



OFFICE OF TASMANIAN
ASSESSMENT, STANDARDS
& CERTIFICATION

Tasmanian Certificate of Education
External Assessment 2016

PLACE YOUR CANDIDATE
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BUSINESS STUDIES

(BST315116)

SECTION A

Time: 40 minutes

| | |
|------------|----|
| Pages: | 20 |
| 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. **ONE** question from each of the following:
 - **Part 1 – Business Environment/Operations Management**
 - **Part 2 – Marketing Management**
 - **Part 3 – Human Resource Management**
 - **Part 4 – Financial 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 the criterion 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.

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BUSINESS STUDIES

(BST315116)

SECTION B

Time: 40 minutes

| | |
|------------|----|
| Pages: | 12 |
| 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 20 marks ($2 \times 20 = 40$ marks).
7. You should make sure you answer all parts within each question so that the criterion 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 2** Use tools, techniques and processes to assess data and information about business performance.
- Criterion 5** Communicate business ideas and information.

Question 9

Luigi operates *Luigi's Pizzeria* in the centre of Hobart. While the costs of inputs have been increasing steadily, the sale price of \$20.00 per pizza has not changed since 2012. Luigi is considering a new pricing strategy in response to falling profits.

The costs for an average pizza at *Luigi's Pizzeria* have been estimated as follows:

- Raw materials are \$9.00 per pizza.
- Rent \$3 500 per month.
- Other overheads (phone, electricity etc.) are \$4 000 per month.
- Wages are \$18.00 per hour. It takes 10 minutes to make every pizza.
- Packaging for every pizza is \$0.50.

(a) Calculate the break-even point for each month of the year. (4 marks)

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(b) Calculate the break-even point for every month if Luigi sets a desired profit of \$50 000 per year. (4 marks)

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(c) Sales over the past month have been 1 200 pizzas. Using your calculations in (a) and (b) above, explain if this finding is positive or not for *Luigi's Pizzeria*. (4 marks)

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Question 9 (continues)

Question 9 (continued)

- (d) Suggest **TWO** costs you could adjust in order to make a minimum profit of \$50 000 per year. (4 marks)

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- (e) Assuming Luigi sells 1 200 pizza's per calendar month and costs remain constant, calculate the sales price he would need to charge in order to make a profit of \$50 000 per year. (4 marks)

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Question 10 (continued)

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| <p>(b) Calculate the Rate of Return on Owner's Equity for 2016.</p> <p>(2 marks)</p> | <p>2015</p> <p>10%</p> | <p>2016</p> |
| <p>(c) Calculate the Current Ratio for both years (2015 and 2016)</p> <p>(4 marks)</p> | <p>2015</p> | <p>2016</p> |

Question 10 (continued)

(d) Identify and explain **TWO** factors that have contributed to the profitability of *All Size Clothing* between the financial years.

(4 marks)

Factor 1:

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Factor 2:

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(e) Draw **ONE** conclusion about the profitability of the business and **ONE** conclusion about the liquidity of the business.

(4 marks)

Conclusion about profitability:

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Question 10 (continued)

Conclusion about liquidity:

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- (f) Identify **TWO** strategies *All Size Clothing* can use to increase its profitability in the next financial year. Explain your decisions. (4 marks)

Strategy 1:

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Strategy 2:

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Question 11

These ratios and indicators have been calculated for *Jeans East Ltd.*

| Ratios and Indicators | 2014 | 2015 | 2016 | Industry Average (2016) |
|----------------------------------|------|------|------|-------------------------|
| Debt to Equity (Gearing) Ratio | 120% | 110% | 90% | 120% |
| Rate of Return on Owners Equity | 13% | 12% | 17% | 15% |
| Debtors Collection Period (days) | 48 | 45 | 43 | 40 |
| Market share | 5.0% | 5.5% | 5.0% | 4.0% |
| Staff turnover per annum | 19% | 18% | 21% | 23% |

Use this data to answer the following questions.

- (a) Identify **THREE** trends: **ONE** in Debtors' Collection Period; **ONE** in financial stability and **ONE** in profitability. (3 marks)

Trend 1 – Debtor's Collection Period:

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Trend 2 – Financial Stability:

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Trend 3 – Profitability:

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Question 11 (continued)

- (b) Identify **THREE** factors that may have contributed to the trends outlined in (a). (3 marks)

Factor 1 – Debtor’s Collection Period:

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Factor 2 – Stability:

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Factor 3 – Profitability:

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- (c) Make **TWO** statements: **ONE** about profitability and **ONE** about Debtors Collection Period compared to the industry average. (2 marks)

Statement 1 – Profitability:

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Question 11 (continued)

Statement 2 – Debtor’s Collection Period:

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(d) (i) Present and interpret **ONE** conclusion about market share. (3 marks)

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(ii) Present and interpret **ONE** conclusion about the financial stability. (3 marks)

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Question 11 (continues)

Question 11 (continued)

- (e) (i) Identify and explain **ONE** strategy the business could use to decrease staff turnover. (3 marks)

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- (ii) Identify and explain **ONE** strategy the business can use to increase market share of the business. (3 marks)

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BUSINESS STUDIES

(BST315116)

SECTION C

Time: 50 minutes

| | |
|------------|----|
| Pages: | 16 |
| 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 25 marks (2 x 25 = 50 marks).
7. You should make sure you answer all parts within each question so that the criterion can be assessed.
8. This examination is 3 hours in length. It is **recommended** that you spend approximately **50 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 problems arising from business practices and management strategies.

Criterion 5 Communicate business ideas and information.

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Question 12

In 2014 Debbie Brown started her mountain biking business, *Green Derby*, which was part of the Tasmanian Government’s initiative to open up the state’s outdoor areas to locals and interstate tourists. With the opening of new mountain bike tracks, Debbie thought her business would be successful, given that *Green Derby* was one of the first mountain bike businesses to be set up in the area.

However, current cash flow is poor and sales are 40% below budget.

The bikes she purchased for hire have not been hired out consistently. Being excellent quality bikes, they cost more to hire out than lesser quality bikes. Since the start of 2016, lower cost competitors have set up business as well.

Her TV advertising campaign in July of 2015 did not make the expected difference to sales.

Debbie has observed that many riders are specialist mountain bike riders who bring their own bikes and do not need to purchase her tours or hire her bikes. She has noted that there are few repeat customers and that not many new ‘novice’ mountain bike riders are attracted to the area.

Many people who come to the area cannot find accommodation or places to eat and drink. Some customers have complained when tours have been cancelled due to small numbers.

- (a) Debbie’s promotional strategies have not worked. Explain **TWO** problems that this has caused. (4 marks)

Problem 1:

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Problem 2:

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Question 13

Debbie Brown started her mountain biking business *Green Derby* in 2014 which was part of the Tasmanian Government’s initiative to open up the State’s outdoor areas to locals and interstate tourists. With many tracks opening up Debbie thought her business would be successful, given *Green Derby* was one of the first mountain bike businesses to start up in the area.

However, cash flow is poor and sales are considerably below expectations. Employees are difficult to attract and the employees she has sourced from the nearby area are not highly trained or motivated. Presently she is seeking to employ a tour guide and bike mechanic to join the business.

The bikes she purchased for hire have not been hired out consistently. This has been partly due to delays in repairing bikes. Last month her best tour guide left her business to join a new competitor as a manager.

Many people who come to the remote area cannot find accommodation or places to eat and drink. Staff accommodation options are also limited.

- (a) Identify and explain **TWO** Human Resource Management problems *Green Derby* could have with attracting and retaining new staff. (4 marks)

Problem 1:

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Problem 2:

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Question 13 (continues)

Question 13 (continued)

(b) Assess **TWO** causes of poorly trained and unmotivated staff.

(4 marks)

Cause 1:

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Cause 2:

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(c) Identify and evaluate impacts of a high staff turnover on business performance.

(5 marks)

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Question 13 (continues)

Question 13 (continued)

- (d) Evaluate **ONE** implication of developing a positive business culture for **EACH** of the following stakeholders. (6 marks)

Managers:

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Local community:

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Employees:

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Question 14

Teeming Engineering is a business located in Launceston. While it has been an established business for over 50 years, *Teeming Engineering* has suffered declining sales, lower customer satisfaction and the rate of recalls has impacted negatively on the cash flow of the business. Due to liquidity problems, the manager has postponed plans to upgrade machines for technologically advanced laser cutters. There is also a lack of demand for the older style products produced by *Teeming Engineering*. The average age of the workforce is over 55 with many employees reluctant to change work practices.

The manager wants to stay operating in Tasmania and is suitably inspired by the Government's stance to encourage innovation and high technology projects. A business consultant has suggested that management considers Total Quality Management, adopts a culture of continuous improvement and spends more money on Research and Development.

- (a) Identify and explain **TWO** operational problems experienced by *Teeming Engineering*. (4 marks)

Problem 1:

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Problem 2:

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Question 14 (continued)

(b) Assess **TWO** causes that may have led to declining sales and lower customer satisfaction.

(4 marks)

Cause 1:

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Cause 2:

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Question 14 (continued)

- (d) Identify and evaluate **TWO** challenges for managers and **ONE** challenge for the present employees to implement TQM and a continuous improvement policy. (6 marks)

Challenge 1 for Managers:

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Challenge 2 for Managers:

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Challenge for Employees:

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BUSINESS STUDIES

(BST315116)

SECTION D

Time: 50 minutes

| | |
|------------|----|
| Pages: | 24 |
| 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 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 50 marks. (1 x 50 = 50 marks)
7. You should make sure you answer all parts within each question so that the criterion can be assessed.
8. This examination is 3 hours in length. It is **recommended** that you spend approximately **50 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.
- Criterion 5** Communicate business ideas and information.

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Question 15

TASAPPS is an IT company that has developed a budgeting and finance app. Sales revenue has been very low and the market for finance apps is very competitive. TASAPPS is seeking a partnership with a finance company or a bank to develop and market its current and future apps.

Last year, the company attracted a number of investors to fund its strategy to market and sell its products to the finance industry. TASAPPS raised \$9 000 000 of capital for its venture. The aim of the company's business model is to generate enough cash sales to attract a bigger company to take them over in the future.

Its apps are free to all clients in the first year. The aim is to develop premium features that can be charged a fee to established users to generate sales revenue. TASAPPS is also seeking a celebrity to endorse its app.

A team of sales staff will sell TASAPPS products around Australia. Staff turnover for the product development team has been higher than the industry average.

The Enterprise Content Management (ECM) market size was estimated to be US\$5.5 billion in 2014 and is expected to grow at 14.5% per year driven by increased use of mobile devices and consumerisation of new applications using mobile devices.

- (a) In the space provided, construct a SWOT table for TASAPPS. Identify **TWO** strengths, **TWO** weaknesses, **THREE** opportunities and **TWO** threats.

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| <p>S</p> <p>Strength 1:</p> <p>Strength 2:</p> <p>(2 marks)</p> | <p>W</p> <p>Weakness 1:</p> <p>Weakness 2:</p> <p>(2 marks)</p> |
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Question 15 (continued)

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| <p>O</p> <p>Opportunity 1:</p> <p>Opportunity 2:</p> <p>Opportunity 3:</p> <p>(3 marks)</p> | <p>T</p> <p>Threat 1:</p> <p>Threat 2:</p> <p>(2 marks)</p> |
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(b) For **TWO** of the opportunities identified in your SWOT analysis, suggest a strategy to take advantage of **each** opportunity. (4 marks)

Strategy 1:

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Strategy 2:

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Question 15 (continued)

(c) Suggest **ONE** strategy to address **ONE** threat identified in your SWOT analysis. (2 marks)

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Question 15 (continued)

Based on the assumption that the business will start in January 2016, after its capital raising from investors, a copy of the most recent Balance Sheet as at the 31st December 2015 and a proposed Cash Budget for the years 2016–2017 are set out below.

| TASAPPS | | |
|---|-----------|--------------|
| Balance Sheet as at 31st December 2015 | | |
| | \$ | \$ |
| Current Assets | | |
| Cash at Bank | 500 000 | |
| Cash from investors | 9 000 000 | |
| Accounts Receivable | 540 000 | 10 040 000 |
| Non-Current Assets | | |
| Office Furniture and Equipment | 60 000 | 60 000 |
| Total Assets | | 10 100 000 |
| Current Liabilities | | |
| Accounts Payable | 650 000 | |
| Non-Current Liabilities | | |
| Bank Loan | 1 000 000 | |
| Total Liabilities | | 1 650 000 |
| Net Assets | | \$ 8 450 000 |
| Owner's Equity | | |
| Capital | | 8 450 000 |
| Retained Profits | | 0 |
| Total Owner's Equity | | \$ 8 450 000 |

| Cash Budget for 2016 and 2017 | 2016 \$m | 2017 \$m |
|--------------------------------------|-------------|-------------|
| Cash at start | 0.50 | 3.40 |
| Funds raised from investors | 9.00 | 0.00 |
| Sales of applications | | 0.30 |
| Total Cash available | 9.50 | 3.70 |
| Less cash outlays | | |
| Product development | 1.40 | 0.80 |
| Sales and marketing | 2.50 | 1.50 |
| General operating expenses | 1.10 | 1.25 |
| Expenses to setup of business | 1.10 | 0.00 |
| Total cash outlays | 6.10 | 3.55 |
| Cash at end | 3.40 | 0.25 |

Question 15 (continues)

Question 16

Guitar Bakery has been operating in Tasmania for 25 years. Its reputation and brand name has been positive for this time. However, since 2013 sales have been declining even though the business has decreased its sales prices to stay competitive. The workforce is mainly male and the average age is 50 years of age.

Given new competition in the bakery market, the owners of *Guitar Bakery* are keen to innovate to access new markets and bake new products. They are impressed by the new frozen dough technology which enables bakers to make dough, freeze it so it can be used later, or sold onto other bakeries. Research has shown that Chinese consumption of bakery foods as well as consumption of coffee is expected to increase into the future.

Guitar Bakery made a loss of \$10 000 in 2015/2016. It expects to make a \$10 000 profit in 2016/2017 if the business operations remain the same.

The owners have employed you to make recommendations on a proposed restructure of *Guitar Bakery*. Below are proposed ideas to restructure *Guitar Bakery*.

- Change product offerings.
- Sell the current premises for \$510 000 to relocate to another building and rent new premises for \$5 000 per month.
- Generate a more positive business culture by collaborating with staff and employing younger people.
- Cost of new equipment is \$200 000.

(a) In the space provided, construct a SWOT table for *Guitar Bakery*. Identify **TWO** strengths, **THREE** weaknesses, **TWO** opportunities and **TWO** threats.

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| <p>S</p> <p>Strength 1:</p> <p>Strength 2:</p> <p>(2 marks)</p> | <p>W</p> <p>Weakness 1:</p> <p>Weakness 2:</p> <p>Weakness 3:</p> <p>(3 marks)</p> |
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Question 16 (continues)

Question 16 (continued)

| | |
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| <p>O</p> <p>Opportunity 1:</p> <p>Opportunity 2:</p> <p>(2 marks)</p> | <p>T</p> <p>Threat 1:</p> <p>Threat 2</p> <p>(2 marks)</p> |
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(b) For the **TWO** weaknesses identified in your SWOT analysis, suggest one strategy to address **each** weakness. (4 marks)

Strategy 1:

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Strategy 2:

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Question 16 (continued)

- (c) Suggest **ONE** strategy to take advantage of one opportunity identified in your SWOT analysis. (2 marks)

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Question 16 (continued)

| Guitar Bakery | | | Guitar Bakery | | |
|---|---------|------------------|---|---------|------------------|
| Balance Sheet as at 30 June 2016 | | | Balance Sheet as at 30 June 2016 | | |
| BEFORE restructure | | | AFTER restructure | | |
| | \$ | \$ | | \$ | \$ |
| Current | | | Current | | |
| Assets | | | Assets | | |
| Stock of Materials | 56 000 | | Stock of Materials | 56 000 | |
| Cash at Bank | 25 000 | | Cash at Bank | 85 000 | |
| Accounts Receivable | 10 000 | 91 000 | Accounts Receivable | 10 000 | 151 000 |
| Non-Current Assets | | | Non-Current Assets | | |
| Land and Buildings | 510 000 | | Land and Buildings | 0 | |
| Plant and Machinery | 350 000 | | Plant and Machinery | 550 000 | |
| Motor Vehicles | 35 000 | | Motor Vehicles | 35 000 | |
| Office Furniture | 25 000 | 920 000 | Office Furniture | 25 000 | 610 000 |
| Total Assets | | 1 011 000 | Total Assets | | 761 000 |
| Current Liabilities | | | Current Liabilities | | |
| Accounts Payable | 40 000 | | Accounts Payable | 40 000 | |
| Non-Current Liabilities | | | Non-Current Liabilities | | |
| Bank Loan | 300 000 | | Bank Loan | 50 000 | |
| Total Liabilities | | 340 000 | Total Liabilities | | 90 000 |
| Net Assets | | <u>\$671 000</u> | Net Assets | | <u>\$671 000</u> |
| Owner's Equity | | | Owner's Equity | | |
| Capital | | 656 000 | Capital | | 656 000 |
| Retained Profits | | 15 000 | Retained Profits | | 15 000 |
| Total Owner's Equity | | <u>\$671 000</u> | Total Owner's Equity | | <u>\$671 000</u> |

Please note the changes from the restructure:

- From the sale of the Land and Buildings of \$510 000
- \$250 000 was paid for the Bank Loan
- \$200 000 is allocated for extra Plant and Machinery
- Remaining \$60 000 deposited into the Cash at Bank account.

Question 16 (continues)

Question 16 (continued)

**Guitar Bakery
Projected Income Statement
AFTER restructure for year ended June 2017
2017 Financial year**

| | | |
|-----------------------|---------|----------------|
| Sales | | 795 000 |
| Less Expenses | | |
| Production Costs | 318 000 | |
| Admin Costs | 36 000 | |
| Salaries | 144 000 | |
| Training | 32 000 | |
| Insurance | 9 000 | |
| Promotion & Marketing | 70 000 | |
| Rent | 60 000 | |
| Total Expenses | | <u>669 000</u> |
| Net Profit | | <u>126 000</u> |

You have been appointed as a business consultant for *Guitar Bakery* and have been requested to prepare a clear, accurate and comprehensive report on the business, including the proposed restructure of the bakery.

Using the headings provided below write your report for *Guitar Bakery*.

(d) Mission

Write a mission statement for *Guitar Bakery*. (2 marks)

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(e) Operations

Outline the factors which will influence where the bakery could be located. (3 marks)

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Question 16 (continues)

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