



OFFICE OF TASMANIAN  
ASSESSMENT, STANDARDS  
& CERTIFICATION

Tasmanian Certificate of Education  
External Assessment 2018

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# BUSINESS STUDIES

## (BST315116)

### SECTION A

Time: 40 minutes

Pages:	12
Questions:	8

#### Candidate Instructions

1. You **MUST** make sure that your responses to the questions in this examination paper will show your achievement in the criteria being assessed.
2. You **MUST** answer **FOUR** questions from this section. **TWO** questions from each of the following:
  - **Part 1 – The Business Environment**
  - **Part 2 – Operations Management**
3. You must write concise and well-structured answers for each of the questions you have chosen.
4. You are encouraged to include diagrams, where relevant.
5. Answers must be written in the spaces provided on the examination paper.
6. Each question is worth 10 marks (4 x 10 = 40 marks).
7. You should make sure you answer all parts within each question so that all criteria can be assessed.
8. This examination is 3 hours in length. It is **recommended** that you spend approximately **40 minutes** in total answering the questions in this booklet.
9. All written responses must be in English.

On the basis of your performance in this examination, the examiners will provide results on each of the following criteria taken from the course statement:

**Criterion 1** Describe and use business terms, concepts, principles and ideas related to the management of business in Australia.

**Criterion 5** Communicate business ideas and information.

## PART 1 – THE BUSINESS ENVIRONMENT

You must answer **EITHER** Question 1 **OR** Question 2

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### Question 1

The role of business can be examined from social and economic viewpoints.

Describe **TWO** roles that small businesses play in society, and how they contribute economically and socially.

**OR**

### Question 2

Businesses can be classified in a number of ways.

Identify **TWO** types of business classifications. For each type of classification, describe **TWO** elements.

Question No

(10 marks)

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**Question 1 OR 2 (continued)**

**Question 1 OR 2 continues.**

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## PART 2 – OPERATIONS MANAGEMENT

You must answer **EITHER** Question 5 **OR** Question 6

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### Question 5

Business operations interact with other business functions.

Using **TWO** examples, describe how the operations management function can overlap with the marketing, human resources or financial functions of a business.

**OR**

### Question 6

Using **TWO** examples, describe how quality management for a product or a service can lead to less waste and increased profits.

Question No:

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**Question 5 OR 6 continues.**



You must answer **EITHER** Question 7 **OR** Question 8

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**Question 7**

All strategic operational decisions will focus on lowering costs and producing a good or service that is different or more competitive.

Describe how a business can increase its competitive advantage by **EITHER** cost leadership **OR** product differentiation.

**OR**

**Question 8**

Operations processes are activities involved in the transformation process of inputs into outputs.

Describe **TWO** operational decisions that can minimise costs to a business.

Question No:

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**Question 7 OR 8 continues.**





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# BUSINESS STUDIES

## (BST315116)

### SECTION B

Time: 70 minutes

Pages:	24
Questions:	3

#### Candidate Instructions

1. You **MUST** make sure that your responses to the questions in this examination paper will show your achievement in the criteria being assessed.
2. You **MUST** answer **TWO** questions from this section.
3. You must write **brief** and **clear** answers for each of the questions you have chosen.
4. You are encouraged to include diagrams, where relevant.
5. Answers must be written in the spaces provided on the examination paper.
6. Each question is worth 35 marks ( $2 \times 35 = 70$  marks).
7. You should make sure you answer all parts within each question so that all criteria can be assessed.
8. This examination is 3 hours in length. It is **recommended** that you spend approximately **70 minutes** in total answering the questions in this booklet.
9. All written responses must be in English.

On the basis of your performance in this examination, the examiners will provide results on each of the following criteria taken from the course statement:

**Criterion 3** Analyse issues arising from business practices and management strategies.

**Criterion 4** Make recommendations to improve management practices and business performance.

You **MUST** answer **TWO** questions in this Section:

**Question 9 (Marketing Management)**

AND/OR

**Question 10 (Human Resource Management)**

AND/OR

**Question 11 (Financial Management)**

*Please refer to the stimulus material in your answer.*

An outdoor clothing company, *Hilltops*, is threatening to close one of its three retail stores this year. 2018 will be just as challenging for local retail brands as 2017. 2018 could be the year that retailers across the globe look to downsize.

This is particularly true in niche retailing sectors like sports and outdoor goods, in which the likes of *Hilltops* have been hit with competition from brands such as *Anaconda* and *BCF*.

A report into fitness and athletic clothing in Australia shows the \$2 billion industry is anticipated to slow, with its 7.5% annual sales growth rate over the past five years set to decrease to a predicted growth rate of just 2.9%.

The *Hilltops* brand is well known for its quality and the provision of exceptional and knowledgeable service. *Hilltops* has sponsored some of the largest Australian mountaineering expeditions.

A company spokesman said in a statement that the decision to reduce *Hilltops*' retail presence was a difficult one.

"Like many Australian retail businesses at present, *Hilltops* is adapting to changing pressures within the retail sector that are influencing customer buying practices," he said.

"Some of these include increased competition, frequent price discounting and new broadening technology platforms and online sales."

*Hilltops* is making operational and strategic adjustments to counter these.

There has been a higher rate of returns for online purchases and so a more sophisticated and up-to-date online presence is required.

Staff has shown a resistance to change and a negative culture within the *Hilltops* business has also developed. Staff members fear job losses and have unclear expectations of their roles. Staff turnover has also increased, partly due to inflexible working hours.

*Hilltops* has increased its use of technology, but lack of training both for managers and staff has led to a reduction in job satisfaction.

Late last year, *Hilltops* purchased solar panels worth \$100 000 to reduce electricity costs.

The Gearing (Debt to Equity) ratio is 140% as at 31/12/2017.

In 2016, *Hilltops* had \$20 000 in the bank. By the end of 2017, Cash at Bank was \$50 000 in overdraft.

As a result of a review, managers have been asked to cut costs by:

- Reducing the work force.
- Reducing costs to improve cash flow.
- Improving the online store to increase sales.
- Commencing a more aggressive marketing campaign to remind customers of the strong brand.
- Employing a Human Resource Manager, with the initial task to restructure job descriptions.
- Possibly closing one store in either Launceston or Devonport.

























**Question 10 (continued)**

- (d) Evaluate **ONE** impact on managers and **ONE** impact on employees if the number of staff at *Hilltops* is reduced. (6 marks)

**Impact on managers** .....

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**Impact on employees** .....

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**Question 10 continues.**

**Question 10 (continued)**

- (e) Evaluate **ONE** social implication and **ONE** economic implication of allowing staff in any business to work more flexible hours. (6 marks)

**Social implication** .....

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<b>Criterion 3 Total (a) to (e)</b>

**Question 10 continues.**



- (g) Evaluate how the strategies identified in part (f) will improve business performance for *Hilltops* in the short term and the long term. (6 marks)

**Short term** .....

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<b>Criterion 4 Total (f) to (g)</b>
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(Students must answer **ONLY TWO** questions from Section B.)



**Question 11 (continued)**

(b) Explain **ONE** risk of equity finance and **ONE** risk of debt finance. (4 marks)

**Risk of equity finance** .....

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**Risk of debt finance** .....

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**Question 11 continues.**



**Question 11 (continued)**

- (d) Evaluate **ONE** challenge for shareholders and **ONE** challenge for the financiers (banks) in the restructure of a business. (6 marks)

**Impact on shareholders** .....

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**Impact on financiers** .....

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**Question 11 continues.**











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# BUSINESS STUDIES

## (BST315116)

### SECTION C

Time: 70 minutes

Pages:	32
Questions:	2

#### Candidate Instructions

1. You **MUST** make sure that your responses to the questions in this examination paper will show your achievement in the criteria being assessed.
2. You **MUST** answer **ONE** question from this section.
3. You must write **brief** and **clear** answers for the question you have chosen.
4. You are encouraged to include diagrams, where relevant.
5. Answers must be written in the spaces provided on the examination paper.
6. Each question is worth 70 marks. (1 x 70 = 70 marks)
7. You should make sure you answer all parts within your chosen question so that both criteria can be assessed.
8. This examination is 3 hours in length. It is **recommended** that you spend approximately **70 minutes** in total answering the questions in this booklet.
9. All written responses must be in English.

On the basis of your performance in this examination, the examiners will provide results on each of the following criteria taken from the course statement:

**Criterion 2** Use tools, techniques and processes to assess data and information about business performance.

**Criterion 4** Make recommendations to improve management practices and business performance.

## Question 12

Please remember to answer only ONE question from EITHER Questions 12 OR 13.

### ***Tamar Country Gardens***

The owner of *Tamar Country Gardens* loves gardening and her son has a degree in horticulture.

Together they decided to dive into a business in 2012 selling just plants, before adding garden accessories and organic soil fertilisers.

*Tamar Country Gardens* is one of only a small handful of dedicated garden centres in the suburbs which caters to urban gardeners, who are declining in numbers.

As with most gardening operations, *Tamar's* business is seasonal and 70 per cent to 80 per cent of its plants are sold in the spring. However, during the last three years, weather and increased price competition from big retailers like Bunnings has threatened its high season.

*Tamar Country Gardens* needed to find a way to generate revenue outside of its short high season. In a time of economic downturn, borrowing funds to expand the business is difficult.

A solution in 2017 was to turn *Tamar Country Gardens* into more of a destination shopping experience, focusing on attracting children, and educating customers about growing and consuming environmentally friendly products.

The business created an urban farm experience for children by purchasing goats, a miniature horse, several bee hives and 50 chickens. Children can learn where eggs and honey come from, while adults can purchase these products and also enjoy drinks at the onsite coffee bar.

In addition, the *Tamar* team have trialled some workshops and events in the low season. "We can teach all kinds of gardening techniques, from growing vegetables to pruning fruit trees, worm composting and making a kitchen herb container."

The business also holds a lavender festival, hosts farmers markets, creates a pumpkin patch in October and sells Christmas trees in December.

Customer appreciation is an important part of the owners' community-building ambitions.

The educational experiences offered have resulted in more return customers who come back to buy plants and pots. However, the profit margins have continued to decrease.

*Tamar Country Gardens* is also achieving greater brand recognition by offering expert advice at the annual Tasmanian Home and Garden Show.

The business is keen to expand into online ordering for some of its more hardy smaller plants and to offer regular gardening workshops. It is estimated this will cost around \$40 000.

**Question 12 continues.**

**Question 12 (continued)**

**Part A – SWOT Analysis**

*This part assesses Criterion 2.*

This part is allocated 10 marks.

In the space provided, construct a SWOT table for *Tamar Country Gardens*. Identify **TWO** strengths, **TWO** weaknesses, **THREE** opportunities and **THREE** threats.

<p><b>S</b> Strength 1:</p>          <p>Strength 2:</p>          <p>(2 marks)</p>	<p><b>W</b> Weakness 1:</p>          <p>Weakness 2:</p>          <p>(2 marks)</p>
<p><b>O</b> Opportunity 1:</p>          <p>Opportunity 2:</p>          <p>Opportunity 3:</p>          <p>(3 marks)</p>	<p><b>T</b> Threat 1:</p>          <p>Threat 2</p>          <p>Threat 3</p>          <p>(3 marks)</p>

(Total 10 marks)

**Question 12 (continued)**

**Question 12 continues.**

**Part B – Financial Analysis**

*This part assesses Criterion 2.*

This part is allocated 20 marks.

<b>Tamar Country Gardens</b>		
<b>Cash Budget for the year ending 30th June 2018</b>		
	<b>2017 Actual</b>	<b>2018 Expected</b>
<b>Expected Cash Inflows</b>		
<b>Cash sales receipts</b>	<b>190 000</b>	<b>260 000</b>
<b>Credit sales receipts</b>	<b>30 000</b>	<b>20 000</b>
<b>Education workshop fees</b>	<b>1 000</b>	<b>4 000</b>
<b>Bank Loan</b>		<b>40 000</b>
<b>Total Expected Receipts</b>	<b>221 000</b>	<b>324 000</b>
<b>Expected payments</b>		
<b>Purchases - cash</b>	<b>70 000</b>	<b>70 000</b>
<b>Credit purchase payments</b>	<b>30 000</b>	<b>40 000</b>
<b>Admin costs</b>	<b>10 000</b>	<b>14 000</b>
<b>Wages</b>	<b>80 000</b>	<b>120 000</b>
<b>Marketing</b>	<b>10 000</b>	<b>5 000</b>
<b>Interest on loans</b>	<b>5 000</b>	<b>7 500</b>
<b>Purchase of new assets</b>	<b>20 000</b>	<b>30 000</b>
<b>Total Expected Payments</b>	<b>225 000</b>	<b>286 500</b>
<b>Opening Cash balance</b>	<b>10 000</b>	<b>6 000</b>
<b>Receipts less Payments</b>	<b>-4 000</b>	<b>37 500</b>
<b>Closing Cash balance</b>	<b>6 000</b>	<b>43 500</b>

**Tamar Country Gardens**  
**Balance Sheet as at 30th June 2017**

**Assets**

Total Current Assets	45,000
Total Non-Current Assets	250,000
<b>Total Assets</b>	<b>295,000</b>

**Liabilities**

Total Current Liabilities	30,000
Total Non-Current Liabilities (Bank loans)	120,000
<b>Total Liabilities</b>	<b>150,000</b>

**Net Assets**

	<b>\$145,000</b>
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**Owners Equity**

Capital	125,000
Plus Net Profit	20,000
<b>Total Owners Equity</b>	<b>\$145,000</b>

**Question 12 continues.**





**Question 12 (continued)**

- iv. Make **ONE** comment on the solvency of the business based on the information calculated in parts i to iii. (2 marks)

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- v. Make **ONE** comment on the liquidity of the business based on the information calculated in parts i to iii. (2 marks)

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- vi. Make **ONE** comment on the efficiency of the business based on the information calculated in parts i to iii. (2 marks)

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- vii. Using the table below, draw **ONE** conclusion from comparing the Rate of Return on Owners Equity to the industry average. (2 marks)

Ratio	2017	2018	Industry Average
Rate of Return on Owners Equity	-12% (actual)	12% (expected)	6%

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**Question 12 continues.**

**Question 12 (continued)**

- viii. Should *Tamar Country Gardens* borrow \$40 000 to finance the development into online ordering and offering gardening workshops in 2018? Justify your recommendation. (3 marks)

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- ix. By referring to the cash budget, justify **ONE** recommendation to improve cash flow for *Tamar Country Gardens* in 2018. (3 marks)

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**Question 12 continues.**

**Part C – Break - Even Analysis**

*This part assesses Criterion 2.*

This part is allocated 10 marks.

*Tamar Country Gardens* wants to set a price for its new gardening workshops.

Each workshop takes four weeks for 2 hours per session.

The instructor will be paid \$50 per hour.

Overhead costs like electricity and other admin costs are estimated at \$400.

Each participant will use up \$100 worth of materials for the whole course.

- x. If *Tamar Country Gardens* decides to charge \$150, how many people need to attend the class to break even? (3 marks)

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- xi. *Tamar Country Gardens* feels that it should only charge \$120. What are the maximum variable costs to break even if 20 participants take the class? (3 marks)

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**Question 12 continues.**

**Question 12 (continued)**

xii. Present **ONE** conclusion about the analysis in part (xi). (2 marks)

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xiii. Describe **ONE** measure that *Tamar Country Gardens* could take if it wants to limit the class size to 10 participants, but not lose any money. (2 marks)

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<b>Criterion 2 Total (i) to (xii)</b>

**Question 12 (continued)**

**Question 12 continues.**

**Part D – Feasibility Study**

*This part assesses Criterion 4.*

This part is allocated 30 marks.

You have been appointed as a business consultant for *Tamar Country Gardens*. You are requested to prepare a clear, accurate and comprehensive feasibility study on the business.

You are also asked to make recommendations at the end.

- i. In recent years, seasonal plant sales have plateaued and have started to decline.

Describe **ONE** marketing goal and **ONE** operational goal that could be adopted to extend the product life cycle of the business’s seasonal plants. (4 marks)

**Marketing Goal** .....

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**Operational Goal** .....

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- ii. Discuss **ONE** marketing strategy that could be adopted to take advantage of **ONE** opportunity identified in the SWOT analysis on page 3. (4 marks)

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- iii. Discuss **ONE** operational strategy to overcome obstacles of **ONE** threat identified in the SWOT analysis on page 3. (4 marks)

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**Question 12 continues.**

**Question 12 (continued)**

- iv. Analyse the impacts of *Tamar Country Gardens* extending its offerings of extra options and services on its customers and employees. (6 marks)

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**Question 12 continues.**







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### Question 13

Please remember to answer only **ONE** question from **EITHER** Questions 12 OR 13.

#### ***Huon Garden Centre***

Community leaders in the Huon Valley wish to create a sustainable business. The business should look after the environment, community, and employ younger people who struggle to find work locally.

In building the business proposal, an agreed set of guidelines was enacted:

1. Location of a site that would enable a solid business to grow.
2. Availability of adequate professional staff numbers while at the same time having the capacity to employ inexperienced and vulnerable trainees.
3. Sourcing of funding - convince suppliers and banks that the business is sustainable by establishing a good business plan.
4. Provision of vocational education in retail, horticulture, agriculture and business for young people (youth unemployment is close to 20%).

The local Council will be approached for permission to use a site on the banks of the Huon River. Community leaders are also seeking a discounted rate on the rent of the site. However, other entrepreneurs are seeking to set up tourism-based businesses at the same site.

Additionally, an education-focused organisation could be utilised to develop valuable life skills for employees and thus provide economic benefits for the community.

A Training Manager and General Manager would be appointed; however, no suitable candidate for these positions has been identified.

The mission of the proposed business is, "to educate and train young people and adults in life skills likely to enable them subsequently to find satisfactory employment, and also to relieve poverty and improve social welfare and conditions of life among such people."

The cost of setting up the training centre has been estimated at \$2,000,000. Funding has been sought from the State and Federal Governments, but no commitments have been made as yet. To set up the garden centre at least \$1,400,000 needs to be spent on buildings and equipment.

**Question 13 continues.**

**Question 13 (continued)**

**Part A – SWOT Analysis**

*This part assesses Criterion 2.*

This part is allocated 10 marks.

- i. In the space provided, construct a SWOT table for *Huon Garden Centre*. Identify **THREE** strengths, **THREE** weaknesses, **TWO** opportunities and **TWO** threats.

<p><b>S</b> Strength 1:</p>   <p>Strength 2:</p>   <p>Strength 3:</p>   <p>(3 marks)</p>	<p><b>W</b> Weakness 1:</p>   <p>Weakness 2:</p>   <p>Weakness 3:</p>   <p>(3 marks)</p>
<p><b>O</b> Opportunity 1:</p>   <p>Opportunity 2:</p>   <p>(2 marks)</p>	<p><b>T</b> Threat 1:</p>   <p>Threat 2</p>   <p>(2 marks)</p>

(Total 10 marks)

**Question 13 (continued)**

**Question 13 continues.**

**Part B – Financial Analysis**

*This part assesses Criterion 2.*

This part is allocated 20 marks.

<b>Huon Garden Centre</b>		
<b>Cash Budget for the year ending 30th June</b>		
	2018	2019
<b>Expected Cash Inflows</b>		
Cash sales receipts	190 000	260 000
Credit sales receipts	30 000	20 000
Government Loan	1 000 000	1 000 000
<b>Total Expected Receipts</b>	<b>1 220 000</b>	<b>1 280 000</b>
<b>Expected payments</b>		
Purchases - cash	100 000	110 000
Rent	10 000	10 000
Admin costs	10 000	14 000
Wages	200 000	320 000
Marketing	10 000	15 000
Interest on overdraft	20 000	5 000
Purchase of new assets	1 400 000	100 000
<b>Total Expected Payments</b>	<b>1 750 000</b>	<b>574 000</b>
Opening Cash balance	0	-530 000
Receipts less Payments	-530 000	706 000
<b>Closing Cash balance</b>	<b>-530 000</b>	<b>176 000</b>

**Huon Garden Centre**  
**Projected Income Statement for the year ended 30th June**  
**2018**

Sales of Goods	220 000	
Less Cost of Goods Sold	100 000	
<b>Gross Profit</b>		120 000
<b>Add Other Operating Revenue</b>		1 000
Tuition fees		121 000
<b>Less Operating Expenses</b>		
Selling and Marketing Expenses	10 000	
General and Admin Expenses	100 000	
Financial Expenses	5 000	
<b>Total Expenses</b>		115 000
<b>Net Profit</b>		<b>\$ 6 000</b>

**Question 13 continues.**



**Question 13 (continued)**

- iv. Make **TWO** comments on the profitability of the proposed business based on the information calculated in parts i to iii. (4 marks)

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- v. Using the table below, draw **ONE** conclusion from comparing the liquidity of *Huon Garden Centre* with the industry average. (2 marks)

<b>Ratio</b>	<b>2018 (expected)</b>	<b>2019 (expected)</b>	<b>Industry Average (2017)</b>
Current Ratio	1:1	1.5:1	2.2:1
Debtors Collection Period (Days)	60	50	35

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- vi. Using the table above, draw **ONE** conclusion from comparing the efficiency of *Huon Garden Centre* to the industry average. (2 marks)

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**Question 13 continues.**



**Question 13 (continued)**

vii. Justify **TWO** recommendations explaining how to improve cash flow in 2019. (6 marks)

**Recommendation 1** .....

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**Recommendation 2** .....

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**Question 13 continues.**

**Part C – Break - Even Analysis**

*This part assesses Criterion 2.*

This part is allocated 10 marks.

*Huon Garden Centre* wants to set a price for its Tasmanian plants grown from seedlings at its nursery.

Each seedling costs on average \$1 for the pot and soil.

Overhead costs such as rent and other admin costs are estimated at \$240 000.

It takes on average 1 hour of time per day to water and care for 700 seedlings over a 5 week period.

The workers receive about \$20 per hour.

- viii. If *Huon Garden Centre* decides to charge \$10 per plant, then how many plants does it need to sell per year to break even? (3 marks)

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- ix. *Huon Garden Centre* feels that it can only produce 20 000 plants per year. What price will need to be charged per plant to cover all costs for only 20 000 plants? (3 marks)

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**Question 13 continues.**

**Question 13 (continued)**

x. Present **ONE** conclusion about the analysis in part (ix). (2 marks)

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xi. Describe **ONE** measure that *Huon Garden Centre* could take if it wanted to keep the sale price per plant at \$10. (2 marks)

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<b>Criterion 2 Total (i) to (xiv)</b>

**Part D – Feasibility Study**

This part assesses Criterion 4.

This part is allocated 30 marks.

You have been appointed as a business consultant for *Huon Garden Centre*. You are requested to prepare a clear, accurate and comprehensive feasibility study on the business.

You are also asked to make recommendations at the end.

- i. Describe **ONE** marketing goal and **ONE** financial goal that will contribute to the success of the business. (4 marks)

**Marketing Goal** .....

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**Financial Goal**.....

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- ii. Discuss **ONE** finance strategy to take advantage of **ONE** strength or opportunity identified in the SWOT analysis on page 17. (4 marks)

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- iii. Discuss **ONE** human resource management strategy to overcome obstacles of **ONE** threat or weakness identified in the SWOT analysis on page 17. (4 marks)

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**Question 13 continues.**

**Question 13 (continued)**

- iv. Analyse the impacts of *Huon Garden Centre* offering courses to lower skilled and vulnerable youths in the community. (6 marks)

**Impacts on the Community**.....

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**Impacts on the Managers** .....

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**Question 13 continues.**

**Question 13 (continued)**

- v. Describe **TWO** recommendations to improve business performance in the establishment phase of the product life cycle of the business's plants in terms of: (6 marks)

**Recommendation 1 - establishing low cost promotions.**

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**Recommendation 2 - pricing method and a pricing strategy.**

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**Question 13 continues.**

**Question 13 (continued)**

- vi. Analyse **ONE** economic implication and **ONE** legal or political implication of relying largely on government funding to establish the business. (6 marks)

**Economic implication** .....

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**Legal/Political implication** .....

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<b>Criterion 4 Total (i) to (vi)</b>



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ASSESSMENT, STANDARDS  
& CERTIFICATION

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