broader, higher level that enabled further scope for explanation.

Part (f)
Better responses clearly articulated the improvements for the short and long term. Some used those headings to help organise a clear response. Some students were unable to discern between short and long term resulting in lower marks. Questions that have this many marks are inviting more detailed responses which must be explained fully to get top results.

Part (g)
Several students misread this question and did not address the ‘sourcing of local inputs’ part. Generic discussion of the three topics did not address the question. Better responses linked the scenario, sourcing inputs locally and sustainable responsibility, without simply repeating the question.
SECTION C

Students are reminded to utilise reading time effectively. Rather than using it as extra writing time, use some of this time to read and structure / plan responses, breaking down questions in the process, into the required parts would be extremely helpful. Many students completed every question in this section, where only one response was required, and this cost student’s valuable time in other sections; other criteria.

QUESTION 12

Overview
Students had some difficulty with the detailed stimulus and did not fully utilise it to inform their responses. Most students had no understanding of oyster farming itself, and this was evident in some student responses. Knowledge of specific industries and their particular processes cannot be assumed and this was taken into consideration.

Part (a)
Students generally used the stimulus well in their SWOT, though there were some common misunderstandings. Some students made links between water temperatures, pollution and TasOysters activities that were not evident in the stimulus. Many students missed that the 20 extra pens had not been built yet, and that the oyster by-product plant had not yet been launched. Lastly, many students did not read the stimulus section on aquaculture in East Asia properly and misinterpreted its meaning.

A popular choice of strength or opportunity was the mayor’s support, the creation of new jobs or boosting the economy. Any of these three by itself was a half mark response.

Part (b) and (c)
Despite these parts of the question being quite straightforward responses often lacked depth, and explanation, resulting in few achieving full marks. Better responses used 1–2 full sentences or one sentence and an example to explain each strategy. Adding to the difficulty in this part was that many students used threats or opportunities which were not valid to begin with; and this was taken into consideration where possible.

Part (d) (i)
Students who were confused with the “net cash figure” asked in the question stem with “Excess of receipts over payments” in the Cash Budget were not penalised, as long as a figure was used in their calculation.

Part (d) (ii) and (iii)
Many students did not read the financial statements correctly and did not notice that each figure was $’000. This caused many students significant problems.

Students may need to read and interpret different financial statements throughout the course in order to better comprehend a range of statement formats. The balance sheet in this questions stimulus was an accounting style balance sheet and having the earlier date in the first column confused some students, as did ‘Net Assets’. There were also some conflicting figures in the two financial statements and this increased the difficulty for students.

In addition this question did not specifically mention 2016 and so some students did calculations for 2015. If a year is not specifically mentioned students should assume the current or most recent year is applicable.

Again, students should always make an attempt at every question. That said, students need to be mindful of time spent on questions which pose difficulties, and move on if necessary, returning to it if time allows.

In relation to the specific questions in these parts; some students did not notice the requirement to add 20,000,000 to total liabilities in (ii) and total equity in (iii), or got the two mixed up. Many students also added 20,000,000 successfully in each case but to figures without the additional $’000, leading to problems.
Part (e)
Despite the questions instruction students were not required to show working again; as these calculations were made in part (d) (i) and (iii). Students who did repeat working found it difficult to write a detailed response in the remaining space. In addition some students were unfamiliar with the term 'solvency'. Solvency is commonly used interchangeably with financial stability and students should become familiar with it.

Part (f) (i)
Many students were able to say if the trend was up or down but more detail was needed to illustrate their understanding of the meaning of the trend, and for full marks. Full marks required a description of the trend (up or down) and either a comment on this in relation to the industry average, or a determination as to whether the trend showed an improvement or deterioration in the ratio.

Part (f) (ii)
This part of the question was very clear. Students needed to assess customer returns against the industry average. Some students did this by commenting on how each years customer returns compared to the industry average, or by outlining the trend toward and then away from the industry average. This was fine. Better responses acknowledged that being below the industry average in this case was a good thing, and that it offered an advantage over competitors, or meant that the product was of good quality.

Part (f) (iii)
Answers to this part of the question were extremely varied because students focused in different trends in their responses. Popular responses were around customer returns and quality, net profit and decreasing sales and accounts receivable and improved processes in this area. Students who chose to focus on the current ratio generally did less well, as their answers often demonstrated a lack of understanding of this ratio. There were very few responses around staff turnover, though these were generally well done.

Part (f) (iv)
Students generally did not achieve full marks in this question, as they were simply too brief and lacked adequate explanation. When presenting reasoned strategies students should begin by explaining their strategy and then explain why it will work, or why it is a good choice, given the specifics of the stimulus.

Better responses linked non-monetary and/or monetary rewards or training and development with motivation, job satisfaction and reduced turnover. Too many students talked about ‘happy’ employees, language which should be discouraged. We want employees who are satisfied with their work and who are motivated; all of which contribute to a positive business culture (which in itself assists in reducing staff turnover). Students should use business terminology in every answer.

Part (g)
Students did reasonably well in this part, though many students were unable to pinpoint a social goal. Many said 'having a good reputation' was a social goal. This is incorrect. Many students also used 'increase market share' as a financial goal which is incorrect unless linked to profit or sales revenue explicitly. Better responses used business language and were specific and measurable.

Part (h)
Students used all the space provided for their answers but many did not utilise business terminology and relevant course content around the ‘Acquisition’ stage of the human resource cycle in their answer. There were some very poor responses limited to checking potential recruits have the skills required and are able to work. Better responses outlined such considerations as legislative requirements, diversity, ethics, job design & analysis, methods or recruitment and organisational fit. There was such a wealth of higher level responses possible; it was disappointing to see the number of students describing more ‘common sense’ answers rather than answer based on their learning in the course.
Part (i)
Branding strategies are quite specific and really are limited to those in the suggested answers. Students gave a range of responses and rarely achieved full marks for this part of the question. Students should ensure that they are familiar with specific branding strategies. Students commonly spoke about promotional strategies and neglected to mention any branding strategies. The best responses from students were generally limited to logos, packaging and labelling.

Part (j)
The question required that students outline a social media strategy; not a website or internet ad but specifically encompassing or linked to social media. Many students did not do this. Responses should also have included an evaluation of that social media strategy; why was it chosen, why is it appropriate, how would it work / be effective?

Despite students own familiarity with social media most seem ill equipped to give a full response to this part of the question. Better responses included some of the range of strategies mentioned in the suggested answers and they applied them specifically to the stimulus.

Part (k)
This question technically asks students about $20 million million dollars ($20 000 000). Not many students picked up on this. It was generally not well answered. Many responses did not refer to the calculations in (d). Many referred to fundraising which is inappropriate. Crowd funding is also an unlikely when $20 million dollars is needed. Better responses discussed the advantages and disadvantages of debt (external) and equity (internal) finance and used the calculations in (d) to support their recommendation.

Part (l)
This part of the question was generally badly done. Students did not understand that they needed to identify the present stage of product life cycle, and if they did many got this wrong. Many students felt that the product life cycle stage was ‘Growth’ rather than ‘Maturity’ – not having noticed that the extra pens and by-product plant were not yet operational. Students were then required to write an appropriate strategy for each of the 4 P’s (the marketing mix).

Better responses identified the stage correctly and outlined a strategy for each of the 4 P’s, or outlined 4 strategies for 3 of the ‘P’s. Those students who identified the stage incorrectly and based their recommendations on this were given consideration.

Part (m)
This part of the question was reasonably well done, with students able to clearly state an impact on customers and shareholders. There was some confusion around impacts on local employees. There was also some ambiguity about which recommendations and conclusions the question referred to; those in (h) - (m) were often included, but students tended to speak more generally about the stimulus.

Better responses included business terminology, were fully explained and made connections between increased product offerings & choice for consumers, increased risk or sales / profit and the impact on shareholders and the opportunities for local employees.

Part (n)
Student responses were mixed to this question, and many did not correctly identify any social impacts beyond there being more jobs. Students were able to talk about job creation & reduced unemployment as an economic impact.

In terms of environmental impacts students spoke about TasOysters being responsible for increased water temperatures and water pollution, which was not correct, and not suggested by the stimulus. Better responses mentioned the potential risk of pollution from the extra pens, and identified the increased water temperatures as an environmental risk to the farms operations.
QUESTION 13

Overview
This question seemed to be easier for students, and students selecting this question were at an advantage. Students should be encouraged to read every question before selecting the one they will complete. The first question in a section is not always the best choice, just because it’s the first one you read. Indeed, most students completed the first question in this section (Question 12). Too many students completed both questions in this section and students are reminded to read instructions carefully.

Part (a)
This part of the question was generally answered well. Students who read the stimulus thoroughly had a wide range of alternatives to include in their SWOT, and these were reflected in their varied responses. Some students cited Tom’s wife and children as a weakness without providing links to the renovation and his limited capital. Other students persist in using incomplete one or two words answers for SWOTs and in doing do cannot receive full marks. There seemed to be minimal confusion about strengths, weaknesses, threats and opportunities which was pleasing.

Part (b) and (c)
Despite these parts of the question being quite straightforward responses often lacked depth, and explanation, resulting in few achieving full marks. Better responses used 1-2 full sentences or one sentence and an example to explain each strategy. Adding to the difficulty in this part was that many students used threats or opportunities which were not valid to begin with; and this was taken into consideration where possible.

Part (d) (i)
Most students were able to calculate the break-even point in this part of the question. Very few students calculated wages as $80; most simply used the $40 figure. A few students included dollar signs in their working out, which is incorrect. Others lost half marks for not including the word ‘units’ in their answer.

Part (d) (ii)
Students were generally able to calculate this break-even point for desired profit but many lost marks for incorrect rounding or not using ‘units’ in their answer. Break-even points must be in whole units for full marks.

Part (e)
This was a very lengthy question for three marks; one which most students found very challenging. A very small minority of students attempted this successfully. Some students were able to calculate the maximum variable cost of $136 but a very, very few students went further, subtracting the cost of wages to get the maximum variable cost payable for the computers, which was $96. Break even questions which go beyond the formula provided continue to challenge students in an examination setting. Students are encouraged to explore break even in some depth as part of their revision, to ensure that they can use their understanding of break even and/or algebra to find a solution.

Part (f)
Most students who completed this question confined their conclusions to the results of calculations in (d) (i) and (ii). The second part of the question was answered well with students focussed on reducing the cost of various inputs and/or increasing the selling price.

Part (g) (i)
Many students were able to say if the trend was up or down but more detail was needed to illustrate their understanding of the meaning of the trend, and for full marks. Full marks required a description of the trend (up or down) and either a comment on this in relation to the industry average, or a determination as to whether the trend showed an improvement or deterioration in the ratio.

Part (g) (ii)
Students were generally able to discern that the current ratio was relevant here but many had difficulty explaining how it had increased. Some students repeated their answer in (g)(i) rather than address this part of the question
directly. Better responses explained that increases in net profit, cash at bank and stock / inventory or reductions in short term debt may have contributed to the trend.

**Part (g) (iii)**
Many students answered this part of the question well and were able to articulate a range of factors that increased profitability. A small number of students became confused about which ratio was relevant. In an examination which includes a formula sheet, students are encouraged to utilise this information to assist them if they experience difficulties.

**Part (g) (iv)**
Students were well able to explain the impact of high staff turnover, though responses were limited due to the space provided for the question. Most students focused on immediate impacts such as increased recruitment and training costs. Few students explained the impact on business culture and ability to meet organisational goals.

**Part (h)**
Students did reasonably well in this part, though many said ‘having a good reputation’ was a social goal. This is incorrect. Many students also used ‘increase market share’ as a financial goal which is incorrect unless linked to profit or sales revenue explicitly. Better responses used business language and were specific and measurable.

**Part (i)**
Students generally did not utilise business terminology and relevant course content around the ‘Acquisition’ stage of the human resource cycle in their answer. There were some very poor responses limited to checking potential recruits have the skills required and are able to work. Better responses outlined such considerations as legislative requirements, diversity, ethics, job design & analysis, methods or recruitment and organisational fit. There was such a wealth of higher level responses possible; it was disappointing to see the number of students describing more ‘common sense’ answers rather than answer based on their learning in the course.

**Part (j)**
Some students nominated pricing strategies in this part when the question clearly asked for pricing methods. Unfortunately pricing strategies received no marks whatsoever. Pricing methods needed to be clearly explained and appropriate to the stimulus for full marks.

**Part (k)**
Some students were confused between pricing methods and strategies in this part of the question. A pricing strategy was required here and needed to be fully explained and justified as appropriate to the stimulus, i.e. a new business, need to establish market share.

**Part (l)**
Many students repeated their answers in (j) and (k) here. Better responses used a combination of methods and strategies and justified their choices using details from the stimulus.

**Part (m)**
This part of the question was not well done. Students did not understand that they needed to identify the present stage of product life cycle, in this case ‘Introduction’, and then write an appropriate strategy for each of the 4Ps (the marketing mix). Better responses identified the stage correctly and outlined a strategy appropriate to this stage for each of the 4 Ps, or outlined 4 strategies for 3 of the ‘P’s. Those students who identified the stage incorrectly and based their recommendations on this were given consideration.

**Part (n)**
Students generally did this well, particularly the local environment and customer impacts. The manager impacts proved more elusive for students and they tended to focus on increased stress and workloads. Students should have considered the various challenges for managers in implementing the strategies outlined in other parts of the question.

**Part (o)**
This part of the question was well done. Students were able to identify several ethical and social impacts given the nature of the business as a social enterprise. The economic impacts were more difficult for students but centred on the creation of jobs, the increase in economic activity and the efficient use of resources.
SUGGESTED ANSWERS

SECTION A

PART I BUSINESS ENVIRONMENT

QUESTION 1

Describe TWO financial goals and ONE social goal for a business. Explain using an example how goals can be in conflict with one another.

1 mark for naming each goal = 3 marks
1 mark for explaining each goal = 3 marks
4 marks for explaining how financial and social goals may conflict with one another = 4 marks (the question requires that an example be used in this explanation)

Financial goals
- Breaking even (no profit or loss)
- Increasing gross profit, net profit or return on investment (RROE)
- Cutting expenses and/or cost of COGS
- Improving share price
- Increasing liquidity or financial stability (e.g. improvement of ratios)
- Increase sales revenue (via increased sales volume or sales price)
- Obtaining appropriate debt or equity finance

Social goals
- Provision of employment
- Providing services such as health, education and training
- Supporting the disadvantaged in the community (e.g. Colony 47)
- Contribute to charity, sponsor local community groups, clubs, sporting teams, etc.
- Engaging in more environmentally sustainable production e.g. sustainable inputs or packaging

Conflict
- Having visible social goals (whilst usually expensive) can greatly increase sales and profit in the long term. However, social goals need to be funded & in the short term may impact on cash flow and profits, the viability of business in extreme cases; creating conflict between social & financial goals
- Operating a business at the lowest cost can sometimes conflict with an organisations corporate social responsibility e.g. production could use the cheapest energy source, but this is also damaging to the environment
- Outsourcing, offshoring, deskill may improve profitability but conflict with social goals

QUESTION 2

When buying an existing business explain THREE factors that influence the choice of legal structure. Would this advice differ if the owner decides to set up a business from scratch?

1 mark for naming each factor = 3 marks
1 mark for explaining each factor = 3 marks
4 marks for explaining how advice could differ if the owner decides to set up a new business = 4 marks

Legal structures: incorporated, unincorporated, sole trader / proprietor, partnership, incorporated partnership, private company, public company, trust. May be mentioned in student responses.
Factors affecting choice of legal structure (for existing business)
- Size of business: No. of employees, Sales revenue, Geographic spread, Management structure
- Existing &/or desired legal structure; existing structure could be complex / costly to change
- Finances...New owner's potential capital investment, other capital options available, need for additional capital going forward, benefits of lower company tax rate (vs personal income tax rate for sole traders, partnerships)
- The likely ongoing profitability of the business and the service it provides (Government or Private)
- Future prospects...possible expansion, innovation requiring specialist skills
- Level of risk / need for protection of limited liability (limited vs unlimited liability requirements)
- Number of investors/shareholders (if more than 20 generally cannot be a partnership, would need to be a private company)
- Need for confidentiality, ability to retain a firm grip on control of the business (e.g., limiting investors, competition's access to information by remaining a private company)
- Workload / hours of work required (e.g., existing sole trader may need to bring in a partner)

Key differences
- For a new business you may be starting smaller, or have less risk, may have no need to incorporate
- In terms of finance, if you start small from scratch you may have lower capital requirements, or you may need to keep expenses low due to a limited ability to access investment capital and initial reliance on the owners for finance
- Starting from scratch, incorporating may not be practicable, given the higher set up & administrative costs & the legal process involved
- May need to seek investment capital via a partnership or as a company to develop your business
- Not locked into existing legal structure, have more freedom to decide, have it the way you want (e.g. difficulties in making a public company private again, complex, expensive process)

QUESTION 3
Describe TWO external influences of the business environment. Explain using examples how changes in each of these influences could affect ONE stakeholder of a business.

1 mark for naming each external influence = 2 marks
1 mark each for describing each external influence = 2 marks
1.5 marks each for an explanation of how changes in each external influence affects a stakeholder of a business = 3 marks
1.5 marks each for each well explained example used in response (examples are required) = 3 marks

Students could discuss how both external influences affect one stakeholder, or one stakeholder for each external influence.

External influences
Political, Economic, Social, Technological, Legal Environmental (PESTLE)
- political (including government policies and changes to policies)
- economic (including the economic cycle—boom and recession)
- social (including demographic changes, consumer trends)
- technological (including scientific discoveries/ inventions)
- legal
- environmental (includes environmental impacts of business & changes in the environment)

Stakeholders
- Shareholders
- Managers
- Employees
- Customers
- Suppliers
- Society / Community
- Future generations

Examples of external influences on business and the affect on a stakeholder
- Increased government regulation of industry (for example aquaculture) affects shareholders by increasing the cost of production, lowering profits or causing business to either pass on a price rise or lower quality, less efficient operations for shareholders means a reduced return on investment
- Demographic changes in a business’s geographic region result in an increased market for their product (for example aged care, play centres), which could lead managers to make choices around expansion & developing strategies to take advantage of this, as well as possibly increasing their workload, need to source & manage increased inputs (staff, raw materials, etc.)

QUESTION 4

Using an example assess TWO attributes of an entrepreneur that help the entrepreneur in identifying business opportunities and ideas.

1 mark for naming each attribute = 2 marks
1 mark for explaining each attribute = 2 marks
3 marks to explain how each attribute helps the entrepreneur identify business opportunities / ideas = 6 marks

A range of answers are applicable but must be adequately explained. These include:
- Business knowledge & skills
- Leadership
- Persistence / tolerates failure
- Determination/ Drive / energy
- Creativity / Vision
- Ability to take risks / Risk taking (cost/debt, new market, contentious issue/idea, innovation)
- Management skills
- Skills in chosen industry / field
- Organisation/planning skills
- Ability to set goals & work toward them
- Good people/communication skills/ motivator

Positive aspects as well as some negative aspects/ dangers (risk taking, single-mindedness) can be discussed.

Identify business opportunities & ideas
- Business ‘aggressive’: motivated and willing to take risks. Where others would give up or be deterred, an entrepreneur will overcome challenges and see them as opportunities.
- Entrepreneurs think outside the box; this gives them the ability to see niche or unsatisfied markets. Sometimes even invent the need/want for a product/service.
- Many more possible answers depending on the attribute chosen.
PART 2 - OPERATIONS MANAGEMENT

QUESTION 5

‘Operations management is part of the business that gets the job done.’
Using TWO examples discuss how the operations management function will affect a business’s competitive advantage.

2 marks for explaining each example effectively = 4 marks
3 marks each for discussing how the operations management function will affect the businesses competitive advantage = 6 marks Examples should be linked to this discussion.

Some students may spend time defining operations management or competitive advantage, strictly speaking this isn’t required. However - Competitive advantage refers to the ability of a business to develop strategies that will ensure it has an ‘edge’ over its competitors – this could encompass a broad range of examples & aspects of Operations Management.

Students may decide to focus on the two main ways to develop a competitive advantage outlined in the course document (see below), or may have a more general discussion of competitive advantage.

Cost leadership approach to competitive advantage:
- Efficiency of operations (costs of inputs, waste)
- Economies of scale
- Effective use of technology to reduce costs / increase efficiency
- Maintaining ability to provide a specific benefit to consumer – value
- Low labour costs
- Ability to keep prices low

Product differentiation approach to competitive advantage:
- Unique selling points, differentiated features of the product
- Quality output (quality control, TQM, etc.)
- Specific benefit – prestige, status, convenience
- Innovation, use of technology
- Customer service

Other possible responses
- Level of customer satisfaction
- Knowledge of the customer and the competition
- Quality, Speed, Dependability, Flexibility, Customisation
- Continuous improvement (product modifications, training of staff, use of new technology, etc.)
- Research & Design (in product development)

Students may mention cost focus and/or differentiation focus (if they have looked at Michael Porter’s generic strategies). A focused strategy targets a smaller market or focuses on a narrow range of products or services. Some students may discuss this as market segmentation – market segmentation is not strictly correct, and needs to be effectively linked to competitive advantage.

QUESTION 6

Using an example describe TWO inputs to the operations process for a product.
Discuss how operational decisions for inputs can lead to less waste and increase profits.

2 marks each for a description of inputs as part of an example = 4 marks
3 marks for a discussion of how operational decisions around inputs reduce waste = 3 marks
3 marks for a discussion of how operational decisions around inputs increase profits = 3 marks
There will probably be a large overlap between discussions of reducing waste & increasing profits, but students must ensure they explore both ideas adequately.

Inputs are the resources used in the transformation (production) process. Some inputs are already owned by the business, while others come from suppliers. Inputs may be tangible or intangible, transformed or transforming.

Common inputs
- Labour (mental & physical)
- Raw materials including energy e.g. agricultural & natural resources, electricity
- Capital equipment e.g. machinery and technology
- Information & knowledge, entrepreneurial ability
- Time
- Finance

Less waste, increased profits
- Planning, controlling & scheduling of the production process reduces waste
- Inventory control reduces waste & spoilage
- Just in time method of production and/or inventory control
- Use of quality inputs can reduce waste / spoilage
- Maintenance of machinery will reduce waste
- Training of staff...reducing human error, improving productivity
- Utilisation of machinery...eliminate human error, increase precision, speed & efficiency
- Buying in bulk and manufacturing higher volumes can lead to decreased manufacturing costs as well (economies of scale)
- Speed of production and delivery can increase profits as well
- Outsourcing tasks and functions can decrease costs and decrease the need to employ specialists in the business
- Overall focus on increasing efficiency & effectiveness (business goals) in production

All the above factors can lead to decrease costs and increased outputs (revenues) in the transformation process and thus increase profits.

QUESTION 7

‘The main concept of operations management is transformation.’
Using TWO examples discuss this concept in context of using technology to produce goods and services in the transformation process.

2 marks for explaining each example effectively = 4 marks
3 marks each for discussing how each example illustrates the interplay between technology and the transformation process = 6 marks
Examples should be linked to this discussion.

Students must give examples of technology and its impact on the transformation process by describing or illustrating with a diagram two transformation processes which involve the use of technology.
Possible examples:
- Using Apps to appeal to customers and to increase sales
- Technology used in a business office environment (phone, email, computers)
- Use of machinery & equipment in production process (e.g. using a laser cutter)
- Inventory control utilising computer software and hand held devices
- Use of self-serve checkouts
• Online shopping for delivery or ‘click & collect’

Technology may be defined as the design, construction and/or application of innovative devices, methods and machinery upon operations processes. Technology discussed can be established or leading edge.

Using higher levels of technology is intended to:
• Decrease manufacturing costs
• Produce goods and services that are demanded by customers, quality / innovation
• Achieve good/service differentiation
• Can lead to improved supply chain management

QUESTION 8

‘Operations management is concerned with doing things better and more efficiently,’

Using **TWO** examples discuss this statement in context of making operational decisions to produce higher quality outputs.

2 marks for explaining each example effectively = 4 marks
3 marks each for discussing how operational decisions may produce higher quality outputs = 6 marks Examples should be linked to this discussion.

Operational decisions may include but are not necessarily limited to:–
- Purchasing
- Dispatching
- inventory control
- planning and scheduling
- maintenance
- quality control (quality assurance, TQM, customer focus, positive business culture, employee empowerment, continuous improvement, innovation)
- the use of technology

Students need to discuss operational decisions which are relevant to quality output, and make clear links as to how these decisions produce higher quality outputs.

Examples include:
- Quality control
- Quality Assurance
- Total Quality Management
- Purchasing quality inputs
- Maintenance of machinery to ensure quality outputs
- Training of staff in the use of machinery to reduce human error impacts on quality

There may be some discussion of efficiency (as it is in the quote provided) but the question requires a focus on the production of higher quality outputs.
SECTION B

QUESTION 9 – MARKETING MANAGEMENT

(a) 2 marks available for each issue (1 mark for naming, 1 for explaining) = 4 marks

Issues with promotional strategies-
*Answers should focus on promotional strategies but consideration is given to other responses.*

Related to Market research / Target market / Marketing objectives
- Marketing strategies based on no market research
- Marketing strategies based on out of date or flawed market research
- Error in identification of target market, therefore marketing strategies ineffective
- Marketing costs have not been recouped, yielded a satisfactory return
- Ineffective marketing strategies may have led to decreased sales revenue &/or lack of market share

Related to the 4 P’s – Product, Price, Promotion, Place
- Customers may view Slurpee as an inferior product when compared to competitors product, given price is now the same
- Flavours may be unpopular, they may prefer competitors flavour choices
- Customers who consume frozen carbonated beverages are not concerned about sugar content
- Customers may not want to pour their own Slurpee
- Sizes available may be limited, the large may be smaller than a competitors ‘large’
- New look is a flop, does not appeal to buyers
- Artwork used on cups has not been successful in increasing sales
- Customers may purchase frozen beverages with food, and prefer the convenience of competitors product mix & location
- Other poor product / price / promotion / place (distribution) choices

(b) 2-3 aspects relating to the importance of market research, 2 if depth/detail is adequate for 3 marks each, 3 aspects if depth/detail only warrants 2 marks each = 6 marks

- Market research is essential part of any change/introduction of product/service.
- Businesses rely on matching supply to demand; consumers’ needs and wants must shape all aspects of decision-making. This is especially imperative in a Marketing Plan.
- Consumers are affected by pricing, place available (location), promotional strategies used and the product/service features.
- Market research informs all aspects of marketing plan.
- Without understanding of the customer-base, businesses are ‘guessing’ they are supplying needs/wants.
- Poor research and lack of understanding of the market, the industry, competitors and critical stakeholders will influence whether a business is a success or failure.
- Lack of primary research and secondary research all lead to a poor understanding of consumer buying behaviour, their characteristics, lifestyle attitudes and values and where the customers are located.
- Critical to inform decisions around all marketing strategies in terms of price, product, promotion and place. Helps to ensure effectiveness of these strategies.

(c) Minimum 2 aspects relating to the importance of product strategies, plus discussion of impact on business performance (1.5 for each strategy = 3 marks, 2 marks for impact = 5 marks)

Product marketing strategies
- Improved product mix / selection (including flavours & size)
- Quality & design of product
- Branding
- Introducing a 'new look'
- Packaging decisions / design
- Unique selling point / product differentiation
- Customer service
- Warranty

Impacts on business performance
- Increase in sales
- Increased profits for the business
- Increased market share
- Gaining edge on competitors, competitive advantage

(d) 2 marks available for each impact (1 mark for naming, 1 for explaining) = 4 marks

Impacts on customer
- Increased choice of products to satisfy consumer
- Increased health due to lower sugar intake, low sugar option

Impact on the competition
- May need to review their product offering, analyse the threat posed by Slurpee
- Sales volume and/or revenue may fall
- Market share may be threatened
- Customers may demand a low sugar beverage now that the technology is available, and 7-Eleven provide this option, giving them a competitive advantage in terms of 'healthier' soft drink alternatives

(e) 1 mark available for each promotional strategy = 2 marks

Promotional strategies
- Branding campaign
- Utilise a spokesperson or opinion leader
- Use social media, develop online presence
- Use of an App e.g. loyalty program, discounts via app
- Advertise using TV, billboards, etc.
- Special offers e.g. free Slurpee with a vouchers or online support

(f) Improvement in short term (4 marks) + long term (4 marks) = 8 marks
Answers will depend upon what students have discussed in (e)

Short term
- Attract customers
- Increase in sales revenue through improved product selection
- Quality and design of product improved
- Differentiated labelling and packaging
- Increased profits for the business are possible (but depend on businesses costs)

Longer term
- Increased market share
- Gaining edge on competitors
- Improved sales by branding to develop long term reputation
- If a loss leader product, customers may begin to purchase other products at 7-Eleven

(g) 2 marks for each issue (1 for naming, 1 for analysing) = 6 marks, responses need to address the 'marketing products to younger people' part of the question, and should refer to this in their responses
Environmental Issue
- Impact on the environment due to waste from cups & straws
- Use of biodegradable cups could reduce waste disposal
- Supporting sustainability, respecting the environment e.g. recycling, using cups made from recycled materials
- Corporate social responsibility (CSR) means that 7-Eleven should limit their impact on the environment
- 7-Eleven could market any measures to limit their impact on the environment to consumers who value this, young people are likely to fall into this category
- Artists / illustrators (from packaging) may not wish to be associated with an organisation which neglects its environmental responsibilities
- Ingredients / inputs being sustainable, no adverse environmental affects
- Some students mentioned the triple bottom line (though this is not in the course document)

Economic Issue
- Increased competition in the frozen beverage market, more choice for young consumers
- If successful, possibility they may be able to hire more employees
- Expansion of the size of the business will increase economic activity, flow on positive effects on employment, spending and other businesses
- Purchase of capital equipment (machinery) for every store in Australia will increase economic activity, support other businesses (suppliers)
- Could make it more difficult for small business owners who cannot afford to lower the price of their frozen beverages to compete with larger companies like 7-Eleven, McDonalds & Hungry Jacks
- Students will be tempted to discuss the businesses finances, as this is a difficult part of the question, but economic issues should relate to the wider economy, community

Ethical Issue
- Ensuring the fair treatment of employees, improving staff satisfaction & retention
- Support corporate social responsibility (CSR) objectives of the business outlined in their mission statement
- Better reflection of management attitudes and values
- Sugar free or low sugar option is a more healthy product, help to reduce obesity in society
- Some students may mention the triple bottom line (though this is not in the course document)

**QUESTION 10 – HUMAN RESOURCES MANAGEMENT**

(a) 3 marks available for each issue (1 mark for naming, 2 for analysing) = 6 marks

Issues that could cause low staff retention
- Sunday penalty rates reduced
- Potentially low remuneration due to lack of skill required for position
- Low job satisfaction / morale
- Poor business culture &/or management style
- Working hours / conditions / environment poor
- Casualised work environment, no job security, not enough shifts available
- Bad reputation for underpaying staff (due to bad publicity in 2015)

(b) 2 marks available for each benefit (1 mark for naming, 1 for explaining) = 4 marks

Benefits of highly motivated staff
- Increased morale / job satisfaction, employees may work harder
- Increased productivity, reliability of staff
- Lower staff turnover
- Higher staff retention
- Less time spent in industrial disputes
- Low absenteeism
- More positive business culture
- Better customer service
- Improved quality for above reasons

(c) 2.5 marks for impacts on staff performance & 2.5 marks for the impacts on profits (of opening on Sundays) = 5 marks

Impacts on staff performance
- More income for employees if more hours are offered, increasing retention / satisfaction & performance
- Possibly more staff employed, could impact staff performance due to change in business culture new employees could bring
- May mean more staff to train & manage, increased workload / stress for management staff
- Increased hours for existing staff can lead to more stress, may negatively impact performance, increase absenteeism, turnover of staff
- Less take home pay if penalty rates are reduced, may lower staff motivation / performance
- Weekend work may not appeal to staff & negatively affect their performance

Impacts on profits
- Increased training costs
- Might need to employ a manager on Sundays, increased cost
- Increased sales revenue but not necessarily profit, depends on costs involved
- Profit will need to be examined, lowering the selling price to $1 and penalty rates of 150% which apply on Sundays could result in a reduction in profit. It might also increase turnover and compensate for both.

(d) One cost & One benefit for managers (2 marks for naming, 2 for evaluation) = 4 marks

Cost (may consume time or resources e.g. money)
- Managers will need to be trained to maintain and manage a positive business culture
- Increased workload in the short term, more strategic focus
- Increased collaboration with decision making – a flatter management structure, this may require a change of organisational structure &/or management style, managers may be moved within the organisation
- Time spent listening to employees concerns, establishing grievance policies & procedures, managing organisational change
- Time spent allocating responsibilities, providing challenges & autonomy for employees
- Time spent providing positive feedback and praise
- Provision of more flexible work arrangements
- Provide staff with monetary and non-monetary rewards
- May need to alter the physical work environment

Benefit (not just financial)
- Higher quality relationships with staff built on trust
- Lower levels of staff conflicts and less industrial disruption
- Fun and motivating place to work for all staff (including managers)
- Flexible working hours may be extended to management
- High levels of training and mentoring
- Improved staff performance, productivity, quality, customer service, etc.
- Collaboration in decision making, culture of trust and equality
- Increased staff retention, less time spent interviewing, inducting new staff
- Higher rates of pay and conditions and rewards
- Clear guidelines to solve disputes / grievances

(e) 1 mark available for each strategy to employ new staff which aims to decrease staff turnover = 2 marks
Acquisition / Development / Maintenance strategies (aimed at preventing Separation)
- Thorough job selection process – could involve external recruitment, detailed job analysis, carefully considered job selection process.
- Training and development – induction, training opportunities, promotion pathways
- Non-monetary rewards – interesting work, challenging work, allocate responsibilities, promotional pathways, autonomy, sense of achievement, recognition of effort, effective leadership, safe working environment, social activities; benefits such as flexible working hours, child care, subsidised health insurance &/or gym membership, financial advice, study assistance, mobile phones &/or lap tops, car parking, travel allowances, housing and company cars.
- Monetary rewards – increase salary/wage and incentives/discounts

(f) Improvement in short term (4 marks) + long term (4 marks) = 8 marks
Answers will depend upon what students have discussed in (e)

Short term
- Decrease in staffing recruitment costs due to increased staff retention
- Reduced induction related training costs due to lower staff turnover
- Increased productivity
- Improved profits (due to lower staff costs & increased productivity outlined above)
- Increase in staffing costs in terms of incentives, social activities, discounts etc., possible increased costs of training, more focus on customers and thus more return business
- Improved attitude, morale of staff

Long term
- Build business culture that will attract better people to employ
- Reduced waste due to increased productivity / efficiency, increased quality of work
- Increased productivity leads to higher output, lower wages costs & thus higher profits
- Happier and motivated employees are good marketers for the business they work for

(g) 2 marks for each issue (1 for naming, 1 for evaluating) = 6 marks, responses should refer to the employment of new staff.

Legal (x 2)
- Fair Work Act in relation to conditions, payment of award wages
- National employment standards – contained in the Fair Work Act for all employees in all awards
- OH&S legislation – safe workplace and practices
- Discrimination legislation, both federal and state – age, gender, cultural, disability, ethnicity
- Provide an induction
- Introduce policies & procedures of the workplace
- The impact of not adhering to such legislation/requirements: fines & lawsuits, potential increase in work health & safety incidents, poor efficiency, quality of service

Ethical
- Treat employees with respect to provide a pleasant working environment which will increase staff loyalty and retention, and reduce absenteeism
- Improve staff welfare by providing a safe and enjoyable work place
- Try to grow employees from a personal perspective as well as professionally
- Provide a flexible work place that promote a balance between work and family life
- Provide collaborative processes to make decisions and to change practices
- Transparent communication and fostering teamwork
- Hire a diverse workforce (ethnicity, age, etc.); equal opportunity…this provides a wide range of valuable experience & skills, includes different perspectives, personalities & leadership styles which can complement the workplace (e.g. better problem solving, increased creativity)
- Equal / fair representation of male : female staff (same reasons as above)
QUESTION 11 – OPERATIONS MANAGEMENT

(a) 2 marks available for each issue (1 mark for naming, 1 for explaining) = 4 marks

Operational issues
- Changing production – excess of old capital equipment – needs to sold and changed to new equipment
- Down time in changing machines, training in new methods and operating processes
- Accessing new inputs
- Training of new and current employees
- Increased costs (capital outlay for new machinery plus training costs) and decreased profits in the short term
- Potential quality control issues; calibration of mixing syrups & the temperature of the Slurpee’s will need attention (given new machinery, possibly new processes)

(b) 3 marks for each cause (1 for naming, 2 for critically analysing each) = 6 marks

Causes
- Lack of communication to reach consistent standards of products and services to all stores
- Inconsistent training across all stores
- Inexperienced employees in the beginning
- Careless or unmotivated / unproductive employees
- Lack of leadership amongst managers to implement new equipment and procedures
- Lack of care or not total focus on quality control of products offered to customers
- Human error e.g. over-filling cups wastes the beverage itself
- Syrups could be wasted if new machines are not calibrated correctly
- Mistakes in purchasing e.g. purchasing the wrong sized lids for the cups
- Lack of maintenance of machinery, machinery break down
- No planning & control of operations management function

(c) Definition / demonstrated understanding of ‘reduced waste of outputs’ = 1 mark, minimum of 2 impacts of this on business performance (2 marks for each) = 5 marks, a great number of impacts with lower level detail/depth would also be acceptable.

Waste of outputs – wasting cups, Slurpee mix, product defects, etc.

Impact of reduction in waste of outputs on business performance
- Increased profits by decreasing costs
- Increase profits which means that money can be spent on other assets, or spent on motivating staff, increasing efficiency of operations
- Decreased waste disposal costs for business
- Achieve positive outcomes for sustainable use of resources and corporate social responsibility (e.g. less cups littered or in land-fill)
- Lower impact on the environment, improvement in staff morale / motivation / productivity / retention

(d) Risk for shareholders (1 mark for naming, 1 for evaluating) = 2 marks, Challenge for employees (1 mark for naming, 1 for evaluating) = 2 marks for total 4 marks

Risk for shareholders
- Costly implementation of latest practices for sustainability, quality and quantity of output
- Funding may need to be sourced from shareholders to change equipment and train employees
- May be difficult to retain positive public image of company
- Reduction in selling price of the product, leads ultimately to a much lower profit margin
- The change in product offerings is a marketing strategy – the business has not repositioned itself in any way. Great risk the new product offerings won’t succeed & could worsen the situation overall.

Challenge for employees
- Learning new procedures & practices, work routines
- Employees all need to undertake training
- Ensuring quality control & correct usage, calibration, cleaning & maintenance of new machinery
- Adherence to new policies & procedures
- Stand up to employers in context of past underpayment of wages

(e) 1 mark available for each strategy to improve quality control in their operations processes = 2 marks

Strategies to improve quality control
- Policies & procedures manual: everything from how to calibrate the machine to serving sizes
- Training of staff on the abovementioned procedures
- Manage / monitor complaints / returns as a measure of effectiveness, offer training to staff who receive regular (or any) complaints
- Manage / monitor the Slurpee volume used in comparison to sales & offer incentives to meet targets (reducing waste also)
- Implement Quality assurance and control measures
- Implement Total Quality Control Management to ensure continued excellence and continuous improvement through employee participation and customer focus
- Use of technology to improve practice, yields and output to improve efficiencies and profits

(f) Improvement in short term (4 marks) + long term (4 marks) = 8 marks
Answers will depend upon what students have discussed in (e)

Short term
- Improved attitude, morale, productivity of employees
- Increased customer satisfaction, more repeat customers
- Staff are able to work more efficiently with new technology (after training)
- Machines do not get broken by staff using them incorrectly, reduced maintenance expenses
- Any quality control strategy, use of technology or scientific innovation may cost extra in the short term (capital costs), increase in costs related to training also

Long term
- Reduced wastage, increased output
- Fewer complaints from customers
- Potential decrease in expenses (& COGS)
- Potential increase in market share & sales revenue (due to good customer service)
- Improved profitability
- Improved efficiency
- Competitive advantage on the basis of a quality product, coupled with a low selling price

(g) 2 marks for each issue (1 for naming, 1 for evaluating) = 6 marks, responses should refer to the sourcing of local inputs in a sustainable manner.

Economic Impact
- Increased economic activity due to increased profits for 7-Eleven in the longer term
- Increased dividends to shareholders, with a flow on effect in the economy (shareholders have more money to spend, other businesses benefit)
- Increased number of jobs for locals, and maybe a more diverse range of jobs
- More indirect benefits to local suppliers
- Indirect benefits to local businesses when employees spend their wages / salary
- Students will be tempted to discuss the businesses finances, as this is a difficult part of the question, but economic issues should relate to the wider economy, community

**Ethical Impact**
- Sourcing more locally produced goods supports local suppliers / businesses
- Sourcing less from developed countries where exploitation of labour can occur
- Assisting up & coming artists that are supported by their images on the paper cups
- Lower levels of obesity – lower health costs due to low sugar content in their drinks

**Environmental impact**
- Supporting local suppliers reduces carbon footprint of 7-Eleven
- Try to recycle resources
- Use of environmentally sustainable inputs
**SECTION C**

**QUESTION 12**

(a) 1 mark for each = 9 marks, students with brief, one or two word answers only receive ½ mark each.

<table>
<thead>
<tr>
<th>Strength × 2 = 2 marks</th>
<th>Weakness × 1 = 1 mark</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Government approval has been received for 20 extra pens in 2 years</td>
<td>✓ Cost of new expansion (need funding of $20 000 000 by loans or equity)</td>
</tr>
<tr>
<td>✓ Support of local government due to job creation (40 new jobs)</td>
<td>✓ Need development approval from government to gain wharf access</td>
</tr>
<tr>
<td>✓ Strong brand—well known locally &amp; internationally</td>
<td>✓ Potential to pollute surrounding areas damaging the marine environment (visual, noise, environmental pollution)</td>
</tr>
<tr>
<td>✓ 15 years’ experience</td>
<td>✓ Company has only accounted for minimal escape of nutrients from the pens</td>
</tr>
<tr>
<td>✓ Financially stable company</td>
<td></td>
</tr>
<tr>
<td>✓ Positive use of by product</td>
<td></td>
</tr>
<tr>
<td>✓ Biggest producer of salmon in Tasmania</td>
<td></td>
</tr>
<tr>
<td>✓ Increase production can decrease production costs.</td>
<td></td>
</tr>
<tr>
<td>✓ New Products like the Tasmanian Smokehouse.</td>
<td></td>
</tr>
<tr>
<td>✓ Innovative company, achieved excellence in their farming methods and marketing to new customers &amp; new applications</td>
<td></td>
</tr>
<tr>
<td>✓ Sustainability vision for excellence</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunity × 3 = 3 marks</th>
<th>Threat × 3 = 3 marks</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Expansion of North coast operations - 20 extra pens operational in 2 years</td>
<td>✓ Pollution in the environment could affect growth of oysters</td>
</tr>
<tr>
<td>✓ Launch of by-product plant</td>
<td>✓ Diseases affecting oysters spreading into TasOyster pens</td>
</tr>
<tr>
<td>✓ Increasing product range to include oyster meal for pet food &amp; oil supplements</td>
<td>✓ High water temperature (slows growth)</td>
</tr>
<tr>
<td>✓ Increase production, access Asian markets</td>
<td>✓ Infrastructure permits (to gain wharf access) could be denied</td>
</tr>
<tr>
<td>✓ Adopt quality control, non-polluting processes of competition</td>
<td>✓ Negative media coverage of expansion &amp; by-product plant launch</td>
</tr>
<tr>
<td>✓ Social goals of employing locals and boosting the community’s economy would develop corporate social responsibility (CSR) credentials, may add to competitive advantage</td>
<td>✓ Tourism businesses, recreational &amp; commercial fishers &amp;/or coastal residents may lobby the government (after visual, noise, environmental pollution)</td>
</tr>
<tr>
<td></td>
<td>✓ Competition from East Asia, includes high quality, large scale non-polluting processes</td>
</tr>
</tbody>
</table>
(b) 2 marks for each strategy (1 for naming, 1 for explaining) = 4 marks
Students should clearly identify which threat they are suggesting a strategy for. They should have one strategy for each of two threats, if they have suggested two distinct strategies for the one threat this may also be acceptable.

Answers will depend on threats identified. Some examples below.

<table>
<thead>
<tr>
<th>Threats</th>
<th>Possible strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>High water temperature (slows growth)</td>
<td>Monitor water temperatures and develop mitigation plans to minimise the impact of increasing water temperature, new technology may be required</td>
</tr>
<tr>
<td>Negative media coverage of expansion &amp; by-product plant launch</td>
<td>Communicate with stakeholders in the community, perhaps via the media itself, or via public forums, to spruik the benefits of the by-product plant reducing waste &amp; outline the measures in place to minimise environmental impact of expanding oyster operations in the North of the state, discuss 40 new jobs</td>
</tr>
<tr>
<td>Competition from East Asia, includes high quality, large scale non-polluting processes</td>
<td>Develop the capability in terms of large scale production &amp; quality output to compete with Asian competitors, utilise brand &amp; experience as a competitive advantage</td>
</tr>
<tr>
<td>Pollution in the environment could affect growth of oysters</td>
<td>Join an industry group &amp; collaborate with others to ensure that water ways are not being polluted by anyone in such a way that oyster production could be affected, support local charities &amp; groups which monitor the marine environment, monitor pollution levels in the vicinity of oyster pens on a regular basis</td>
</tr>
</tbody>
</table>

(c) 2 marks (1 for naming, 1 for explaining) = 2 marks
Students should clearly identify which opportunity they are suggesting a strategy for.
Answers will depend on the opportunity identified. Some examples below.

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Possible strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopt quality control, non-polluting processes of competition</td>
<td>Implement total quality management (TQM) along with quality control, develop processes &amp; technology which minimise pollution (possibly the by-product plant will help with this)</td>
</tr>
<tr>
<td>Increasing product range to include oyster meal for pet food &amp; oil supplements</td>
<td>Communicate with stakeholders in the community, perhaps via the media itself, or via public forums, to spruik the benefits of the by-product plant reducing waste &amp; outline the measures in place to minimise environmental impact of expanding oyster operations in the North of the state</td>
</tr>
</tbody>
</table>
(d)

<table>
<thead>
<tr>
<th>Required</th>
<th>Ratio calculation –</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Rate of return for 2016. Assume net cash from operations is the net profit figure</td>
<td>Unfortunately this question referred to a net cash figure which was not present and asks for ‘Rate of Return’, rather than ‘Rate of Return on Owner’s Equity’.</td>
</tr>
<tr>
<td>(2 marks)</td>
<td>Students attempts at this question were assessed on merit with many expected to use the cash at the end of the year figure (14 000), the excess of receipts over payments (2 000) or the retained profits figure of (249 353).</td>
</tr>
<tr>
<td></td>
<td>Students with an accounting background will average the owners’ equity due to the ambiguity in the RROE formula. This is not required but will be marked correct.</td>
</tr>
<tr>
<td>(ii) Debt to Equity ratio after expansion with extra bank loan of $20,000,000</td>
<td>Add 20 000 000 to Total Liabilities, 344 735 000 + 20 000 000 = 364 735 000</td>
</tr>
<tr>
<td></td>
<td>364 735 000/404 336 000 x 100</td>
</tr>
<tr>
<td></td>
<td>=90.20% or 90.21%</td>
</tr>
<tr>
<td></td>
<td>Working without the additional $’000 will receive half marks</td>
</tr>
<tr>
<td></td>
<td>364 735/404 336 x 100</td>
</tr>
<tr>
<td></td>
<td>=90.20% or 90.21%</td>
</tr>
<tr>
<td>(iii) Debt to Equity ratio after expansion with extra capital contribution of $20,000,000</td>
<td>Add 20 000 000 to Total Equity, 404 336 000 + 20 000 000 = 424 336 000</td>
</tr>
<tr>
<td></td>
<td>344 735 000/424 336 000 x 100</td>
</tr>
<tr>
<td></td>
<td>=81.24%</td>
</tr>
<tr>
<td></td>
<td>Working without the additional $’000 will receive consideration</td>
</tr>
<tr>
<td></td>
<td>344 735/424 336 x 100</td>
</tr>
<tr>
<td></td>
<td>=81.24%</td>
</tr>
</tbody>
</table>

(e) Students are not required to show working again; they will need all the space required for a 3 mark written response. In addition, as the word ‘solvency’ is not in the course document, any attempt to discuss the calculations in (d) (ii) and (iii) will be considered on merit. Better responses will include discussion of each ratio calculation, what it means and perhaps which option would be preferred. Debt to Equity (Gearing) ratio should be under 100%, so both options (bank loan or capital contribution) are acceptable.
(f) 1 mark for each trend identified in measures of liquidity, profitability and efficiency = 3 marks
Students need to identify the trend (increasing, decreasing, improving, etc.) not just draw conclusions (good/bad) for full marks. Better responses will identify the trend and compare it to the industry average.

Liquidity
- Current ratio (liquidity) has increased and is above industry average by 0.49 in 2016
- Current ratio was 2:1 in 2014, below the industry average, and increases to above the industry average at 2.99:1 in 2016
- More financial stable in short term and above industry average
- Liquidity is stable and improving further; the business is able to pay its short term debts with ease

Profitability
- Profitability has decreased from 13% in 2014 to 11.2% in 2016
- Net profit ratio is consistently below the industry average of 15%
- Net profit ratio reflects an approximately 1% decrease each year

Efficiency
- Accounts receivable Turnover has improved to 43 days but is still below the industry average
- Students may refer to customer returns or staff turnover here and that is acceptable, as increases in either lower efficiency of operations & increase costs
Students could be confused by the term ‘Accounts Receivable Turnover’ as the course document does not refer to this, using ‘Debtors Collection Period’ instead.

(ii) Student’s ability to draw comparisons between the figures provided and the industry average should be the focus in this question. 1 mark for assessment, 1 for explaining = 2 marks

Possible answers
- Customers may be becoming more satisfied with the product (reason unknown)
- Trend is positive for the company to grow into the future
- At its best (2016) the 6% difference represents customers being 33.33% more satisfied with the product than other equivalent products
- The quality of oysters may have improved, reducing customer returns
- It has always been below the industry average with 15% in 2014, increasing to 17% in 2015 and decreasing to 12% in 2016, 6% below the industry average

(iii) 1 mark for naming factor, 1 mark for factors contribution to trend identified = 2 marks
Answers will depend on trends & factors identified.

Examples:
- TQM &/or quality control process have increased the quality of oysters, reducing customer returns
- Increased costs which decreased profitability / Decreased sales that decreased profitability
- Business culture may be poor leading to increasing staff turnover
- Changes to debtor’s collection policy (e.g. reduced credit terms, reminder letters, discount for on time payment) has reduced the accounts receivable turnover
- Some customers may not agree with environmental impact of current operations and are choosing not to buy oysters, decreasing profitability
- Low cost competitors from Asia are impacting on sales

(iv) The question is short and the space provided for an answer smaller than would normally be expected. 1 mark for naming strategy 1 for explaining, 2 marks to explain how it will decrease staff turnover = 4 marks

Possible answers
- Improve training & development of staff
- Improve monetary benefits (wages, salary, bonuses)
- Implement non-monetary rewards such as flexible working hours, incentive programs, etc.
- Implement a positive business culture
- Examine the physical work environment and make positive changes that enhance business culture
- Promotion opportunities within the organisation
- Consult with employees to discover what they want from their work, and how retention could be improved
- Increase job satisfaction

(g) 1 mark for each well explained goal = 3 marks.
Better answers will be specific & measurable, e.g. increase net profit by 5% in one year.

Financial
- Increase profits
- Decrease costs
- Growth of the business
- Increase efficiency
- Increase liquidity
- Increase financial stability

Marketing
- Increase sales
- Provide different products to expand product offerings
- Increase market share
- Maximising customer service
- Educate the public on the positive aspects of the expansion project such as job creation, safe & anti-pollution practices, via an advertising campaign or media release coupled with local meetings

Social
- Provide employment for the local community
- Adhere to sustainable and environmental practices to maintain the balance with other businesses and stakeholders that rely on the water environment
- Provide assistance to a charity
- Employee well-being, standard of living

(h) 1 mark for naming & 1 for explaining each factor = 4 marks, much use examples in answer.
Factors to consider when hiring employees
- Organisational requirements, how many staff? What will they do? What knowledge & skills are required?
- Job design
- Job analysis
- Recruitment method…internal or external?
- Recruitment method…recruitment agency, advertise, head hunt, etc.
- Recruitment process…position description, interview questions, skills testing, reference checks
- Organisational fit, business culture, business strategies
- Legal requirements around Fair work Act, discrimination, equal opportunity, etc.
- Ethical obligations to treat potential employees with respect, have a transparent process
- Diversity & its benefits
- 10 National Employment Standards

(i) 2 marks each, 1 for naming, 1 for explaining = 4 marks
The question specifically asks for branding strategies; this should be the focus of student responses.

Main branding Strategies
- Labelling
- Packaging
- Brand symbol or logo design
- Cross branding or strategic alliances, adding value
- Register brand name (trademark) to protect IP, brand value
- Leveraging environmental / corporate social responsibility (CSR)
- Design & presentation of product
- Emphasising locally made, Tasmanian
- Associations / certifications on packaging / promotional material

(j) 1 mark for naming, 1 for explaining social media strategy, 2 marks for evaluation (would it be effective?) = 4 marks

Facebook page
- Encourage sharing/likes, establish connections with other gourmet food & Tasmanian pages
- Respond regularly, develop dialogue with consumers to ascertain their wants/needs
- Encourage reviews & feedback
- Utilise, distribute surveys for market research
- Create regular updates / content (pictures of oyster farm in action, oyster dishes, Tasmanian landscape)
- Create web page and have a link to the Facebook page
- Run competitions to encourage traffic on Facebook page & reviews

Twitter / Instagram account / Snapchat
- Post pictures & encourage subscribers
- Promote natural beauty of Tasmania and include images & descriptions of what the business does to monitor & mitigate its impact on the environment
- Create regular updates / content (pictures of oysters, recipes, Tasmanian landscape)
- Encourage sharing/likes, establish connections with other gourmet food & Tasmanian pages

YouTube channel
- Post videos of daily activity at the organisation, well known chef’s cooking oysters & encourage subscribers
- Promote natural beauty of Tasmania, pristine environment and sustainability of production

Advertising on social media
- Advertise to specific market segments
- Reach a wide audience

Other strategies may include Google AdWords, Pop ups, #Hashtags

(k) 1 mark for recommendation, 2 marks for justification = 3 marks
Technically this question has asked students about 20 million million dollars ($20 000 000 million).

Based on debt to equity ratio calculated either strategy to access funds for expansion maintains a comfortable level of financial stability.

The advantages of external finance (a bank loan) are:
- no imposition on current shareholders
- shareholders’ ownership is not diluted

The advantages of internal finance (a shareholders’ capital contribution are:
- no interest paid on loans, better financial stability
- increase ownership in business
- increase profits through higher profits and dividends

(l) 1 mark for identifying the organisations present stage of the product life cycle, 4 marks for recommendations on the marketing mix. Better responses will address at least three of the 4 P’s (Product, Price, Promotion & Place), will be adequately explained and well-reasoned / appropriate.

Product life cycle stage
- This business is at the maturity stage of the business cycle. Rate of growth is slowing, profits are plateauing. They have new projects approved but these are not yet underway.

Marketing Mix recommendations
- Due to increased competition from Asia, market share may decline which means the expansion is sensible
- The by-product plant should assist in increasing revenue, and hence profit, can market this as environmentally responsible, innovative
- Product marketing mix is to increase offerings at increased quality to retain product differentiation
- Continue to promote brand to keep customers loyal and informed. Need to maintain public image of a sustainable and environmentally friendly and socially responsible business
- May change pricing strategies to retain market share. By differentiating the product mix, and ensuring quality, customers may see more value at current prices
- Continue online and social media presence
- Continue the supply channels for the new by-products including export
- Examine product range, how are oysters sold, As is, in cans? Perhaps add a canned product to the range.
- Ensure the product can be marketed as ‘People’s Choice’ or ‘Locally produced’, sustainable or environmentally friendly

(m) 2 marks for each stakeholder on the impacts of these recommendations and conclusions = 6 marks

Local employees (current &/or future local employees)
- More locally sourced employees and training programs
- Existing staff will be motivated & excited by the expansion
- Existing staff may be offered promotions, transfers or training which increases their skill level
- Change…employees will need to adapt to new policies & procedures, ways of doing things, additional employees

Shareholders
- Potential for increased profits and dividends if successful
- Increased risk & opportunity in expansion of the business
- Possible increased ownership in business through extra capital raising for by-product plant
- Potential slow rate of return (either funding solution)

Customers
- Different products at a higher quality and lower price
- Additional choice, variety in the market
- Satisfaction of purchasing clean, green and sustainable products

(n) 2 marks for each impact (1 for naming, 1 for explaining) = 6 marks.
Alternatively students could name several impacts, more briefly explained for marks – though only 2 marks are available for Economic, 2 for Social and 2 for Environmental. 6 marks of Environmental impacts, for example, will only yield 2 marks – students must be able to discuss a range of impacts.

Economic impact
- Job creation (40 new jobs)
- Lower unemployment in local community
- Increased economic activity benefiting suppliers, other local businesses
- Extra taxes for Government and potential for increased spending on infrastructure
- Potential impact on other industries competing for same resources (tourism, fisheries)

Social impact
- More jobs for locals, better standard of living for new employees
- More diverse range of jobs available
- More training opportunities for locals and pathways into the work place
- Providing quality products that provide choice for the consumer
- Contribution to sustainable practices: reducing waste & preserving natural resources for the community, future generations

Environmental impact
- Possibility of increased pollution in the marine environment, though this may be minimal
- Impact on fish stocks, other flora and fauna and the natural environment
- Potential risk to operations if the water temperatures continue to rise

**QUESTION 13**

(a) 1 mark for each = 9 marks, students (with correct) but brief, one or two word answers only receive ½ mark each.

<table>
<thead>
<tr>
<th>Strength x 2</th>
<th>Weakness x 2</th>
</tr>
</thead>
</table>
| ✓ Passionate & motivated to achieve
| ✓ Will specialise in a niche market, recycling & rebuilding old equipment (fewer competitors than other segments of IT industry)
| ✓ Almost all electronic waste can be recycled, meaning business will be efficient
| ✓ 15 years’ experience in industry, training in business
| ✓ Positive work place culture
| ✓ Strong vision – ‘Don’t waste IT’
| ✓ Offer free environmental audits
| ✓ Corporate social responsibility (CSR) high, attracts customers
| ✓ Sustainable idea: protects & preserves the environment, Environmentally friendly
| ✓ Bank loan for $100,000 approved
| ✓ Capital saved $250,000
| ✓ Business training course

<table>
<thead>
<tr>
<th>Opportunity x 3</th>
<th>Threat x 2</th>
</tr>
</thead>
</table>
| ✓ Increasing amount of IT & electronic waste due to regular upgrades
| ✓ Recycle IT equipment &/or Reduce e-waste
| ✓ Old computers still useful for basic functions
| ✓ Form partnerships with schools to train
| ✓ Provide computers for 3rd world countries
| ✓ Provide computers to pensioners
| ✓ Unemployment is high, large pool of potential employees
| ✓ Could expand into other IT recyclables (cameras, phones, etc.)
| ✓ Government funding may be available if business makes an environmental impact
| ✓ Low barriers to entry

Common half mark answers – ‘no reputation’, ‘no partners’, ‘wife wants to renovate’

No marks for one word answers ‘wife’ or ‘children’

✓ Not enough capital
✓ Lacking management and business skills
✓ May not have a business plan
✓ May not have market research
✓ Risky as new to the market
✓ Family liabilities (private home) may limit his ability to finance the business
✓ Partnerships with schools are presumed
✓ Logistical aspects of the business have not been explored (e.g. how much will it cost to get computers to Tanzania? Help a pensioner buy a computer?)
(b) 2 marks for each strategy (1 for naming, 1 for explaining) = 4 marks

Students should clearly identify which opportunity they are suggesting a strategy for. They should have one strategy for each of two opportunities, if they have suggested two distinct strategies for the one opportunity this may also be acceptable.

Answers will depend on opportunities identified. Some examples below.

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Possible strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form partnerships with schools</td>
<td>Develop connections with STEM teaching associations, Department of Education, offer free workshops with students as an entry point</td>
</tr>
<tr>
<td>Could expand into other IT recyclables</td>
<td>Conduct a feasibility study, research &amp; develop the capability to recycle cameras and phones</td>
</tr>
<tr>
<td>Provide computers for 3rd world countries</td>
<td>Research what &amp; where the need is in developing countries and the logistics of getting computers to the people who need them, develop a funding model for this enterprise, may need to form partnership with charity to reduce logistics costs</td>
</tr>
</tbody>
</table>

(c) 2 marks (1 for naming, 1 for explaining) = 2 marks

Students should clearly identify which threat they are suggesting a strategy for.

Answers will depend on the threat identified. Some examples below.

<table>
<thead>
<tr>
<th>Threat</th>
<th>Possible strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very competitive industry</td>
<td>Cut costs, develop a competitive advantage, seek capital injection to grow the business quickly in order to compete, outsource functions to keep costs low</td>
</tr>
<tr>
<td>High unemployment, could signal economic downturn</td>
<td>Take advantage of low cost labour due to high unemployment</td>
</tr>
</tbody>
</table>

(d) (i) 1 mark for correct answer, 1 mark for correct workings = 2 marks (½ mark off for incorrect rounding, not specifying ‘units’)

Fixed costs include rent $34 000, marketing & administration costs $50 000
Therefore fixed costs, $34 000 + $50 000 = $84 000

Variable costs include wages $40, computer & parts $100
Therefore variable costs, $40 + $100 = $140

Selling price = $300

Break even = $84 000 / ($300 - $140) = $84 000 / $160 = $525 units per year (some may calculate it to monthly which is 44 units)

Some students may have calculated wages as $80 (due to the question mentioning $40 and 2 hours). If so the answer would be = $84 000 / ($300 - $80) = 700 units.

(ii) 1 mark for correct answer, 1 mark for correct workings = 2 marks (½ mark off for incorrect rounding, not specifying ‘units’)
Break even for $30,000 desired profit = \[ \frac{84,000 + 30,000}{(300-140)} \]
\[ = \frac{114,000}{160} \]
\[ = 712.5 \text{ or } 713 \text{ units per year} \]

Some students may have calculated wages as $80 (due to the question mentioning $40 and 2 hours). If so the answer would be \[ \frac{114,000}{120} = 950 \text{ units}. \]

(e) 1 mark for correct answer, 2 marks for correct workings = 3 marks (½ mark off for incorrect rounding, not specifying ‘$’)

Computer sales / year = 1,000
Desired profit = $30,000
Selling price = $250.

Students will have found various ways to calculate the variable cost, through additional formulas, break even logic or algebra. All methods are acceptable, though full working must be shown.

Maximum variable cost,
\[ \frac{84000+30000}{250-VC} = 1000 \]
\[ = \frac{114000}{250000-1000VC} \]
\[ = 136000 \]
\[ VC = 136 \]

Students must take labour costs from the total variable costs calculated above to get the maximum variable cost of each computer paid to its suppliers.

The maximum variable cost that GreenIT can afford to pay its suppliers is 136-40 (labour costs) = $96.

If students used wages of $80, the maximum variable cost that GreenIT can afford to pay its suppliers is 136-80 (labour costs) = $56.00.

(f) 1 mark for conclusion, 1 mark for solution = 2 marks

Conclusion
- If break-even of 950 units (for desired profit)-- business' breakeven point is high considering they only anticipate to sell 1,000 units, small margin for error
- If break-even of 713 units (for desired profit)-- the business will achieve greater profit than the desired profit, since desired profit is reached at 713 units and they anticipate selling 1,000 units

Solution (assumption being that break-even should be improved further)
- Reduce fixed costs like rent, marketing & administrative expenses, etc.
- Reduce sourcing costs of older computers
- Increase selling price
- Try to source cheaper additional parts: perhaps import from China (variable cost)

(g) (i) 1 mark for each trend identified in measures of liquidity, profitability and staff turnover = 3 marks

Liquidity
- Liquidity is projected to improve / increase (current ratio)
- Liquidity is projected to rise from 1.1:1 in 2017 to 2.5:1 in 2019, an increase of 1.4 (more than double)
- Liquidity in 2017 is below the 2016 industry average, in 2019 it is above the 2016 industry average
- Liquidity in 2019 is above recommended level of 2:1, may not be utilising current assets effectively to generate revenue & profits
- Below average in the first year of operation. Adequate to very good year 2, and excellent year 3.
Profitability
- RROE is increasing rapidly in 2018 and 2019
- RROE was negative in 2017 but increases rapidly each year, more than doubling from 2018 to 2019
- RROE is consistently below the 2016 industry average, even after considerable increase, if the trend continues in 2020 the RROE will exceed the industry average
- Below average in the first year of operation. Adequate to very good year 2, and excellent year 3.

Staff turnover
- Staff turnover in the IT industry is consistently lower than at GreenIT, given the 2016 industry average & GreenIT’s ratios
- Staff turnover in IT is high; it is particularly high at GreenIT, increasing to 35% in 2018 but remaining constant in 2019
- Fairly stable, although high. Benchmark would provide clarity on the effectiveness of the rate. But it remains fairly stable.

(ii) 1 mark for naming factor, 1 mark for factors contribution to liquidity = 2 marks
- Increasing sales and profitability
- Paying back current liabilities quicker, managing accounts payable well
- Increased profitability due to lowering costs (economies of scale over time?)
- Increased turnover, increasing profitability
- Reduction in short-term debt
- Increase of equity contributions; thereby providing possibility to reduce short-term debt
- Could be carrying a large amount of inventory (low turnover of stock)
- May have a large quantity of cash at bank, saving for future expenses / possible expansion
- May have consolidated short term liabilities into a longer term bank loan

(iii) 1 mark for naming factor, 1 mark for factors contribution to profitability = 2 marks
- Increase in sales (price or volume)
- Increase in market share (increasing revenues)
- Promotional campaign, building brand awareness / loyalty & increasing sales
- Corporate social responsibility (CSR) leading to increased return customers
- Decrease in costs e.g. sourcing lower cost suppliers
- Increased profitability due to lowering costs (economies of scale over time)
- Increased turnover, increasing profitability
- Lower COGS

(iv) Minimum of 2 impacts of staff turnover on the business (1 mark for naming each, 1 for explaining) = 4 marks. A greater number of impacts more briefly explained would also be acceptable.

Students may mention that for GreenIT’s staff turnover to be ‘similar to the rest of the industry’ it would decrease from 30-35% to 20% (a good thing). These students may write about the below impacts being relieved somewhat – which is also fine.

Impacts of staff turnover on GreenIT
- Increase in acquisition and training costs
- Loss of productivity
- Impact on business culture and customer service
- It will result in a ‘churning’ situation
- Employees will seek the ’best deal’ and have little loyalty to the company
- The employees are the engine house of the business, this could result in increased human error, and/or lower quality repairs
- May affect the organisations key goal to help others, if costs are high & employee commitment is low

(h) 1 mark per goal = 3 marks.

There are many possible answers, examples below. Better responses will draw from the stimulus.

Financial
- Breaking even (no profit or loss)
- Increasing gross profit, net profit or return on investment (RROE)
- Cutting expenses and/or cost of COGS
- Increasing liquidity or financial stability (e.g. improvement of ratios)
- Increase sales revenue (via increased sales volume or sales price)
- Obtaining appropriate equity partners to help fund his business
- To reduce his own capital contribution
- PEGLS (useful mnemonic: any one of Profitability, Efficiency, Growth, Liquidity, Solvency explained)

Marketing
- To build a brand which reflects his motto ‘Don’t waste IT!’
- To use the businesses environmentally and socially-conscious values to build market share
- Improve customer service
- Expand product range
- Gain product awareness

Social
- Assist in the sustainable use of resources
- Reducing waste via recycling to ensure that precious resources are not wasted, and are available for future generations
- Improvement of the environment by reducing waste, ensuring that society’s quality of life is maintained
- To have a positive impact on the community, the local area and the economy
- To create jobs / employment
- To help those less fortunate, e.g. by providing computers to less developed countries and assisting pensioners in purchasing their a computer
- To educate school age children about IT, E-waste and entrepreneurial solutions to issues around sustainability

(i) 1 mark for naming & 1 for explaining each factor = 4 marks, much use examples in answer.

Factors to consider when hiring employees
- Organisational requirements, how many staff? What will they do? What skills, knowledge, qualifications and experience are required?
- Job design
- Job analysis
- Recruitment method…internal or external?
- Recruitment method…recruitment agency, advertise, head hunt, etc.
- Recruitment process…position description, interview questions, skills testing, reference checks
- Organisational fit, business culture
- Legal requirements around discrimination, equal opportunity, etc.
- Ethical obligations to treat potential employees with respect, have a transparent process
- Diversity & its benefits

(j) Given the wording of the question ‘pricing methods’, pricing strategies are not acceptable. 1 mark for naming pricing method, 3 marks for explaining = 4 marks
Pricing methods

Cost based (cost plus) pricing: Adding a margin (percentage mark-up) to the cost of producing an item. Given the business idea is new, this may be the most appropriate for Tom to determine, and the mark up can be increased as required, depending on the demand for refurbished computers.

Market based pricing: what price the market is prepared to pay for the product, based around demand and supply. Given the business idea is new, it may be difficult for Tom to determine the price using this method.

Competition based pricing: The price needs to cover costs, but be comparable to competitors’ prices. This is a good method where there is a high degree of competition. The business might set their price below the competitors’ price, equal to it, or above, depending on the circumstances. For example, below to enter the market, equal to where no market research is necessary as there is a price leader in the market, above to give the perception of a superior product. There are competitors which Tom could base his prices on.

(k) Given the wording of the question ‘pricing marketing strategy’, pricing methods are not acceptable. 1 mark for naming, 1 mark for explaining = 2 marks

Pricing strategies
- Price skimming: fickle industry, charge as much as possible while the product/service is new to the market to draw on profits as much as possible in the early stages of start up
- Price penetration: to gain market share short term, charge lowest price possible. Lift prices when market share achieved
- Price Points are arguable with various models of technology

(l) 1 mark for recommendation, 2 marks for justification = 3 marks

- Establish market share using cost plus method (& smallest mark-up possible); implementing a price penetration strategy
- Competitive pricing as the business needs to reflect competition. As the market is very fickle and consumers are very price driven. However, they need to establish market share, therefore price penetration may attract a customer base and draw initial promotion
- Could also argue price skimming for the reasons mentioned above: charge as much as possible while the product/service is new to the market to draw on profits as much as possible in the early stages of start-up

(m) 1 mark for identifying the organisations present stage of the product life cycle, 4 marks for recommendations on the marketing mix. Better responses will address at least three of the 4 P’s (Product, Price, Promotion & Place), will be adequately explained and well-reasoned / appropriate.

Product life cycle stage
- This business is at the introduction stage of the business cycle.
- Costs to date have not been recouped, sales are low, no or very low profit, requires considerable capital expenditure (particularly in promotion).

Marketing Mix recommendations
- Gather primary data and feedback from customers to maintain focus on target markets and help with product mix and product development
- Introduce marketing mix/marketing plan and agenda
- Promotion: e.g. as much free promotion as possible. Social media, news segment etc. Otherwise, heavy online presence including a website.
- Very targeted promotion to establish good relationships with customers
- Product: take advantage of the sustainability/environmentally friendly angle
- Highlight product mix advantages to establish competitive advantage
- Place: predominantly sell online - although will need a facility for storage and rebuilding/repair
- Price: Competition pricing, the business needs to reflect competition. However they need to establish market share, therefore price penetration may attract a customer base and draw initial promotion.

(n) 2 marks for each stakeholder on the impacts of these recommendations and conclusions = 6 marks
Question is based on recommendations & conclusions made in (m). Answers should reflect this.

Local environment
- Less waste and pollution, recycling of products
- Recycling parts or entire machines: reduces disposal and waste.
- Sustainable use of resources
- Less impact on landfill
- Free environmental audits will improve the same aspects in the community while building awareness for his brand
Managers
- Pressure to build up the business from scratch, keep costs low, train workers, build up business culture, create a customer base for repeat custom
- Limiting cost will be the biggest factor for management. The Logistics of locating, transporting and then delivery or storage of refurbished machines/parts will be costly
- Similarly, ensuring quality and consistency of repair across the wide range of devices will be challenging
- Will be responsible for upholding the 'sustainable/recyclable' brand, ensuring parts and processes comply with this policy

Customers
- Lower cost products which still perform targeted functions
- Support green initiatives to support the environment
- Customers may be able to access devices at a much cheaper rate
- The environmental audits are a free service, that can only benefit the customer
- Contributes to choice/variation in the market

(o) 2 marks for each impact (1 for naming, 1 for explaining) = 6 marks.
Alternatively students could name several impacts, more briefly explained for marks – though only 2 marks are available for Economic, 2 for Social and 2 for Ethical. 6 marks of Ethical impacts, for example, will only yield 2 marks – students must be able to discuss a range of impacts.

Economic impact
- Using recycled resources to generate economic activity
- Provide employment, provide business for suppliers
- Potentially saves the economy the cost of recycling/disposing of these parts
- Employees and owners can redirect income into the community, benefiting other businesses, the local economy

Social impact
- By incorporating a social motive in the business mission to help older people and disadvantaged people
- Customers may be able to access devices at a much cheaper rate
- The environmental audits are a free service, that can only benefit the customer
- Contributes to choice/variation in the market
- Indirectly, the environment/resources are preserved which is better for the nation

Ethical impact
- Maintain triple bottom line by providing a sustainable and environmentally friendly outcome
- To be true to their stated goals
- Engage in truthful marketing and communication
- Treat people and customers with fairness and honesty
- Avoid conflicts of interest