



# Western Australian Certificate of Education Examination, 2010

## Question/Answer Booklet

### BUSINESS MANAGEMENT AND ENTERPRISE

#### Stage 3

Please place your student identification label in this box

Student Number: In figures

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In words

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#### Time allowed for this paper

Reading time before commencing work: ten minutes

Working time for paper: three hours

#### Materials required/recommended for this paper

##### *To be provided by the supervisor*

This Question/Answer Booklet

##### *To be provided by the candidate*

Standard items: pens, pencils, eraser, correction fluid/tape, ruler, highlighters

Special items: non-programmable calculators satisfying the conditions set by the Curriculum Council for this subject

#### Important note to candidates

No other items may be taken into the examination room. It is **your** responsibility to ensure that you do not have any unauthorised notes or other items of a non-personal nature in the examination room. If you have any unauthorised material with you, hand it to the supervisor **before** reading any further.

**Structure of this paper**

Section	Number of questions available	Number of questions to be answered	Suggested working time (minutes)	Marks available	Percentage of exam
Section One: Short answer	6	6	50	60	30
Section Two: Document analysis	3	2	60	60	30
Section Three: Extended response	3	2	70	70	40
<b>Total</b>					100

**Instructions to candidates**

1. The rules for the conduct of Western Australian external examinations are detailed in the *Year 12 Information Handbook 2010*. Sitting this examination implies that you agree to abide by these rules.
2. Write your answers in this Question/Answer Booklet.
3. You must be careful to confine your responses to the specific questions asked and to follow any instructions that are specific to a particular question.
4. Spare pages are included at the end of this booklet. They can be used for planning your responses and/or as additional space if required to continue an answer.
  - Planning: If you use the spare pages for planning, indicate this clearly at the top of the page.
  - Continuing an answer: If you need to use the space to continue an answer, indicate in the original answer space where the answer is continued, i.e. give the page number. Fill in the number of the question(s) that you are continuing to answer at the top of the page.

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**See next page**

**Section One: Short answer**

**30% (60 Marks)**

This section has **six (6)** questions. Answer **all** questions. Write your answers in the spaces provided.

Spare pages are included at the end of this booklet. They can be used for planning your responses and/or as additional space if required to continue an answer.

- **Planning:** If you use the spare pages for planning, indicate this clearly at the top of the page.
- **Continuing an answer:** If you need to use the space to continue an answer, indicate in the original answer space where the answer is continued, i.e. give the page number. Fill in the number of the question(s) that you are continuing to answer at the top of the page.

Suggested working time: 50 minutes.

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**Question 1**

**(10 marks)**

'There is only one boss; the customer, and he or she can fire everybody in the company, from the CEO on down, simply by spending his or her money somewhere else.' Sam Walton, founder of WalMart.

Customer relationship management is an ever increasing focus of organisations.

- (a) Describe **three** key principles of customer relationship management. **(6 marks)**

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(b) Describe **one** limitation of, or problem with, customer relationship management. (2 marks)

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(c) Outline **two** benefits of customer loyalty. (2 marks)

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**Question 2**

**(10 marks)**

'Innovation distinguishes between a leader and a follower.' Steve Jobs, one of the founders of Apple Inc.

(a) Name **three** types of innovation. (3 marks)

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(b) Identify **three** ways in which the Australian Government encourages innovation by Australians in the global economy. (3 marks)

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(c) Discuss **two** problems in registering a patent worldwide. (4 marks)

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Question 3

(10 marks)

Cultural awareness and understanding plays a vital role in the strategic success of a business.

- (a) Outline **three** strategies for cross-cultural communication in the workplace. (3 marks)

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- (b) Suggest **three** ways in which businesses can benefit from having a culturally diverse workforce. (3 marks)

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(c) Discuss **two** factors management should be aware of in a culturally diverse workforce. (4 marks)

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**Question 5**

**(10 marks)**

From your knowledge of various marketing strategies and case studies, explain the decisions a local firm would have to consider if it wanted to expand its marketing activities internationally in terms of

(a) Product (2 marks)

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(b) Price (2 marks)

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(c) Place (3 marks)

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(d) Promotion (3 marks)

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Question 6

(10 marks)

'Technology and business are becoming inextricably interwoven. I don't think anybody can talk meaningfully about one without talking about the other.' Bill Gates, co-founder of Microsoft.

- (a) Define e-commerce. (2 marks)

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- (b) Describe **two** ways in which groupware technology can assist businesses to expand into world markets. (4 marks)

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- (c) Explain **two** ways in which technology facilitates operations management. Use a business you have studied to support your answer. (4 marks)

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**Section Two: Document analysis****30% (60 Marks)**

This section has **three (3)** questions. Answer **two (2)** questions. Write your answers in the spaces provided.

Spare pages are included at the end of this booklet. They can be used for planning your responses and/or as additional space if required to continue an answer.

- Planning: If you use the spare pages for planning, indicate this clearly at the top of the page.
- Continuing an answer: If you need to use the space to continue an answer, indicate in the original answer space where the answer is continued, i.e. give the page number. Fill in the number of the question(s) that you are continuing to answer at the top of the page.

Suggested working time: 60 minutes.

**Question 7****(30 marks)**

Read the news article below and answer the questions that follow.

Established 1980

Saturday, April 10, 2010

Australia \$3.50

# BME NEWS

## Textile Industry In Crisis As Bonds Moves Overseas

**The Australian textile industry has been under threat for the past 10 years. Large businesses such as Blundstone Boots and Bonds have moved production overseas, whilst other businesses such as Waverley Woollen Mills have lost major contracts to overseas businesses. Despite the government offering many of these companies monetary support, Australia is losing its textile industry.**

Pacific Brands is moving all its NSW factory operations overseas, leaving over 1800 workers without work. Pacific Brands has numerous household names in its portfolio including Bonds, Holeproof, Berlei underclothes and King Gee workwear. A spokesperson said it was no longer competitive for Pacific Brands to make clothing in Australia.

"It's a black day for the industry" NSW assistant secretary Steven Davies said. "Australia will be importing not manufacturing."

The concerns are not just economic ones. Oxfam, a human rights charity, is researching how seriously major Hong Kong based clothing companies are tackling the issue of working conditions in their low-cost manufacturing sites.

Current reports from Oxfam give low ratings to Li and Fung – the company that manufacture for Pacific Brands, Just Jeans and Myer.

Expert on labour rights, Dr Connor says, "Production of the Bonds' brand could be compromised now that it will be sent overseas. You can outsource your production, but you can't outsource responsibility for the conditions and rights of workers."

The trend to manufacture overseas is set to increase as tariffs on goods manufactured overseas are being cut from 17 per cent down to 5 per cent by 2015. Experts say Australian industries need to look at ways to improve opportunities for exports, improve skills and international competitiveness.

Waverley Woollen Mills (WWM) – producers of fine blankets and throw rugs – have agreed to a strategic alliance with The Merino Company (TMC). The strategic alliance with TMC will strengthen the company's wool supply, and will also allow WWM to market their products into new international markets. "This is not only good news for our business but a positive story for the Tasmanian wool industry and the broader Tasmanian community," said chief executive Peter McDonald.

See next page

(a) Examine Dr Connor's comment:

'Production of the Bonds' brand could be compromised now that it will be sent overseas. You can outsource your production, but you can't outsource responsibility for the conditions and rights of workers.'

(i) Explain the term 'outsourcing'. (2 marks)

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(ii) Provide an example of a business to explain how production issues may arise when using an overseas manufacturer. (3 marks)

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(iii) Dr Connor raises issues other than those related to moving production overseas. Discuss **two** of these issues. (4 marks)

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(b) (i) Waverley Woollen Mills have agreed to a strategic alliance with The Merino Company. Explain what is meant by 'strategic alliance'. (2 marks)

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(ii) Explain **three** benefits of the strategic alliance between Waverley Woollen Mills and The Merino Company. (6 marks)

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(c) Describe **three** other methods that Waverley Woollen Mills could use to penetrate the global market. (7 marks)

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- (d) Explain **three** ways in which the Australian Government can help Australian businesses, such as Waverley Woollen Mills to become more competitive, either within Australia or internationally. (6 marks)

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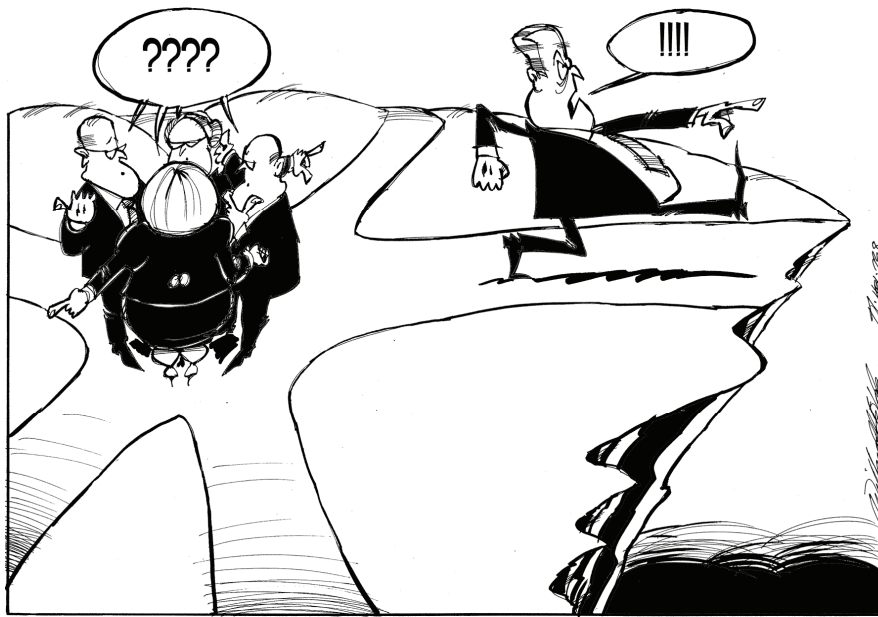
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Question 8

(30 marks)



**'There is only one way and it is my way!'**

Consider the cartoon above and answer the parts of the question below.

- (a) Identify **three** reasons why it is important for leaders to align both individual and corporate visions and goals. (3 marks)

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- (b) Explain **two** strategies a leader could use to align individual and corporate visions and goals. (4 marks)

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- (c) Describe the term 'autocratic leadership' and explain **two** challenges of this leadership style. (4 marks)

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- (d) Describe the term 'participative leadership' and provide **two** advantages and **two** disadvantages of this leadership style. (5 marks)

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- (e) Use a recognised leadership style to explain why a behavioural approach may be favoured in an organisation. (7 marks)

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(f) Explain and justify **two** real business situations or organisations where particular styles of leadership could have been used. (7 marks)

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**Question 9**

**(30 marks)**

An important aspect of international business is understanding the relative financial strengths and weaknesses of an organisation's companies operating in different markets overseas. The tables below contain summary financial information on three companies within an organisation. Company Indo operates in Indonesia, Company Oz in Australia and Company Euro in Europe.

All figures are in Australian dollars.

**Revenue statements**

	<b>Company Indo</b> \$000	<b>Company Oz</b> \$000	<b>Company Euro</b> \$000
Revenue	1,700	1,200	1,600
Cost of goods sold	700	900	1,180
Gross profit	300	300	420
Operating expenses	200	240	240
Net profit	100	60	180

**Balance sheets**

	<b>Company Indo</b> \$000	<b>Company Oz</b> \$000	<b>Company Euro</b> \$000
<b>Current assets</b>			
Inventory	100	120	200
Accounts receivable	100	120	180
Cash	100	60	160
<b>Non-current assets</b>			
Plant and machinery (net)	400	360	600
<b>Total assets</b>	700	660	1 140
<b>Current liabilities</b>			
Accounts payable	200	100	200
<b>Non-current liabilities</b>			
Long-term loan	200	160	440
<b>Total liabilities</b>	400	260	640
<b>Net assets</b>	300	400	500
<b>Owner's equity</b>			
Share capital	200	250	300
Retained profits	100	150	200
<b>Total owner's equity</b>	300	400	500

**Ratios**

	<b>Company Indo</b> \$000	<b>Company Oz</b> \$000	<b>Company Euro</b> \$000
Current	1.50:1	3.00:1	2.70:1
Debt to equity	1.33:1	0.65:1	1.28:1
Return on owner's equity	0.33%	0.15%	0.36%
Net profit	5.88%	5%	11.25%

Interpret the financial information to

- (a) Identify the company that has the highest net profit as a percentage of revenue and explain why that company is performing better than the other companies in the group. (6 marks)

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- (b) Identify **four** costs that would be part of an organisation's expenses. (4 marks)

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- (c) Identify the company that has the highest level of debt relative to its equity and explain the risk of having a high debt to equity relationship. (6 marks)

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- (d) Describe what 'net profit ratio' measures and use Company Euro's net profit figures as an example. (4 marks)

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(e) Identify the company that makes the highest contribution in terms of return on owner's equity, providing a reason for your choice. (4 marks)

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(f) Describe **three** methods that an organisation might use to improve return on owner's equity. (6 marks)

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**Section Three: Extended response****40% (70 Marks)**

This section contains **three (3)** questions. You must answer **two (2)** questions. Write your answers in the space provided following Question 12.

Suggested working time: 70 minutes.

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**Question 10****(35 marks)****Operations – Toyota’s and Honda’s Just-In-Time are not just the same.**

Toyota has a famously lean manufacturing system where it has only one supplier for each of the component parts it purchases. In contrast, Honda maintains at least two suppliers for each product. Both organisations operate a just-in-time approach for manufacturing, where inventory is delivered at the last possible moment and products are made to an order or firm commitment. An organisation of this type is said to be on the 'push-pull boundary', where products are 'pushed' down the supply chain of the organisation and then 'pulled' forward by orders.

- (a) Whilst Toyota and Honda both adopt a just-in-time manufacturing process the suppliers to the two organisations cannot utilise the same inventory management approach and therefore must hold inventory for the two car manufactures. Describe four inventory management and control techniques that the suppliers to Toyota and Honda might adopt to manage their inventories. (12 marks)
- (b) Compare and contrast the approaches of Toyota and Honda and identify the advantages and disadvantages of their sourcing strategies in terms of the single supplier to Toyota and multiple suppliers to Honda. Use terms such as research and development, risk and quality control. (11 marks)
- (c) Describe in detail **four** despatch or scheduling techniques that Toyota and Honda may utilise to minimise their inventory. (12 marks)



**Question 11****(35 marks)**

Write a report explaining how an organisation such as a sporting team might use the Balanced Scorecard to implement strategy.

In your report, you should:

- (a) explain the **four** perspectives of the Balanced Scorecard. (16 marks)
- (b) explain how the Balanced Scorecard might be implemented. In your answer identify a potential key performance indicator for each of the **four** perspectives. (12 marks)
- (c) write an executive summary that discusses **two** strengths of the Balanced Scorecard approach. (7 marks)

**Question 12****(35 marks)**

'We must ensure that the global market is embedded in broadly shared values and practices that reflect global social needs, and that all the world's people share the benefits of globalisation.' Kofi Annan, seventh Secretary-General of the United Nations. Awarded 2001 Nobel Peace Prize.

Analyse and discuss the above quotation in relation to

- (a) reasons for globalisation (give **three** examples) (9 marks)
- (b) impacts of globalisation (give **four** examples) (12 marks)
- (c) ethical global business practices (give **three** examples) (9 marks)
- (d) corporate social responsibilities (5 marks)

**End of questions**























## ACKNOWLEDGEMENTS

### Section One

- Question 1** Quote from: Walton, S. (n.d.). In Sommers, A. *Focusing on service consistency*. Retrieved June, 2010 from [www.customerservicemanager.com/focusing-on-customer-service-consistency.htm](http://www.customerservicemanager.com/focusing-on-customer-service-consistency.htm).
- Question 2** Quote from: Steve Jobs. (2005). *Crunch Base*. Retrieved June, 2010, from [www.crunchbase.com/person/steve-jobs](http://www.crunchbase.com/person/steve-jobs).
- Question 6** Quote from: Gates, B. (n.d.). BillGatesmicrosoft.com. "Master of Business". Retrieved June, 2010, from [www.billgatesmicrosoft.com/](http://www.billgatesmicrosoft.com/).

### Section Two

- Question 7** Adapted from: ABC News. (2009). Aussie brands need to monitor labour: Oxfam. Retrieved June, 2010, from [www.abc.net.au/news/stories/2009/03/23/2523084.htm](http://www.abc.net.au/news/stories/2009/03/23/2523084.htm).
- Question 8** Cartoon from: Hildonen, W. (n.d.). "There is only one way and it is my way!" [Cartoon]. Retrieved April, 2010, from [www.cartoonstock.com/cartoonview.asp?catref=whin250](http://www.cartoonstock.com/cartoonview.asp?catref=whin250).

### Section Three

- Question 12** Quote from: Tenenbaum, I. M. (2010). *Spain presidency meeting on consumer safety*. Retrieved June, 2010, from [www.cpsc.gov/pr/tenenbaum06102010.html](http://www.cpsc.gov/pr/tenenbaum06102010.html).

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