

Sample: Exam questions

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BUSINESS MANAGEMENT AND ENTERPRISE STAGE 2 SAMPLE EXAM QUESTIONS- OCTOBER 2007

Multiple choice

1. The purpose of a business plan is:

- (A) to plan how much profit the business will make
- (B) to convince others to invest in the business
- (C) to help managers to manage the business
- (D) all of the above.

2. Three key functions of the marketing manager are:

- (A) producing, administering and innovating
- (B) controlling, paying and organising
- (C) arranging, monitoring and collaborating
- (D) planning, organising and leading.

3. Factors which impact on business performance can be analysed in terms of strength, weakness, opportunity or threat.

Which order have the following four factors been listed in?

- *loyal employees*
- *vulnerable competitors*
- *slow market growth*
- *outdated business technology*

[Adapted from: Australian Economics and Business Studies Competitions. (2002). *AMP Business Studies Competition: 2002 question paper* (p. 7). Retrieved September, 2007, from <http://www.studentcompetitions.org/papers/Q02AUBS.pdf>]

- (A) strength, opportunity, weakness and threat
- (B) strength, opportunity, threat and weakness
- (C) opportunity, strength, threat and weakness
- (D) opportunity, strength, weakness and threat.

4. Flattening of the management structure is designed to:

- (A) reduce accountability of senior management while increasing accountability of those of lower rank
- (B) increase the span of control of the new CEO
- (C) increase the layers of management to spread the workload while the new CEO familiarises himself/herself with the new company
- (D) signal to the managers reporting directly to the CEO their increased likelihood of becoming the next CEO.

[From: Australian Economics and Business Studies Competitions. (2002). *AMP Business Studies Competition: 2002 question paper* (p. 8). Retrieved September, 2007, from <http://www.studentcompetitions.org/papers/Q02AUBS.pdf>]

5. The number of fathers taking leave from work following the birth of a child has increased in recent years. Management is responding to this change.
Which of the following best describes the nature of this change?

(A) global
(B) social
(C) structural
(D) technological

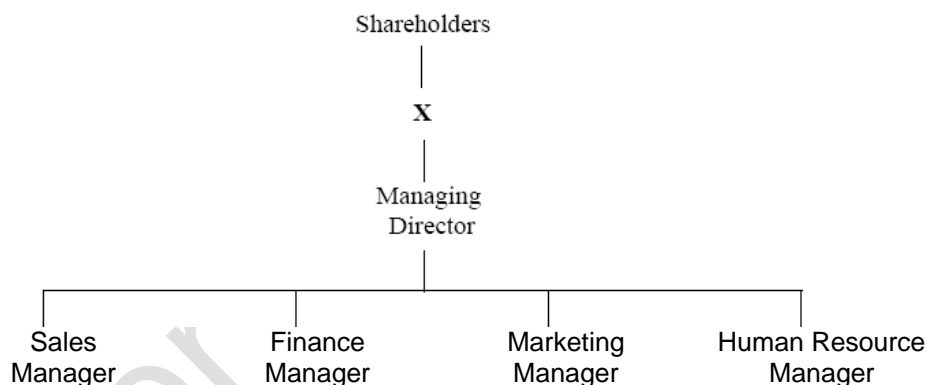
[From: Board of Studies New South Wales. (2005). *Business Studies: 2005 Higher School Certificate Examination* (p. 3). Retrieved September, 2007, from http://www.boardofstudies.nsw.edu.au/hsc/exams/hsc2005exams/pdf_doc/business_studies_05.pdf]

6. A popular rock band has released a new CD. A large department store has decided to sell this CD at below cost price.
What strategy is the store using?

(A) price points
(B) market pricing
(C) price skimming
(D) loss leader pricing.

[From: Board of Studies New South Wales. (2005). *Business Studies: 2005 Higher School Certificate Examination* (p. 7). Retrieved September, 2007, from http://www.boardofstudies.nsw.edu.au/hsc/exams/hsc2005exams/pdf_doc/business_studies_05.pdf]

7. The following diagram shows an organisation chart of AM Ltd, a publicly listed company:



'X' is most likely the:

(A) workforce
(B) company secretary
(C) board of directors
(D) debenture holders.

[From: Australian Economics and Business Studies Competitions. (2001). *AMP Business Studies Competition: 2001 question paper* (p. 4). Retrieved September, 2007, from <http://www.studentcompetitions.org/papers/Q01AUBS.pdf>]

8. The impacts of established groups within society on the marketing activities of an organisation reflects an influence that is

(A) political
(B) economic
(C) institutional
(D) global.

9. An engineering business that has been producing pollution control components for ten years is now redesigning components to meet new environmental standards. What marketing strategy is the business currently concerned with?
- (A) Place
 - (B) Price
 - (C) Product
 - (D) Promotion
10. How does the use of email in the workplace affect employees?
- (A) distracts them from their work
 - (B) allows flexibility of communication
 - (C) invades privacy by being expected to work from home
 - (D) all of the above

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Short response

Question 1

[13 marks]

Imagine a customer bought a new mp3 player from Tech Music and that it stopped playing after about one month. The customer has all the documentation from their purchase, including a 12 month manufacturer's warranty.

You are the store manager for Tech Music, the sole distributor for this particular brand of mp3 player in your region. As the store manager you have received a letter from the customer complaining their claim was not professionally handled by a staff member when they came into the store requesting a replacement or repair.

(a) Describe the protection available to the customer?

[3 marks]

(b) Draft a formal response letter to the customer outlining what action you intend to take with regard to the refund and the professional development of customer focussed staff.

[7 Marks]

(c) Identify further action the customer may legally take if they are dissatisfied with your response?

[3 Marks]

Marking guide:

(a)	The customer is entitled to a product that does what is promised. The warranty claim is directly from manufacturer.	2
	Customer is entitled to expect that the retailer would co-operate in returning the player to the distributor.	1
(b)	Appropriate business format	1–2
	Business language and terminology	1
	Comment on action to be taken	1–2
	Comment on improvement of customer service (including apology)	1–2
(c)	Identifies alternative action – seek advice from consumer protection agency	1
	Contacts the manufacturer directly	1–2

Question 2

[6 marks]

A new breed of entrepreneurs could be termed 'netpreneurs', that is, those people who establish and operate business organisations on the internet.

Describe three advantages that an internet based business has over traditional business models.

Marking guide – one mark for identification, one mark for description – any three appropriate advantages such as:

cost reduction – physical retail premises not required	1
lower staffing requirements – no sales people	1
convenience for customers – don't need to visit physical store	1
access to global market	

Question 3

[10 marks]

Lee Moloney hopes to start up a personal brand of environmentally friendly, organic cosmetics and beauty products. Lee has approached you as a marketing consultant for some marketing advice.

- a) Explain the importance that positioning and the public image have on the business
[2 marks]
- b) Describe two marketing strategies that would be particularly useful for the start-up stage of a product life-cycle.
[4 marks]
- c) Propose two distribution channels that would be most appropriate for Lee's products in the start-up stage.
[2 marks]

Marking guide

a)	positioning starts with the product, then an understanding of the target market so that the public image (including corporate name and logo) of the business meets with target market approval. In this example prospective customers are less likely to be motivated solely by price and more likely to be motivated by appeals to ethical, healthy and environmentally friendly products	2
b)	develop brand awareness through sponsorship of community events, samples at retail outlets, free make-up sessions at retail outlets or community events, free samples through beauty and fashion magazines, getting endorsement from a high-profile personality	6
c)	retail through beauty salons, boutique cosmetic outlets, party plan, trade stands	2

Question 4

Karen is the manager of a major Australian company that has a dedicated customer call centre. She notices that younger staff members are regularly late to work on Monday mornings, and as a result introduces flexible starting times.

- a) Explain the problems associated with this issue and how the introduction of flexible starting times might solve the problem. [7 marks]

- b) If the staff members do not want flexible starting times, suggest and justify TWO alternative ways of solving the problem. [8 marks]

Marking guide

a)	identifies the problem – staff members late to work on Mondays	1
	explains why lateness is a problem – impact on customer service and productivity	1–2
	explains advantage of flexible starting times – early starts can be rotated, staff more conscious of when they must start, staff consulted and included in agreement, staff have greater ownership of decisions - more likely to comply	1–4
b)	identifies any two reasonable alternatives – insist that staff make up the lost time, introduce a notice board with start and finish times for all employees, spot prizes for anyone who has been on time consistently for certain period	1–2
	explains how alternatives would operate – staff would need to stay later or make up time on another shift, notice board would increase awareness	1–2
	explains benefits of each alternative – lost time is recovered, peer pressure, positive reinforcement	1–4

Question 5

[12 marks]

operations 2a, technological 2b

- a) For each of the business operations below, identify ONE primary source of documentary evidence:

- i) ordering stock
- ii) sale of goods for cash
- iii) purchase of goods on credit
- iv) payment of creditors

[4 marks]

- b) Describe how the primary documents are recorded and processed for any TWO of the four documents you have listed.

[4 marks]

- c) Identify FOUR ways in which technology could be useful in business record-keeping.

[4 marks]

Marking guide:

a)	authorised order form, cash receipt or till slip, copy of invoice from creditor, cheque or other evidence of payment	4
b)	any two of: order book - used to track orders, cash receipts journal – used to record cash receipts and allocate to correct account, purchases journal – used to record purchases on credit and allocate to creditor's account so that a record is created of monies owed to creditors, cash payments journal – used to record payments from bank account and to compare with bank statement. One mark for identification, second mark for explanation.	4
c)	any appropriate use of technology such as: calculation of totals, posting to ledger accounts, extraction of financial statements, stock records with automatic triggers for re-ordering	4

Question 6

interpersonal 2a

Many people have excellent business ideas, but lack the courage to implement them, so the businesses never get off the ground.

Identify five skills and/or attributes (other than creativity) that are required for implementing business ideas and describe **how these skills contribute** to becoming a successful entrepreneur.

[10 marks]

Marking guide:

One mark for identification of skill or attribute and one for description

e.g.

connectedness: actions that link learning to the real world

engagement: task oriented and outcomes focused

resilience: takes advantage of opportunities, responds appropriately to setbacks

responsibility: takes responsibility for initiating own actions

ethicity: contributes to the development of community values

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Extended response

Choose one of the following two questions:

Question 1

If Crazy John's management were to consider the launch of a new mobile phone under the Crazy John's label they would embark on a marketing campaign. Assume you are the marketing manager.

- You are required to sketch out a marketing campaign for the launch of the new phone.
- Clearly outline your assumptions regarding the product and the target market
- Use your knowledge of Crazy John's current product range and marketing strategies to formulate your response.

Your answer may be presented in any format or combination of formats.

[30 marks]

OR

Question 2

If John Ilhan, founder of Crazy John's, intended to expand his business by another 100% over the next five years by opening further stores across Australia it would affect organisational structure and employees' motivation. Assume you are the human resources manager.

- Explain how that scale of expansion affect the organisational structure and employees' motivation?
- Use your knowledge of Crazy John's workplace culture and management style to formulate your response.

Your answer may be presented in any format or combination of formats.

[30 marks]

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**BUSINESS MANAGEMENT AND ENTERPRISE STAGE 3
SAMPLE EXAM QUESTIONS- OCTOBER 2007**

Short response questions

Question 1

[10 marks]

A business supplies the following figures about its activities:

Forecast output (sales)	20,000 units
Selling price	\$50 per unit
Fixed costs	\$300,000
Variable cost	\$20 per unit

(a) Use this information to illustrate by means of a break-even chart:

- The break-even point
- The profit at forecast output
- The margin of safety at forecast output.

[5 marks]

(b) Explain the effect on the break-even point if variable costs were increased to \$25 per unit and illustrate your answer on a break-even chart.

[5 marks]

Marking guide part a

Break-even point: 10 000 units	
Profit at forecast output: \$300 000	
Margin of safety at forecast output: 10 000 units	
Correctly indicates break-even point, profit and margin of safety	4–5
Correctly indicates break-even point	3
Correctly indicates sales and costs on break-even chart	1–2
No evidence or incorrect response given	

Marking guide part b

Break-even point changes to 12 000 units. The contribution per unit decreases to \$25, therefore the number of units required to cover fixed costs increases.	
Analyses and combines theoretical knowledge, skills and processes to explain effect on break-even point of changing variable costs	4–5
Uses general principles underlying break-even to determine and discuss effect on break-even point	3
Uses chart as required, indicating effect of changed costs	1–2
No evidence or incorrect response given	0

Question 2**[8 marks]**

Human resource managers in Australia need to manage cultural diversity in the workplace.

- a) Describe three positive and three negative aspects of having a culturally diverse workforce?

[6 marks]

- b) Identify two criteria should human resources staff consider in setting up human resource management processes to ensure they cater for diversity?

[2 marks]**Marking guide part (a)**

Languages, value adding to customer relations; increasing innovation through diversity; core values of organisation demonstrated;	3
Possible friction needs to be managed; accommodating religious differences, religious holidays, prayer time; accommodating different values and concepts eg. concept of time, dress codes and customs; dietary requirements	3

Marking guide part (b)

Personal goals of the employee should be in line with the objectives and mission statement of the organisation. Quantitative and qualitative evaluation and performance management. Fit with organisation's culture.	2
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Question 3**[6 marks]**

Relationship marketing is often used by businesses with a niche market focus.

- a) Identify ONE feature of a niche market.

[1 mark]

- b) Explain relationship marketing.

[2 marks]

- c) Identify one strategy that Crazy John's could use to develop relationship marketing, and explain one possible impact of the strategy on the customer and one possible impact on the company.

[3 marks]**Marking guide part a**

concentrated or micro market of buyers with specific needs	1
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Marking guide part b

Customers treated as individuals, longer-term customer relationships established and maintained, cost-effective strategy for niche markets	2
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Marking guide part c

Building customer loyalty by establishing rewards systems or providing personalized service.	1
Impacts on the customer: improved personalized service, opportunity to gain other rewards, being persuaded to upgrade or purchase products they would not normally purchase.	1
Impacts on the company: improved customer loyalty, improved profits, improved ability to refine products to meet specific needs, increased costs of staff training and customer database management.	1

Question 4

[12 marks]

Zappo, a publicly listed company located 90 kms from Melbourne, employs people from the local area in manufacturing high quality cleaning products.. The business started selling its cleaning products to retailers in Melbourne, but has quickly expanded its market overseas to Indonesia.

- a)** Outline three benefits and three risks which could arise out of Zappo’s expansion into overseas markets?

[6 marks]

Zappo has applied for planning permission to build a new plant. The local residents are particularly worried about Zappo using valuable land resources. They are also concerned that the new plant could pose an environmental threat with possible waste material polluting the nearby rivers.

- b)** Discuss private and public communication strategies that Zappo could use to address these community concerns?

[6 marks]

Marking guide part a

Risks: <ul style="list-style-type: none"> • don’t know the market • don’t understand the cultural preferences • financial risks re currency fluctuations • don’t understand the legal environment • risk of political instability • costs of exporting and using intermediaries. 	3
benefits: <ul style="list-style-type: none"> • large consumer market • wealth is growing • standard of living is increasing • increased revenue • growth in employment opportunities for Australians • spreading risk through diversified market 	3

Marking guide part b

Any 3 of the following - ONE mark for identifying a strategy, second mark for discussing use

public awareness campaign involving local meetings, local newspaper advertising and advertorials,	2
investing in community through development of public parks	2
market the employment opportunities, career pathways and training and development which will benefit the community	2
engage environmental scientists to investigate the environmental impact and add expert opinions to the discussion	2
consider how the facility might be re-designed to reduce damaging emissions	2
using technology to reduce environmental impact and demonstrate CSR by engaging with experts on ways of minimizing impact	2
introducing repair and regeneration programs to the river system	2

Extended response

Question 1

[30 marks]

Imagine that John Ilhan, the CEO and founder of Crazy John's, is about to enter discussions with a company in China to manufacture a new range of mobile phones branded exclusively for Crazy John's.

You are contracted as a management consultant by Crazy John's to investigate and report on the risks and benefits to Crazy John's of undertaking this operation.

In conducting this investigation you should use an analytical tool to identify Crazy John's existing strengths and weaknesses and the opportunities and threats of moving production facilities to China.

You have been asked to write a letter to the company's management board outlining your findings. (Use relevant business terminology and concepts).

ANSWERS could include the following points:

Economic

Benefits: Lower value of the Yuan, to Australian Dollar – therefore lower costs to manufacture, which could lead to higher profits the company

China is a large potential market, this would grow market share and increase profits.

Threats Expense of re-importing: would also need to consider the costs of transport to re-import.

As China's wealth grows, labour will become more expensive.

Sociocultural: there are cultural differences between Australia and China that are manifest in the different languages, values and way work is performed. This could interfere with communications and lead to mismatched expectations which could increase the risk to Crazy John's. This could reduce the quality of Crazy John's products. Sources of the skilled labour a moving from the coastal areas back into the regions, as they become more educated Chinese are demanding better wages and conditions.

Legal. Different legal frameworks in China. Therefore would need to understand local laws, on the one hand this might expose the company to greater risk as corrupt practices are common in China and it also increases the risk of exploitation of labour.

There could also be an ethical issue about labour exploitation - so practices in China would need to be monitored to ensure the company did not suffer a backlash from its astride him buyers.

Political: China is still a relatively controlled society and a change in political ideology could have negative impacts on crazy John's business. For example, implementation of new laws controlling foreign enterprises or employment practices in China. Limits on monies that can be taken out of China

Technology: the technology could be copied or superseded.

Production in China is considerably cheaper.

Innovation could be higher (through the employment of Chinese graduates who are paid less than Australians).

Question 2

[30 marks]

'Grow global' is the corporate vision of Seashore Pty Ltd. This fish cannery has become one of Australia's fastest growing companies since it was established five years ago. The domestic market for canned fish has reached saturation point and Seashore Pty Ltd is now looking for new markets in Japan. Seashore's marketing objective is to have a 5% market share in Japan within three years. Seashore's financial objective is to provide an increased return on capital for its shareholders.

The management committee is scheduled to meet in a month's time to discuss the following strategies:

- foreign direct investment as a method of expansion;
- the use of equity finance to fund expansion;
- differentiating its product offering in Japan.

As the financial manager, you have been asked to prepare a report for the management committee.

In your report

- describe the strategic role of financial management
- discuss the THREE strategies to be considered by the committee
- evaluate the strategies in relation to the achievement of the stated marketing and financial objectives.

Answers could include the following points

Answers should contrast the types of equity i.e. ordinary shares, preference shares and retained profits with debt financing and being alert to the inability of a private company to raise capital through a public offering of shares,

and of differentiation by providing points for and against this form of marketing strategy, which would be necessary in entering a market such as Japan.

Better responses should be able to make a judgement based on criteria about the strategies in relation to the achievement of the stated marketing and financial objectives. These responses would examine each strategy in turn, linking them to achieving each objective.

Mid-range responses often included irrelevant material, ignoring or superficially referring to financial management. Some confused debt with equity funding or did not understand that a private company would be unable to issue shares to the general public. These responses unnecessarily completed detailed product-marketing strategies for the business.

Mid-range responses infrequently linked the stated strategies to the marketing and financial objectives. Those responses which made the link usually gave unsupported opinions about the relationship between the strategies and objectives.

Weaker responses would include some features of a business report and used basic terminology.

These responses ignored the role of financial management and concentrated on the expansion and marketing strategies, often responding descriptively and generally. They demonstrated little understanding of how the strategies would achieve the objectives set down by the business.