



BUSINESS MANAGEMENT AND ENTERPRISE

ATAR course examination 2016

Marking Key

Marking keys are an explicit statement about what the examining panel expect of candidates when they respond to particular examination items. They help ensure a consistent interpretation of the criteria that guide the awarding of marks.

Section One: Short answer

60% (60 Marks)

Question 1

(10 marks)

(a) Distinguish between quality control and quality assurance.

(2 marks)

Description	Marks
Distinguishes between (indicates differences) between quality control and quality assurance	2
Lists a characteristic or feature of quality control and quality assurance	1
Total	2
<p>Quality control is concerned with sampling products at the end of the product process to ensure quality standards are achieved before reaching the consumers. Whereas quality assurance is concerned with preventing poor quality at the start of the production process.</p> <p>Quality Control (QC)</p> <ul style="list-style-type: none"> • involves inspecting, testing and sampling the quality of the work produced • involves detecting faulty products or poor quality products (outputs) during the production process • monitors input to outputs (raw materials to finished products) • ensures products are made to the required specifications • ensures product meets the quality standard before the product is received by the consumer. <p>Quality Assurance (QA)</p> <ul style="list-style-type: none"> • the process of guaranteeing to the consumers the product's quality • informs customers that products have been manufactured to a quality standard • doing things 'right the first time' • involves checking and reviewing the production process • focuses on preventing poor quality products as opposed to correcting problems. <p>Accept any other correct, logical answer.</p>	

(b) Discuss **two** benefits for a business that adopts quality assurance as part of its quality management strategy.

(4 marks)

Description	Marks
For each of the two benefits:	
Discusses the benefit	2
Identifies a benefit	1
Total	4
<p>Quality Assurance (QA) benefits include:</p> <ul style="list-style-type: none"> • employee participation resulting in improved staff morale • employee participation generating new ideas for operations, processes and the quality of the end product • no formal inspection of the final product (output) resulting in employees and managers working together • reduction of production costs, less waste and reworking of products. <p>Accept any other correct, logical answer.</p>	

- (c) Describe quality improvement and provide **two** examples that a business can use for this purpose. (4 marks)

Description	Marks
Describes quality improvement	2
States a fact about quality improvement	1
Provides two quality improvement processes examples	1-2
Total	4
<p>Quality improvement (QI):</p> <p>The systematic approach to reduction or elimination of waste, rework, and losses in production process.</p> <p>QI examples:</p> <ul style="list-style-type: none"> • Total Quality Management (TQM) • ISO9000 • Six Sigma • Benchmarking • Kaizen • Quality circles 	
Accept any other correct, logical answer.	

Question 2

(10 marks)

(a) Explain **one** benefit of innovation for business. Use an example in your answer.

(2 marks)

Description	Marks
Explains one benefit of innovation using an example	2
Lists a benefit	1
Total	2
<p>Answers could include:</p> <ul style="list-style-type: none">• financial gain<ul style="list-style-type: none">◦ product innovation, e.g. new and/or more products to sell◦ process innovation e.g. productivity gains• expansion of global market presence<ul style="list-style-type: none">◦ innovation can be a driver of business growth◦ innovation can give a business a competitive edge over its foreign rivals• increased market share<ul style="list-style-type: none">◦ innovation can assist brand switching with the producing of more appealing/innovative products and hence increase market share◦ competitive advantage.	
Accept any other correct, logical answer.	

(b) Outline **two** factors that impact the success of innovation. (4 marks)

Description	Marks
For each of the two factors:	
Outlines a factor that may impact on the success of innovation	2
States a factor	1
Total	4
<p>Answers could include:</p> <ul style="list-style-type: none"> • timing <ul style="list-style-type: none"> ◦ the concept of timing in terms of both the innovation/operations cycle of innovation and how this relates to their customer cycles • cost <ul style="list-style-type: none"> ◦ investment in innovation (intellectual property), research and development can be significant, therefore requires appropriate financial resources; and requires appropriate human resources in terms of skill and volume • marketing strategy <ul style="list-style-type: none"> ◦ relates to provision of the right information regarding the innovative products, services, processes, position and/or paradigm, and how the strategy will inform existing markets and develop new markets ◦ a key element of the marketing strategy impacting success will be the timing of its implementation/release to the market and the use of the appropriate distribution channels • technology <ul style="list-style-type: none"> ◦ adoption, implementation, maintenance and training of staff technology skills will assist in innovation/operations area of innovation or the absence of any of these could have negative impacts ◦ impact in terms of the level of investment required for innovative technology/equipment to support the innovation ◦ other areas that may be impacted include the use of technology in the e-commerce stage of innovation and in the administrative areas supporting innovation processes. 	
Accept any other correct, logical answer.	

- (c) Using an example, explain **two** ways in which technology can be used to assist marketing in global markets. (4 marks)

Description	Marks
For each of the two ways technology can be used:	
Uses an example to explain the way technology can be used	2
States a fact about technology	1
Total	4
<p>Answers could include:</p> <ul style="list-style-type: none"> • distribution of new products <ul style="list-style-type: none"> ◦ costs and/or efficiencies ◦ timeliness or delays ◦ accuracy in procurement and inventory ◦ increased access to data and collaboration in supply chains ◦ faster planning and decision making, hence faster problem solving ◦ tracking of global distribution in real time. • e-commerce <ul style="list-style-type: none"> ◦ supports transfers of information and/or financial transactions globally e.g. dissemination of a marketing strategy or the development of an electronic payment system ◦ supports B2B and B2C business for new products ◦ m-commerce • social media campaigns <ul style="list-style-type: none"> ◦ release of marketing strategy/social media campaigns for a new product globally (adaptive release or real time) supported by the use of technology • ICT communications <ul style="list-style-type: none"> ◦ emails ◦ web pages. 	
Accept any other correct, logical answer	

Question 3

(10 marks)

- (a) Describe an ethical business decision that the chain could take and give an example of a related ethical business practice. (4 marks)

Description		Marks
Describes an ethical business decision		2
Identifies an ethical decision		1
Relates ethical decision and business practice		1
Outlines an example		1
Total		4
Answers could include:		
Ethical decision	Ethical practice	
<p>Environmental responsibility The role of environmental responsible decisions in a global business:</p> <ul style="list-style-type: none"> inform ways and practice that contribute to more sustainable patterns of living decisions are futures-oriented, focusing on protecting environments and creating a more ecologically and socially just world through informed action. 	<p>Environmental sustainability</p> <ul style="list-style-type: none"> practice of triple bottom line (economic, social, environmental benefits) for current global business (hotel) operations and future generations specifically, hotel businesses should be aware of the role of environmentally responsible decisions in terms of sustainability in operations in examples such as in hotel laundry facilities, recycling of supplies/reduction of waste, sensor lighting, solar heating of pools, communicating environmental practices to guests. 	
<p>Outsourcing The role of ethical decisions when global businesses outsource include:</p> <ul style="list-style-type: none"> being guided by the business' CSR policy for all outsourcing activities developing relationships with businesses who adhere to similar CSR codes of practice. 	<p>The role of corporate social responsibility</p> <ul style="list-style-type: none"> corporate social responsibility includes ethical business practices both locally and also in any offshore hotel operations communication and training of the ethical code and practice to staff and guests and other relevant stakeholders practice includes implementation and monitoring of all CSR codes (corporate code from HQ and local code). 	
<p>The use of offshore labour The role of ethical decisions should include the:</p> <ul style="list-style-type: none"> awareness of the host countries' labour regulations and workplace conditions awareness of labour vulnerability/exploitation need to deliver the global business' (hotel) own values and human rights in all their locations globally. 	<p>Minimum standards of labour by the ILO, including the use of child labour</p> <ul style="list-style-type: none"> design labour practices so that ILO minimum standards are met in the use of all labour – both expatriate, offshore labour and local labour practice includes no use of child labour the global business' code (hotel) of ethics should inform labour practice at all locations. 	
Accept any other correct, logical answer.		

- (b) Analyse the impacts of **two** cultural considerations on the global business practice of the hotel chain. (6 marks)

Description	Marks
For each of the two impacts of cultural consideration:	
Analyses the impact of a cultural consideration and relates this to global business practice	3
Relates the cultural consideration to global business practice (hotel chain)	2
Identifies an appropriate cultural consideration	1
Total	6
<p>Answers could include:</p> <ul style="list-style-type: none"> • levels of education <ul style="list-style-type: none"> ◦ limited availability of skilled labour for senior staff such as hotel manager positions (e.g. need to employ expatriates), and greater availability of non-skilled labour for positions such as the housekeeping/cleaning staff positions (e.g. greater pool of local staff) ◦ impact could be different pay expectations/working conditions for different groups/levels of workers • customs <ul style="list-style-type: none"> ◦ food and beverage provision for the different levels of hotel staff within a hotel or between different hotel locations globally ◦ impact could be work conditions/expectations – provision of culturally appropriate meals/lunches for staff in terms of preparation and dietary requirements ◦ organisational culture and operations ◦ impact – acceptable customs in terms of dress codes for hotel staff and/or guests, participation in hotel activities based on customs of staff • holidays and celebrations <ul style="list-style-type: none"> ◦ hotels operate 24/7 therefore the scheduling of different staff/departments according to work needs, public holidays annual leave etc. varies between countries and thus relates to overall business costs and productivity ◦ impact – acknowledgement of staff diversity in hotel operations, human resources management • religious beliefs <ul style="list-style-type: none"> ◦ often relates to work practices, holiday entitlements, clothing/uniforms/work-wear, observance of customs, work teams, facilities layout and design of hotel buildings and surrounding grounds ◦ impact – consideration of beliefs and values of all staff across all hotel locations globally; development of a code of ethics that is globally relevant to the hotel's chain of operations • business etiquette <ul style="list-style-type: none"> ◦ involve activities such as hotel staff and guest behaviours, business partner relationships, acceptance of gift giving, exchange of business cards ◦ impact – clear standards of behaviours, business policies and procedures so all staff understand what is acceptable • communication protocols <ul style="list-style-type: none"> ◦ include both internal and external communication between various stakeholders (e.g. types of greetings) ◦ impact – hotels are in the service industry so all hotel staff are dealing with people of different status and background using different modes and protocols of communication. 	
Accept any other correct, logical answer.	

Question 4

(10 marks)

(a) Describe the following **two** features of a strategic plan:

- strategic implementation
- control and evaluation.

(4 marks)

Description	Marks
For each of the two features:	
Describes a feature of a strategic plan	2
States a feature	1
Total	4
<p>Answers could include:</p> <p>Strategic implementation</p> <ul style="list-style-type: none"> • process of carrying out strategic plans; the strategic plan is translated into more operational planning and action items; usually involves a five-step process <ul style="list-style-type: none"> ◦ allocation of responsibilities ◦ detailed action plans ◦ timelines ◦ allocation of resources ◦ accountability <p>Control and evaluation</p> <ul style="list-style-type: none"> • process of controlling and evaluating the operations/implementation of the actions developed from the strategic plan • control is measuring activities, timelines and resource consumption; analysing deviations; correcting processes/outcomes • evaluation is the process of evaluating the performance and feeding back information into decision making for the next strategic planning cycle. <p>Accept any other correct, logical answer.</p>	

(b) Label the forces in the diagram of Porter's Five Forces model below.

(4 marks)

Description	Marks
For each correct label:	1–4
Total	4
<p>Answers could include:</p> <ul style="list-style-type: none"> • risk of threat of new entrants • bargaining power of suppliers • bargaining power of buyers • threat of substitute products. <p>Accept any other correct, logical answer.</p>	

(c) Define Porter's rivalry force.

(2 marks)

Description	Marks
Defines Porter's rivalry force	2
States a fact	1
Total	2
<p>Answers could include:</p> <p>Rivalry among organisations in an industry indicates that:</p> <ul style="list-style-type: none"> • the more that companies compete against one another for customers, the lower the industry profits (i.e. low prices + high costs = less profit) • common tactics include price competition, increasing advertising, product introductions, increased customer service or warranties • intensity of rivalry in an industry depends on the: <ul style="list-style-type: none"> ◦ nature of barriers to entry ◦ degree of product differentiation. 	
Accept any other correct, logical answer.	

Question 5

(10 marks)

(a) Describe the role of e-commerce in a global environment.

(2 marks)

Description	Marks
Describes the role of e-commerce in a global environment	2
States a fact about e-commerce	1
Total	2
Answers could include: <ul style="list-style-type: none"> • e-commerce is the trading of goods and services via the internet • the internet supports business activities to operate 24/7 in a global environment • access allows business to operate in a global environment on both a B2B and B2C basis. Accept any other correct, logical answer.	

(b) Describe **one** impact of technology on business operations in global markets. (2 marks)

Description	Marks
Describes one impact of technology	2
States a fact	1
Total	2
Answers could include: <ul style="list-style-type: none"> • technology that assists business in the expansion into global markets <ul style="list-style-type: none"> ◦ impacts of technology assisting in global expansion include access to relevant and reliable hardware and software to meet the business' needs; impact of cost to purchase and maintain technology; staff capability, skills and training; ability to adapt to new ways of doing things as technologies evolve, limiting risks to the business, staff, stakeholders and others in a digital environment • e-commerce, security and privacy issues <ul style="list-style-type: none"> ◦ e-commerce depends upon the use of technology to assist with the transferal of data/information, including finance ◦ impact – the need to implement security systems designed with relevant privacy interfaces/levels of access for various stakeholders who need to access the systems (i.e. not all users – staff/suppliers/customers – need to have access to all information in the system) ◦ the system would potentially need to operate 24/7 in a global market, so impacts in terms of costs of developing, maintaining and upgrading of systems – both software and hardware ◦ costs of staff training or employment of skilled staff across all global locations to operate systems and comply with security and privacy business policy and legal requirements according to each country of operations, therefore impacts the complexity and costs of doing business. Accept any other correct, logical answer.	

(c) Outline **one** strategy for minimising financial risk in export markets. (2 marks)

Description	Marks
Outlines a strategy	2
Lists a strategy	1
Total	2
<p>Answers could include:</p> <ul style="list-style-type: none"> • documentation – documentary letter of credit, documents against payment • insurance – export credit insurance, political risks insurance, transit or shipping insurance • hedging – a financial approach whereby a financial instrument is used to offset potential gains/losses, hence can be implemented to minimise risk. Examples of financial instruments can include insurance, forward purchasing/contracts, financial swaps, options, stocks, exchange-traded funds, derivative products, futures contracts. <p>Accept any other correct, logical answer.</p>	

(d) Explain why managerial inertia may be a reason for resistance to change in an increasingly globalised world. Provide an example that relates to the increasing reliance on technology in business. (4 marks)

Description	Marks
Explains a reason for resistance to managerial inertia	2
States a fact	1
Relates to operating in a globalised world reliant on technology	1
Links to resistance to change and provides an example	1
Total	4
<p>Answers could include:</p> <p>Managerial inertia Management needs to keep up with market trends and changes to ensure that the business remains competitive. They must review their plans and operations, for example, ask questions such as whether improved customer service can be achieved and how it might be implemented; do they need to review the scope of their e-commerce activities and change the way in which they operate their business. Managerial inertia is when management does not change.</p> <p>Resistance to change May be due to the pressures from staff against change being introduced and a reluctance to factors such as unfamiliarity, lack of understanding, dislike of disruptions or uncertainty, lack of security, ambivalence, costs or the process of change itself.</p> <p>Technology and change in a globalised world Technological progress has forced global businesses to change the way they operate their business. This could be in the way they communicate, use technology to transfer data or finance, or the way that they conduct their marketing and/or distribution e.g. technology has revolutionised the way in which books are sold.</p> <p>Accept any other correct, logical answer.</p>	

Question 6

(10 marks)

- (a) Explain the importance of managing diversity as a strategy for business growth. (4 marks)

Description		Marks
Explains the importance of managing diversity linking various strategies to business growth		4
Explains the importance of managing diversity linking one strategy to business growth		3
Outlines managing diversity strategies		2
Identifies a diversity strategy		1
Total		4
Answers could include:		
Diversity strategies	Links to business growth	
Global business environment means dealing with a variety of customers, suppliers and employees = importance to minimise conflict.	<ul style="list-style-type: none"> • strong relationship with suppliers and workforce, more productive as business grows • openness/communication leads to better ideas and methods • stakeholders willingness to do more business 	
Ability to manage diversity leads to a greater understanding of needs and wants of customers, suppliers and employees.	<ul style="list-style-type: none"> • with the understanding of needs and wants, customers are more satisfied = increased sales • with the understanding of needs and wants of the employee = motivated employees will promote creativity • with the understanding of needs and wants of suppliers = productive relationships. 	
Accept any other correct, logical answer.		

- (b) Justify **two** leadership traits that are the most effective in assisting leaders in a cross-cultural setting. (6 marks)

Description		Marks
For each of the two leadership traits:		
Justifies how leadership traits assist leader success in a cross-cultural setting		3
Outlines leadership traits appropriate for cross-cultural setting		2
Lists leadership traits		1
Total		6
NB: Markers – the traits must link to cross-cultural setting; the most effective are listed below.		
Traits	Explanation	Justification
<p>Skilled communicator</p> <ul style="list-style-type: none"> process or ability to exchange information in a cross-cultural setting 	<ul style="list-style-type: none"> more difficult in cross-cultural setting due to language barriers 	<ul style="list-style-type: none"> fosters relationships with suppliers and customers for better understanding of needs and wants, leads to satisfaction obtain more information to make better decisions.
<p>Socially aware</p> <ul style="list-style-type: none"> ability to understand and have an awareness of relationships in a cross-cultural setting 	<ul style="list-style-type: none"> leads to the ability to understand needs of customers or concerns of team members 	<ul style="list-style-type: none"> ability to understand leads to the ability to establish trust and long lasting business relationships ability to understand customer needs, leads to satisfaction and increase in sales.
Accept any other correct, logical answer.		

Section Two: Extended answer

40% (50 Marks)

Question 7

(25 marks)

- explain **three** factors that determine the feasibility of expanding into Asia (9 marks)

Description		Marks
For each of the three factors:		
Explains and links to the case study, a factor that determines feasibility for expanding into Asia		3
Explains a factor that determines feasibility for expanding into Asia		2
Identifies a factor		1
Total		9
Answers could include:		
Factors	Explanation	Links to case
Level of demand by consumers	<ul style="list-style-type: none"> ability and number of potential customers, including frequency of purchase have enough potential customers to warrant investment of expansion 	<ul style="list-style-type: none"> potential customers must be able to afford quality Australian products
Consumption patterns	<ul style="list-style-type: none"> changing trends of consumers dairy products are consumed more regularly and becoming part of daily diet health benefits of dairy – calcium 	<ul style="list-style-type: none"> Australian products due to quality – reflection of new middle class demands China consuming more dairy imports
Competitor activity	<ul style="list-style-type: none"> refers to the number of competitors in the market and their market share 	<ul style="list-style-type: none"> quality of China dairy production is unreliable (e.g. melamine contamination) new Free Trade Agreement (FTA) reducing barriers
Accept any other correct, logical answer.		

- describe **two** benefits of global branding for this dairy business (4 marks)

Description		Marks
For each of the two benefits:		
Describes a benefit of global branding		2
Outlines a benefit of global branding		1
Total		4
Answers could include:		
Benefits	Description	
Brand identity brand has a strong visual identity or logo	<ul style="list-style-type: none"> customers can identify products quickly amongst others customers link identity between product lines and associate new products with logo 	
Loyalty less likely to switch to competitor brands	<ul style="list-style-type: none"> customers are prepared to pay a premium price for a perceived benefit of the known brand over its competitors should lead to increased profitability and steady sales brand can be classified as an asset 	
Revenue increased revenues	<ul style="list-style-type: none"> market share is based on brand loyalty and positive brand associations easier to increase product range 	
Consistency communicate consistent messages	<ul style="list-style-type: none"> recognition of brand across product range reinforces marketing messages from a variety of sources 	
Accept any other correct, logical answer.		

- comment on the standardisation and adaptation options for this global brand when applying elements of the marketing mix (8 marks)

Description	Marks
Comments comprehensively on standardisation for the global brand	4
Comments on standardisation for the global brand	3
Comments briefly on standardisation for the global brand	2
Comments on standardisation	1
Sub-total	4
Comments comprehensively on adaptation for the global brand	4
Comments on adaptation for the global brand	3
Comments briefly on adaptation for the global brand	2
Comments on adaptation	1
Sub-total	4
Total	8
<p>Answers could include:</p> <p>Options for global branding could include:</p> <ul style="list-style-type: none"> • corporate • product name • product features • positioning <p>Standardisation:</p> <ul style="list-style-type: none"> • provides a consistent message • allows economy of scales for packaging etc. • customers are visually aware of same brand in different markets • by selling one unified product lacks uniqueness – may not be as competitive against local products/businesses • limits flexibility that can have a negative reaction by neglecting local requirements. <p>Adaptation:</p> <ul style="list-style-type: none"> • shows respect for local markets/culture/customers • leads to better company image and sales • leads to greater customer satisfaction • generates higher costs to change marketing mix for each market • is time consuming including market research and adaptation time. <p>Accept any other correct, logical answer.</p>	

- recommend whether the business should standardise or adapt if it expands into Asia, providing a rationale for your response. (4 marks)

Description	Marks
Recommends (provides comprehensive reasons in favour/applies to case study) standardisation or adaption alternative	4
Recommends (provides some reasons in favour/applies to case study) standardisation or adaption alternative	3
Recommends (provides a reason in favour/applies to case study) standardisation or adaption alternative	2
Outlines factors that need to be considered in the recommendation	1
Total	4
<p>Factors that could be considered in recommendation:</p> <ul style="list-style-type: none"> • customer needs/wants – market research needed to determine differences • language and culture – different words and colours have different connotations and meanings in other countries • legal – requirements on packaging and labels <p>Marketing mix alternatives:</p> <p>Standardisation marketing mix is best used when cultures and environments are similar, including customer demands (needs and wants)</p> <p>Adaptation marketing mix used in recognition of local markets to suit local tastes, meet specific market needs, leads to greater customer satisfaction.</p> <p>Recommendation/application to case study:</p> <p>Standardise:</p> <ul style="list-style-type: none"> • to be ‘uniquely Australian’ translates across all borders including local • retain logo of cow (translates globally) • use Australia because it is recognised for high standards • small Australian company may not have funds required to adapt to each market. <p>Asian markets becoming more westernised (similar needs and wants due to increasing ‘internationalised’ middle class).</p> <p>Accept any other correct, logical answer.</p>	

Question 8

(25 marks)

- describe outsourcing and identify **three** benefits of outsourcing to boards of directors (5 marks)

Description	Marks
Describes outsourcing	2
States a fact about outsourcing	1
Identifies three benefits	1–3
Total	5
<p>Outsourcing:</p> <p>Outsourcing is the act of moving non-core activities away from internal operations allowing an external specialist party to provide the function.</p> <p>Benefits:</p> <ul style="list-style-type: none"> reduce costs by using specialists that can perform the core function reduce labour costs – subcontractors are not employees business can focus on its core competencies – home renovations access to the technologies and developments in which it does not have the expertise. <p>Accept any other correct, logical answer.</p>	

- explain the purpose of using basic financial ratios (4 marks)

Description	Marks
Explains in detail the purpose (cause and effect) of using basic financial ratios	4
Provides the purpose of basic financial ratios	3
Defines basic ratios	2
States a fact	1
Total	4
<p>Financial ratios are used to:</p> <ul style="list-style-type: none"> analyse a business' financial position – short and long-term liquidity access the business' financial performance – the ability to control expenses compare actual figures with projected or budgeted financial figures (variance analysis) aids decision making, investing in the business. <p>Accept any other correct, logical answer.</p>	

- comment on the **three** categories of basic financial ratios: liquidity, profitability and stability (6 marks)

Description	Marks
For each of the three categories:	
Comments on the financial ratio	2
Comments briefly on the financial ratio	1
Total	6
<p>Liquidity</p> <ul style="list-style-type: none"> is the ability of a business to pay its short-term liabilities Current ratio – Company A – 1.25:1; Company B – 2.0:1 <p>Profitability</p> <ul style="list-style-type: none"> examines profit in relation to other figures Profit ratio – Company A – 10.0%; Company B – 13.3% Expense ratio – Company A – 65%; Company B – 67% Return on equity ratio – Company A – 8%; Company B – 10% <p>Stability</p> <ul style="list-style-type: none"> determines how well a business’s resources have been used Debt to equity ratio – Company A; 50%; Company B – 62% 	
Accept any other correct, logical answer.	

- interpret the **three** profitability ratios for each company in the table above (6 marks)

Description	Marks
For each of the three profitability ratios (Profit, Expense, Return on equity):	
Interprets the ratio for each company	2
States a fact about the ratio	1
Total	6
<p>Profit ratio</p> <ul style="list-style-type: none"> shows the percentage of sales turnover that is turned into profit Company A – 10.0% – for every \$1.00 of sales earned the company has \$0.10 profit Company B – 13.3% – for every \$1.00 of sales earned the company has \$0.13 profit. <p>Expense ratio</p> <ul style="list-style-type: none"> shows the percentage of sales that is consumed by expenses Company A – 65% – for every \$1.00 of sales earned the company consumed \$0.65 in expenses Company B – 67% – for every \$1.00 of sales earned the company consumed \$0.67 in expenses. <p>Return on equity ratio</p> <ul style="list-style-type: none"> measures the success of a business in generating profit on capital invested Company A – 8% – for every \$1.00 of sales earned the company has invested \$0.08 from capital into the business Company B – 10% – for every \$1.00 of sales earned the company has invested \$0.10 from capital into the business. 	
Accept any other correct, logical answer.	

- recommend the most suitable outsourcing company for HR, based on that company's ability to manage its short-term debts. (4 marks)

Description	Marks
Recommends, evaluates and assesses the HR options based on the case study	4
Makes a judgement or decision based on the case study	3
Makes a decision supported by a fact	2
Makes a decision	1
Total	4
<ul style="list-style-type: none"> • Company A – 1.25:1 – the company has \$1.25 of current assets for every \$1.00 of current liabilities. This indicates that the business should be able to pay all of their short-term debts • Company B – 2.0:1 – the company has \$2.00 of current assets for every \$1.00 of current liabilities. This indicates that the business should be able to pay all of their short-term debts • Current ratio is the primary measure of a company's liquidity • the higher the ratio, the more liquid the company • Current ratio, also known as Liquidity ratio and Working capital ratio, shows the proportion of current assets of a business in relation to its current liabilities • Current ratio measures whether or not a firm has enough resources to pay its debts over the next 12 months • a Current ratio of 2.0:1 would mean that current assets are sufficient to cover for twice the amount of a company's short term liabilities • Current ratio is a measure of liquidity of a company at a certain date • companies would aim to maintain a Current ratio of at least 1.0:1 to ensure that the value of their current assets cover at least the amount of their short-term obligations – current liabilities • a Current ratio greater than 1.0:1 provides additional cushion against unforeseeable contingencies that may arise in the short-term. 	
Recommendation/application to case study: Company B (from points above)	
Accept any other correct, logical answer.	

Question 9

(25 marks)

- explain **two** relevant factors driving global business development

(6 marks)

Description	Marks
For each of the two factors:	
Explains the relevance of a factor driving global business development related to the case study	3
Explains a factor driving global business development	2
Lists a factor	1
Total	6
<p>Answers could include:</p> <ul style="list-style-type: none"> • financial growth opportunities and/or loss minimisation <ul style="list-style-type: none"> ◦ growth of multinational corporations able to decentralise operations to take advantage lower costs in developing nations ◦ relevance: current trend for other businesses to offshore their operations in Asia; this may be an opportunity given the expense of operations in remote Australia • consumer purchasing and spending patterns <ul style="list-style-type: none"> ◦ increased understanding, acceptance and diversification of cultures, means consumers globally have increasingly similar tastes ◦ customers more willing to purchase foreign products (product demand) ◦ relevance: globalisation has facilitated global purchasing of products and produce; consumers are prepared and able to pay for quality produce • World Trade Organisation (WTO) regulations and sanctions <ul style="list-style-type: none"> ◦ removal of trade barriers enabling consumers to purchase goods internationally and increasing exporter and importer activity in domestic markets ◦ relevance: removal of trade barriers facilitates successful historical trade activities • deregulation of the financial markets <ul style="list-style-type: none"> ◦ enabling greater access to international capital ◦ relevance: opportunity to develop offshore operations in a global market. <p>Accept any other correct, logical answer.</p>	

- analyse **two possible** impacts of globalisation that would impact directly the business' proposed operations (6 marks)

Description	Marks
For each of the two impacts:	
Analyses an impact of globalisation including implications for the case study	3
Analyses an impact of globalisation	2
Lists an impact	1
Total	6
<p>Answers could include:</p> <ul style="list-style-type: none"> employment levels in developing countries and in developed countries <ul style="list-style-type: none"> production requirements (infrastructure, skilled labour) needed to compete in an industry implications for the business – current knowledge and skills have been sustainable, however leap to operating in a global market from northern Australian operation would be significant global spread of skills and technology <ul style="list-style-type: none"> many of the generic global business skills and technology are well established throughout Asia, however specialised knowledge and skills are often held locally such as business models, cultural knowledge implications – much of the cultural knowledge of harvesting the trepang in a sustainable way is held with the Aboriginal and Torres Strait Islander people. However, the technology skills in terms of the land operations and logistics would be dependent on the availability of internationally competitive suppliers and related industries and would need to be shared throughout the global supply chain. international cooperation <ul style="list-style-type: none"> multicultural societies show increased diversity, understanding of other cultures and norms, increased travel, migration and thus exposure to more diversity impact of globalisation has seen increased policy and/or practice of cooperation among societies/countries implication – Australia has established fresh/live produce trade with many Asian countries, therefore the business can learn from/build onto these domestic market <ul style="list-style-type: none"> the global demand for and ability to pay accordingly, may impact the supply to the local market implications – globalisation may have negative impacts on local market supplies and increase local prices for trepang tax minimisation <ul style="list-style-type: none"> opportunities to legally minimise tax through tax havens and transfer pricing implications – requires ethical and legal considerations; business would require sound advice before developing financial models. <p>Accept any other correct, logical answer.</p>	

- describe **two** economic factors and **one** political factor which could impact the business' operations in a global market (9 marks)

Description	Marks
For each of the two economic factors:	
Describes a characteristic or feature of an economic factor related to the case study	3
Describes a feature of an economic factor	2
States a fact	1
Subtotal	6
For a political factor:	
Describes a characteristic or feature of the political factor related to the case study	3
Describes a feature of a political factor	2
States a fact	1
Subtotal	3
Total	9
<p>Answers could include:</p> <p>Economic factors:</p> <ul style="list-style-type: none"> economic activity <ul style="list-style-type: none"> environmental scans will need to be undertaken to scope competitors' activity in potential markets in Asia; e.g. research competitors' technology/infrastructure capabilities and strategic directions discretionary spending <ul style="list-style-type: none"> need for accurate and timely market research to determine discretionary spending habits and patterns of current and developing global trepang markets; consumer confidence levels investigate future trends e.g. trepang consumption patterns in Asia interest rates <ul style="list-style-type: none"> may impact spending patterns in global markets may impact global expansion e.g. infrastructure development costs currency fluctuations <ul style="list-style-type: none"> can impact product and/or distribution costs to consumers in a global market tend to have greater impact on consumption of services than products; however greater impact on perceived 'luxury' products than standard products, trepang could be considered luxury product. <p>Political factors:</p> <ul style="list-style-type: none"> stability of foreign governments – elements of a country's political climate such as nationalism, forms of government and international organisations; <ul style="list-style-type: none"> impact – the business would consider country stability when considering establishing business relationships relationship of foreign governments with the Australian Government – foreign affairs/relationships, free trade agreements (FTA) <ul style="list-style-type: none"> impacts – consider historical relationships and current FTA opportunities (e.g. AANZFTA) and challenges when determining countries of business operation in global markets. <p>Accept any other correct, logical answer.</p>	

- recommend to management whether business expansion in Asia is a desirable option. Justify your response. (4 marks)

Description	Marks
Recommends factors and impacts that needs to be considered in favour of global business growth, applies recommendation to the case study	4
Provides some factors or impacts that need to be considered in the recommendation; relates to the case study	3
Outlines a few factors and possible impacts	2
Outlines some factors or impact	1
Total	4
<p>Factors, impacts and PEST that need to be considered in recommendation:</p> <ul style="list-style-type: none"> • factors driving global business growth • impacts of globalisation <ul style="list-style-type: none"> ◦ long history of demand for trepang from Australian suppliers ◦ Aboriginal and Torres Strait Islands have a long history of sustainably harvesting their waters ◦ small business may not have funds required to develop into a global business ◦ need for investment in quality operations as dealing with perishable produce ◦ require highly dependable supply chain ◦ Asian markets becoming more westernised, may impact consumption of traditional luxury products ◦ huge market potential throughout Asia and particularly in China ◦ risk in operating a business dependent on perishable products, greater risk in external impacts such as weather conditions, logistics, supply chain activities, currency fluctuations ◦ also greater risk when selling traditional, luxury/expensive produce. <p>Sample recommendation/application to the case study:</p> <p>Global business development of business into Asia:</p> <p>Overall, given the factors driving global business development, the successful history of the business, its geographic location in relation to its potential markets, the strong demand for its produce and factors considered from a business' operation in a global market. It would appear that the business needs to give strong consideration to the development of global business in the Asian region.</p> <p>While to date, the Aboriginal and Torres Strait Islander business has been able to operate sustainably, and thus protect their own interests and culture, they need to consider the risks, such as pressures of global business, the demands of meeting global market and various stakeholders demands needed to achieve the business growth.</p> <p>Given the complexity of developing in a globalised world, the very factors that foster global business operations can also hinder the sustainability of current operations.</p> <p>From the reasons identified above, it is recommended that global expansion into Asia would be a viable option for the business.</p> <p>Accept any other correct, logical answer.</p>	

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Question 3

Adapted from: Australian Curriculum, Assessment and Reporting Authority (ACARA). (n.d.). *Environmental responsibility*. Retrieved from <http://v7-5.australiancurriculum.edu.au/english/cross-curriculum-priorities>
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