



**BUSINESS MANAGEMENT
AND ENTERPRISE**

ATAR course examination 2024

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

(5 marks)

- (a) Identify **two** internal factors that can drive change in a global environment. (2 marks)

Description	Marks
For each internal factor (2 x 1 mark)	
Identifies an internal factor that can drive change in a global environment	1
Total	2
Answers could include: <ul style="list-style-type: none"> • staff downsizing for cost reductions in global operations • transition from physical stores to online stores worldwide • introduction of new products in global markets • establishing strategic alliances with overseas businesses • adaption of staff attitudes and work habits in changing global environments • extent of a business’s financial resources • international expansion of domestic businesses. 	
Accept other relevant answers.	

- (b) Explain how Lewin’s Forcefield Analysis model can be used to prepare people for change. (3 marks)

Description	Marks
Explains how Lewin’s Forcefield Analysis model can be used to prepare people for change	3
Outlines how Lewin’s Forcefield Analysis model can be used to prepare people for change	2
States a fact about Lewin’s Forcefield Analysis model	1
Total	3
Answers could include: <ul style="list-style-type: none"> • Forcefield Analysis is a tool that can be used in change management to help employees understand the need for a change • the model can be used to organise thinking where a brainstorming template is used to record the forces that support change and the forces that create any resistance to the change • once the forces are identified, they are then given a rating, which could be out of 5 or 10, according to their importance. The lower the rating, the least impact a force has on the proposed change, the higher the rating, the greater the impact • the change would look viable if the forces for change score higher than the forces which may create resistance to the change • management may have to attempt to find ways to reduce the forces which resist change if these forces are rated more highly; similarly, they may have to develop plans to exploit the forces for change if these rate more highly. 	
Accept other relevant answers.	

Question 2

(10 marks)

- (a) Identify **three** features of the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA). (3 marks)

Description	Marks
For each feature (3 x 1 mark)	
Identifies a feature of the AANZFTA	1
Total	3
Answers could include:	
<ul style="list-style-type: none"> • For copyright reasons this text cannot be reproduced in the online version of this document • For copyright reasons this text cannot be reproduced in the online version of this document • For copyright reasons this text cannot be reproduced in the online version of this document • For copyright reasons this text cannot be reproduced in the online version of this document • For copyright reasons this text cannot be reproduced in the online version of this document • provides legal protection for investment in ASEAN territories. 	
Accept other relevant answers.	

- (b) Outline, using an example for each, **one** benefit and **one** challenge to Australian-owned businesses as a result of free trade agreements. (4 marks)

Description	Marks
For each benefit/challenge (2 x 2 marks)	
Outlines a benefit/challenge of FTAs for Australian-owned businesses	2
Identifies a benefit/challenge of FTAs for Australian-owned businesses	1
Total	4
Answers could include:	
Benefits:	
<ul style="list-style-type: none"> • reduced tariffs and lower costs for businesses • more growth opportunities • strengthen economic ties with countries that are signatories to the same FTAs • access a larger customer base • diversify to reduce dependency on a single export/import country. 	
Challenges:	
<ul style="list-style-type: none"> • different judicial systems so any cross-border disputes will be costly and difficult to resolve • potential oversaturation in the market with increased global competitors • different regulatory standards and cultural differences make it hard for Australian businesses to succeed • businesses are pressured to change the way they operate to cater to new markets. 	
Accept other relevant answers.	

Question 2 (continued)

(c) Explain the role of e-commerce in a global environment. (3 marks)

Description	Marks
Explains the role of e-commerce in a global environment	3
Describes the role of e-commerce in a global environment	2
States the role of e-commerce	1
Total	3
<p>Answers could include:</p> <ul style="list-style-type: none"> • e-commerce is the action of buying and selling goods and services over electronic means such as the Internet, social media, etc. • involves online transactions and payments between businesses and consumers, businesses and businesses, and consumers and consumers • consumers have 24/7 access to a wide range of products and services • businesses have access to many different markets, outside of their domestic ones • businesses can diversify the supply chain, reducing dependency on a particular domestic supplier or buyer • results in increased competition, which leads to improved product quality, but can damage the development of new-found domestic businesses • businesses can take advantage of lower pay and cheaper working conditions in other countries • developing countries can have foreign investment to develop their infrastructure. <p>Accept other relevant answers.</p>	

Question 3

(14 marks)

- (a) Outline **two** benefits to Rayz Umbrellas of having a global brand. (4 marks)

Description	Marks
For each benefit (2 x 2 marks)	
Outlines a benefit to Rayz Umbrellas of having a global brand	2
Identifies a benefit to Rayz Umbrellas of having a global brand	1
Total	4
<p>Answers could include:</p> <ul style="list-style-type: none"> increased brand recognition: by establishing a global brand Rayz Umbrellas would benefit from heightened brand recognition on an international scale. This increased visibility would enable the company to tap into new markets more effectively, as consumers around the world would be familiar with the brand and its offerings higher sales and market share: Rayz Umbrellas could potentially experience higher sales volumes and market share in various regions, strengthened by the trust and recognition associated with a well-established global brand economies of scale: establishing a global brand allows Rayz Umbrellas to achieve economies of scale in production, distribution, and marketing activities. With a larger customer base spanning multiple countries, the company can optimise its operations by producing umbrellas in larger quantities, negotiating favourable terms with suppliers, and implementing cost-effective distribution channels marketing: a global brand enables Rayz Umbrellas to use its marketing resources more efficiently, as advertising and promotional campaigns can be standardised across different markets, leading to cost savings and enhanced profitability. 	
Accept other relevant answers.	

Question 3 (continued)

- (b) Explain how consumption patterns would affect the feasibility of Rayz Umbrellas expanding into a foreign market. (3 marks)

Description	Marks
Explains how consumption patterns would affect the feasibility of Rayz Umbrellas expanding into a foreign market	3
Outlines how consumption patterns would affect the feasibility of Rayz Umbrellas expanding into a foreign market	2
States a fact about consumption patterns	1
Total	3
<p>Answers could include:</p> <ul style="list-style-type: none"> • understanding the consumption patterns of target markets allows Rayz Umbrellas to tailor its product offerings to meet specific consumer preferences and needs. For example, if consumers in a foreign market prioritise compact and lightweight umbrellas for travel purposes, the company can develop and market products that align with these preferences • by aligning its offerings with local consumer demand, Rayz Umbrellas can increase the likelihood of success in foreign markets and differentiate itself from competitors • analysing consumption patterns provides insights into the demand and growth potential of target markets. By identifying regions where there is a growing demand for high-quality umbrellas, Rayz Umbrellas can prioritise expansion efforts in markets with significant growth opportunities • understanding consumption trends allows the company to allocate resources effectively and invest in markets where the potential for long-term success is highest • Rayz Umbrellas should consider the cultural, environmental, and economic factors that vary across different regions. For example, in coastal regions with a sunny climate, there may be a higher demand for beach umbrellas offering superior UV protection • by considering these factors, Rayz Umbrellas can adapt its product offerings and marketing strategies to resonate with local consumers and address specific environmental conditions • understanding cultural preferences and values enables the company to develop marketing campaigns that resonate with target audiences and build brand loyalty over time. 	
Accept other relevant answers.	

- (c) Advise Rayz Umbrellas whether it should adapt or standardise its product name when expanding into a foreign market. (3 marks)

Description	Marks
Advises Rayz Umbrellas whether it should adapt or standardise its product name when expanding into a foreign market	3
Describes whether Rayz Umbrellas should adapt or standardise its product name	2
States whether Rayz Umbrellas should adapt or standardise its product name	1
Total	3
<p>Answers could include:</p> <p>Adapt:</p> <ul style="list-style-type: none"> • Rayz Umbrellas could consider adapting the product name to align with the cultural and linguistic preferences of the foreign target market • they need to ensure that the name is easily pronounceable and doesn't have any unintended meanings or connotations in the local language • Rayz Umbrellas should research competitor names and preferences of the target market, which could reveal whether certain types of names are more appealing or attractive to the local audiences. <p>Standardise:</p> <ul style="list-style-type: none"> • if Rayz Umbrellas' product name has a universal appeal and translates well across cultures, standardisation may be a more viable option as it will enable consistent consumer messaging, operational efficiency, and easier and faster global expansion • standardising Rayz Umbrellas product name could translate to global brand recognition and cost efficiency • standardising the product name means Rayz Umbrellas would reduce the costs associated with rebranding efforts, including marketing materials, packaging, and promotional campaigns. <p>Accept other relevant answers.</p>	

Question 3 (continued)

- (d) Outline the purpose of a mission statement and propose an example that Rayz Umbrellas might consider. (4 marks)

Description	Marks
Outlines the purpose of a mission statement	2
States a fact about a mission statement	1
Subtotal	2
Proposes a suitable example of a mission statement for Rayz Umbrellas	2
Proposes an example of a mission statement	1
Subtotal	2
Total	4
<p>Answers could include:</p> <p>Purpose:</p> <ul style="list-style-type: none"> includes a business's culture, values, ethics, competitive advantage, future goals and agenda define how each of these applies to the business's stakeholders, employees, distributors, suppliers, shareholders and the community at large. <p>Examples:</p> <ul style="list-style-type: none"> at Rayz Umbrellas, our mission is to provide protection from the elements while enhancing the outdoor experience for our customers the business strives to offer innovative and high quality umbrellas, which combine functionality, durability and style. <p>Accept other relevant answers.</p>	

Question 4 (12 marks)

- (a) Distinguish between banks and finance companies as types of financial institutions. (3 marks)

Description	Marks
Distinguishes between banks and finance companies	3
Describes banks and finance companies	2
States a fact about banks and finance companies	1
Total	3
<p>Answers could include:</p> <p>Banks:</p> <ul style="list-style-type: none"> offer businesses a range of deposit, loan and investment accounts collect money from businesses that deposit their money with them and earn money from their own investments. They use these funds to give out loans to other businesses who require finance, provided they can pay a deposit. <p>Financial institutions:</p> <ul style="list-style-type: none"> offers loans to businesses unlike a bank, finance companies do not require businesses to place a deposit. They earn profit by charging businesses a high interest rate and loan and other administrative fees. <p>Accept other relevant answers.</p>	

- (b) Explain how the following economic factors have an impact on business operations in the global market. (9 marks)

- Economic activity
- Interest rates
- Currency fluctuations

Description	Marks
For each economic factor (3 x 3 marks)	
Explains how the economic factor has an impact on business operations in the global market	3
Outlines how the economic factor has an impact on business operations in the global market	2
States a fact about the economic factor	1
Total	9
<p>Answers could include:</p> <p>Economic activity:</p> <ul style="list-style-type: none"> • economic activity in the global market often involves the production, distribution, purchasing, and selling of goods and services • when a business operates globally, it needs to be aware of the levels of gross domestic product rates in the various countries it operates in. This rate has an impact on how much the business can grow and how much profit it can make • if a country the business operates in experiences an economic downturn, sales would fall as consumers in that country will not be confident to spend. Similarly, if the country it operates in experiences an economic expansion, the business would see sales and profits grow as there would be higher levels of consumer confidence and sentiment. <p>Interest rates:</p> <ul style="list-style-type: none"> • interest rates represent the cost of credit and play an important role in shaping business decisions and investment strategies • rising interest rates will increase the cost of borrowing for global businesses and make investments more expensive while falling interest rates will decrease the cost of borrowing for businesses • fluctuations in global interest rates will affect spending patterns and impact global expansion. For instance, rising interest rates will cause consumers to decrease their spending, due to the rising cost of credit, and affect businesses' overall revenue and profit. Similarly, falling interest rates will increase consumption spending since the cost of credit has fallen. <p>Currency fluctuations:</p> <ul style="list-style-type: none"> • these refer to changes that occur in the dollar value of one currency relative to another country's currency • transactions in foreign currencies are affected by variations and can have an impact on production and distribution costs when businesses operate in global markets • businesses that sell their products to global markets may observe fluctuations in their revenue and profits. A strong domestic currency can see a fall in revenue if consumers are predominantly from overseas markets with a weaker currency. Similarly, a weak domestic currency will allow businesses who sell to global markets to see a rise in their revenue. 	
Accept other relevant answers.	

Question 5

(10 marks)

(a) Outline why the following leadership traits are needed for a cross-cultural setting. (6 marks)

- Socially aware
- Future thinker
- Self-discipline

Description	Marks
For each leadership trait (3 x 2 marks)	
Outlines why the leadership trait is needed for a cross-cultural setting	2
States a fact about the leadership trait	1
Total	6
<p>Answers could include:</p> <p>Socially aware:</p> <ul style="list-style-type: none"> • allows the leader to acknowledge the differences between cultures and respect respective values • appropriate to build long-term relationships where everyone works harmoniously alongside each other • helps with addressing and resolving conflicts arising from cultural misunderstandings. <p>Future thinker:</p> <ul style="list-style-type: none"> • allows the leader to anticipate future challenges and opportunities in a global and culturally diverse context. This is an asset in the process of strategic planning for a business • helps leaders develop strategies that consider long-term cultural shifts and trends • encourages a forward-thinking mindset to adapt to evolving cultural landscapes. <p>Self-discipline:</p> <ul style="list-style-type: none"> • allows the leader to set a standard for discipline and professionalism for everyone to follow regardless of cultural background. This builds a fair ground for all staff to be treated equally • a leader with self-discipline earns staff’s trust easily and creates a sense of certainty for staff who are culturally different from one another • tends to result in consistent behaviour and decision-making, providing stability in a culturally diverse environment. <p>Accept other relevant answers.</p>	

- (b) Discuss how an autocratic leadership style can be adapted to a cross-cultural setting. (4 marks)

Description	Marks
Discusses how an autocratic leadership style can be adapted to a cross-cultural setting	4
Explains how an autocratic leadership style can be adapted to a cross-cultural setting	3
Outlines how an autocratic leadership style can be adapted to a cross-cultural setting	2
States a fact about autocratic leadership	1
Total	4
<p>Answers could include:</p> <p>Autocratic is the leadership style in which leaders make all decisions and direct the group without the input of their employees.</p> <p>Discussion:</p> <ul style="list-style-type: none"> autocratic leaders have centralised decision-making so the decision-makers have to be culturally sensitive in a cross-cultural setting. Leaders should recognise and respect cultural differences in decision-making processes, communication styles, and hierarchical structures. Leaders should display cultural sensitivity and adapt their style accordingly since the autocratic leadership style can be top-heavy, clear communication with staff and stakeholders to overcome language and cultural barriers is needed. Leaders should create a culture where employees feel comfortable in expressing their opinions and concerns although autocratic leaders make all decisions, they should make flexible cultural adjustments, considering cultural nuances. Leaders need to be flexible and adaptable in their approach and recognise that what works in one cultural context may not work in another. They need to adjust their leadership style and behaviours based on cultural norms and preferences they should attempt to incorporate some employee input, especially in regard to cultural adaptations. Leaders should invest time in building relationships with employees across different cultures. They need to understand their employees' different backgrounds and values and display empathy and respect in all interactions. 	
Accept other relevant answers.	
Note: candidates may refer to different leadership styles as part of their response.	

Question 6

(9 marks)

(a) Explain the following sources of external funding for the company to consider. (6 marks)

- Venture capital
- Secured loans

Description	Marks
For each source of external funding (2 x 3 marks)	
Explains the source of external funding for the company to consider	3
Describes the source of external funding for the company to consider	2
States a fact about the source of external funding	1
Total	6
<p>Answers could include:</p> <p>Venture capital:</p> <ul style="list-style-type: none"> • is a source of external funding where wealthy individuals and companies offer a long-term loan to a business. A bank may not lend money to a company if it is going to start a new service or create a new product and it seems risky • venture capitalists may be more inclined to take risks for long-term gain since there will be a significant amount of money at stake. Due to this high risk, the venture capitalist may offer a loan to the company on the condition that they become part owners • the role of a venture capitalist is to finance new and expanding businesses such as the company, to bring management expertise to the business and to take on any high risks with the expectation that they get high returns. <p>Secured loans:</p> <ul style="list-style-type: none"> • a company can organise a loan that is secured against the assets that it owns. These assets could include property, vehicles, or equipment. The amount that can be borrowed together with the interest rate that the business is charged would depend on the type of security provided to the lender • a lender is more likely to approve a loan for a company if there is high security. A business that is unable to repay the value of the loan will then see the lender take control of the assets and they would sell them to try to recoup the debt owed • a lender often considers the purpose of the loan, the size of the loan, assets and income of the business, and the duration that the company would need the loan for in order to determine if the loan should be issued. <p>Accept other relevant answers.</p>	

- (b) Explain how the stability of foreign governments may affect business operations in a global market for a company planning global expansion. (3 marks)

Description	Marks
Explains how the stability of foreign governments may affect business operations in a global market for a company planning global expansion	3
Outlines how the stability of foreign governments may affect business operations in a global market	2
States a fact about the effect of the stability of foreign governments on business operations	1
Total	3
<p>Answers could include:</p> <ul style="list-style-type: none"> the stability of foreign governments in target markets directly influences the business environment, regulatory frameworks, investment climate, and operational risks for a company political instability, governance challenges, civil unrest, regime changes, or geopolitical tensions in specific regions can disrupt business operations, supply chains, market access, and strategic initiatives uncertainty or volatility in foreign governments may lead to regulatory changes, economic instability, security concerns, contract disputes, or legal challenges, requiring the corporation to assess, mitigate, and adapt to the evolving political environment to ensure compliance and success in international markets a stable government is more likely to maintain consistent policies and regulations, providing the company with a clear framework for doing business, thus is better for business operations in a politically stable environment, there is generally a stronger commitment to upholding the rule of law and enforcing contracts. This is crucial for a company that relies on legal agreements with local partners, suppliers, and customers stable governments are more likely to invest in infrastructure development, including reliable transportation, communication networks, and energy systems a stable foreign government is vital for the efficient distribution of technological products and services, reducing operational challenges and costs. 	
Accept other relevant answers.	

Section Two: Extended answer

40% (50 Marks)

Question 7

(25 marks)

(a) Describe **two** factors driving JTS's global business development. (4 marks)

Description	Marks
For each driving factor (2 x 2 marks)	
Describes a factor driving JTS's global business development	2
States a factor driving global business development	1
Total	4
<p>Answers could include:</p> <p>Financial growth opportunities and loss minimisation:</p> <ul style="list-style-type: none"> JTS identifies financial growth opportunities through investment in a new market with a bigger customer base. Asia has more than 1 billion people so opportunities are numerous. Also, opportunities lie in government grants, such as the USD 700 000 grant for new technology businesses in Vietnam. This presents a significant financial incentive for the company's expansion and establishment in Southeast Asia. With this, the level of risk that JTS undergoes is minimised when their required investment is lower the consideration of potential risks, such as overdependency on the domestic market, indicates a proactive approach to loss minimisation. By expanding into Southeast Asia and leveraging government benefits, JTS aims to diversify its revenue streams and minimise the impact of market uncertainties. <p>Consumer purchasing and spending patterns:</p> <ul style="list-style-type: none"> with a booming demand in Southeast Asia, the business will benefit greatly when expanding into this area. They are more likely to make more profit, secure a bigger customer base and diversify their investment portfolio the choice of Southeast Asia, particularly Vietnam, as the first foreign market reflects a strategic effort to tap into the growth potential of emerging markets. The emerging markets are seen as having more potential due to their exponential growth. By aligning their operations with consumer behaviour in these regions, the company aims to establish a strong market presence and drive financial success each country in this region has a different spending pattern, so understanding the nuanced differences between each country greatly supports JTS's plan. <p>World Trade Organisation (WTO) regulations and sanctions:</p> <ul style="list-style-type: none"> Jessica and Lexi's business is based in Australia, which is a member of the WTO, so they understand the stringent regulations of the WTO and can make sure that the business operates within the limit and scope of the WTO's regulations WTO regulations create a fair ground for member countries to do business with each other, making sure that international businesses are protected, are not restricted by protectionist policies of host countries, and have help with conflict resolution. If a member country does not comply with WTO regulations, sanctions will be placed on them, creating an economic loss for businesses from that country when JTS expands into Southeast Asia, they have to comply with WTO regulations which can incur additional costs for them, but they will also be protected by an internationally standardised set of regulations. This minimises regulatory and legislative risks for JTS. 	
Accept other relevant answers.	
Note: the deregulation of the financial market is not accepted because it is not relevant to the case study.	

- (b) Explain the impact of globalisation on tax minimisation for JTS, in relation to tax havens and transfer pricing. (6 marks)

Description	Marks
For each tax minimisation method (2 x 3 marks)	
Explains the impact of globalisation on tax minimisation in relation to tax havens/transfer pricing for JTS	3
Outlines the impact of globalisation on tax minimisation in relation to tax havens/transfer pricing for JTS	2
States a fact about the tax minimisation method	1
Total	6
<p>Answers could include:</p> <p>Tax havens: Tax havens are jurisdictions or nations that offer favourable tax conditions and financial secrecy to individuals and businesses. These locations attract entities seeking to minimise their tax liabilities by taking advantage of lenient tax regulations, low or zero tax rates, and other financial incentives.</p> <p>The impact of globalisation on tax havens for JTS:</p> <ul style="list-style-type: none"> • globalisation enables JTS to strategically choose tax havens. In the jurisdiction of Southeast Asia, Singapore is considered a tax haven with a low corporate tax rate and flexible tax regulations • the company may establish subsidiaries or operations in tax havens to minimise its overall tax burden through lower tax rates, exemptions, or preferential tax treatment while also maintaining secrecy of its operations. <p>Transfer pricing: Transfer pricing is the action of pricing the same product/service differently, which is produced by the same organisation/business with branches in more than one country. Transfer pricing sometimes allows businesses to legally pay less tax than required due to pricing set by a branch in a jurisdiction with more favourable conditions.</p> <p>The impact of globalisation on transfer pricing for JTS:</p> <ul style="list-style-type: none"> • although transfer pricing is a legal way to minimise JTS's tax liabilities when setting up a new branch in Southeast Asia, which has more favourable tax conditions than Australia, different tax laws and business regulations might end up costing the business more, which counters the purpose of transfer pricing • the company must carefully manage transfer pricing to comply with international tax regulations, ensuring that transactions reflect market values. This allows for the optimisation of tax liabilities while maintaining compliance • JTS also runs the risk of double taxation because, when not done properly, transfer pricing can lead to JTS being taxed in both Australia and Southeast Asia. <p>Accept other relevant answers.</p>	

Question 7 (continued)

- (c) Explain **two** incentives provided by the host country and home government for international trade that JTS could consider. (6 marks)

Description	Marks
For each incentive (2 x 3 marks)	
Explains an incentive provided by the host country and home government for international trade that JTS could consider	3
Outlines an incentive provided by the host country and home government for international trade that JTS could consider	2
States a fact about an incentive provided by the host country and home government for international trade	1
Total	6
<p>Answers could include:</p> <p>Grants:</p> <ul style="list-style-type: none"> • Jessica and Lexi are considering expanding into Southeast Asia, specifically Vietnam. The host country, Vietnam, offers a grant of up to USD 700 000 for new technology businesses. The grant serves as a financial incentive for JTS to minimise the cost of the establishment, and promotes mutual economic development, job creation, and the growth of the technology sector in Vietnam • grants open up a window of opportunities for similar WA businesses to consider like markets and creates further economic development between Australia and Southeast Asia • Jessica and Lexi might also explore whether the WA or Australian government offer grants or financial support for businesses expanding into the Southeast Asian market because they are strategic partners in AANZFTA. These grants can help offset initial investment costs, support market entry, and enhance the competitiveness of the Australian technology industry on the global stage. <p>Taxation:</p> <ul style="list-style-type: none"> • the Australian government offers taxation policies that benefit businesses engaged in international trade, such as tax credits for overseas investments, exemptions on certain types of income, or provisions to avoid double taxation • these tax incentives encourage Australian businesses to engage in international trade, promoting economic growth, fostering competitiveness, and supporting the global expansion of companies like JTS • Southeast Asian countries may offer favourable tax rates or tax holidays for a specified period to attract foreign businesses. This could include reduced corporate income tax rates for technology companies operating in specific regions. The reduced tax burden encourages foreign companies like JTS to invest in the host country, fostering economic growth and technological development. <p>Accept other relevant answers.</p>	

- (d) Comment on **three** aspects of the role of ethics JTS should consider when making global business decisions. (9 marks)

Description	Marks
For each aspect (3 x 3 marks)	
Comments on the role of ethics JTS should consider when making global business decisions	3
Outlines the role of ethics JTS should consider when making global business decisions	2
States a fact about the role of ethics	1
Total	9
<p>Answers could include:</p> <p>Environmental responsibility:</p> <ul style="list-style-type: none"> • as a technology business, JTS has the responsibility to ensure that they are environmentally sustainable, adopting sustainable practices and minimising the ecological footprint of their operations • JTS, under WTO regulations and the regulatory requirements of Southeast Asian countries, has to commit to environmental regulations, ensuring that its activities align with the legal requirements of the host country • when they develop a software or hardware product, JTS needs to consider the carbon footprint created by the use of the product, the materials to make the product, and the supply chain from which the product is made • the operations have to use clean energy, involve low energy consumption, sustainable waste management, or JTS could consider renewable energy investment • stakeholders in the supply chain have to be environmentally responsible, too. When JTS partners with companies that do not comply with environmental regulations, the products could be boycotted. <p>Outsourcing:</p> <ul style="list-style-type: none"> • outsourcing is the use of labour in a different jurisdiction, usually to take advantage of cheaper labour costs • Jessica and Lexi may prioritise fair labour practices, ensuring that outsourcing partners adhere to ethical employment standards. They have to pay workers in these countries a fair wage, not as high as in Australia, but have to comply with fair labour practices • to be ethical, Jessica and Lexi also need to consider the impact their outsourcing has on the domestic as well as Southeast Asian labour markets. They might push away jobs that can be given to domestic workers to cut costs, but they also create higher-paying jobs for Southeast Asian workers by doing so • Jessica and Lexi also need to consider partnering with stakeholders that also employ ethical employment standards and are socially responsible • they also have to consider educating the workforce in the host countries to improve training and skill-upgrading for outsourced workers. <p>Use of offshore labour:</p> <ul style="list-style-type: none"> • JTS may prioritise the fair treatment of offshore labour, ensuring that employees receive fair wages and are provided with safe working conditions, and that other employment benefits are fairly provided • JTS needs to consider the impact that they can have on the local community, such as culture and job creation. One way to do that effectively is to appoint a local representative to report any unethical practices • ethical considerations from Jessica and Lexi also involve respecting cultural differences and ensuring that offshore labour practices align with local norms and values • as a technology company, JTS also needs to consider the ethical use of intellectual property, such as patents, for their storage software. <p>Accept other relevant answers.</p>	

Question 8

(25 marks)

- (a) Describe **two** sources of financial risk SAS might encounter in exporting its products to international markets. (4 marks)

Description	Marks
For each source of financial risk (2 x 2 marks)	
Describes the source of financial risk SAS might encounter in exporting its products to international markets	2
States a fact about a source of financial risk	1
Total	4
<p>Answers could include:</p> <p>Currency fluctuations:</p> <ul style="list-style-type: none"> • when SAS starts selling its products in international markets, it will have to deal with transactions in different currencies. Fluctuations in exchange rates can significantly impact the profitability of the company • if SAS quotes a price for its products in Australian dollars but receives payment in Euros or US dollars, any adverse movement in exchange rates can reduce the actual amount received when converted back to Australian dollars • unpredictability can erode profit margins, making it challenging for the company to maintain consistent revenue and profitability levels. <p>Non-payments of monies:</p> <ul style="list-style-type: none"> • a significant financial risk for SAS when expanding internationally is the risk of not receiving payments from international clients • dealing with customers in different countries introduces complexities in terms of credit risk. There is a possibility that international clients may default on payments due to various reasons such as economic downturns, political instability, or business failures • if SAS does not receive payments for its products, it could strain the company's cash flow, impact its ability to meet operational expenses, and potentially lead to financial instability. 	
Accept other relevant answers.	

- (b) Recommend **three** strategies SAS could employ to minimise the financial risks associated with exporting its products. (9 marks)

Description	Marks
For each strategy (3 x 3 marks)	
Recommends a strategy SAS could employ to minimise the financial risks associated with exporting its products	3
Describes a strategy SAS could employ to minimise the financial risks associated with exporting its products	2
States a fact about a strategy that could minimise financial risk	1
Total	9
<p>Answers could include:</p> <p>Documentation:</p> <ul style="list-style-type: none"> SAS must maintain meticulous and accurate documentation throughout the export process proper documentation, such as a letter of credit, ensures transparency, clarity, and legal compliance in international transactions. This includes contracts outlining terms of sale, invoices detailing product specifications and pricing, shipping, and export-import documentation, as required by customs authorities effective documentation helps mitigate risks related to disputes, misunderstandings, and legal complications by ensuring that all transactions and agreements are well-documented, SAS can establish clear expectations with international clients and protect its interests in case of disputes or non-payment situations. <p>Insurance:</p> <ul style="list-style-type: none"> investing in appropriate insurance coverage is crucial for SAS to protect against the potential financial losses associated with exporting its products specifically, trade credit insurance can be instrumental in mitigating the risk of non-payment by international clients trade credit insurance provides coverage against the failure of buyers to pay for goods or services due to insolvency, protracted default, or political events by obtaining trade credit insurance, SAS can protect its accounts receivable and ensure a more predictable cash flow, even if international client's default on payments additionally, the business should consider other insurance options like marine cargo insurance to protect against risks such as loss or damage to goods during transit. <p>Hedging:</p> <ul style="list-style-type: none"> For copyright reasons this text cannot be reproduced in the online version of this document For copyright reasons this text cannot be reproduced in the online version of this document For copyright reasons this text cannot be reproduced in the online version of this document by implementing hedging strategies, SAS can stabilise its cash flows, minimise the impact of currency volatility on profitability, and enhance its financial predictability in international markets. 	
Accept other relevant answers.	

Question 8 (continued)

(c) Explain **two** benefits of innovation for SAS. (6 marks)

Description	Marks
For each benefit (2 x 3 marks)	
Explains a benefit of innovation for SAS	3
Describes a benefit of innovation for SAS	2
States a fact about a benefit of innovation	1
Total	6
<p>Answers could include:</p> <p>Financial gain:</p> <ul style="list-style-type: none"> • by infusing innovation into its product offerings, SAS can create unique, high-quality products and services that appeal to international consumers. Introducing innovative products can enable the company to command premium pricing, thereby increasing its profit margins • innovative designs and features may attract a broader customer base willing to pay a premium for differentiated products • innovation can lead to cost efficiencies in manufacturing processes, supply chain management, and operational activities • for example, adopting advanced manufacturing technologies or sustainable materials can reduce production costs, improve operational efficiency, and enhance overall profitability. Ultimately, by leveraging innovation, SAS can generate higher revenues, improve profit margins, and achieve sustainable financial growth in both domestic and international markets. <p>Expansion of global market presence:</p> <ul style="list-style-type: none"> • innovation could play a crucial role in expanding SAS's global market presence and allow them to penetrate new international markets. By continuously evolving its product range to meet the diverse needs and preferences of global consumers, the company can establish a strong brand presence and reputation internationally • innovative products that resonate with international agricultural businesses and clients can create excitement, generate positive word-of-mouth, and drive demand in new markets • by adapting its offerings to local environments, needs and preferences, SAS can effectively cater to diverse customer segments across different regions • this strategic approach to innovation enables the company to enter new markets successfully, establish meaningful connections with customers worldwide, and build a loyal global customer base. <p>Increased market share:</p> <ul style="list-style-type: none"> • innovation provides SAS with a competitive edge in the international agriculture market, enabling the company to differentiate itself from competitors and capture a larger market share • by introducing innovative products, features, and services that address unmet customer needs, SAS can attract customers away from rival brands and gain a competitive advantage • continuous innovation allows the company to stay ahead of industry trends, anticipate market shifts, and respond proactively to changing consumer preferences • a strong reputation for innovation can enhance brand loyalty, foster customer engagement, and create long-term relationships with customers, further solidifying SAS's position as a market leader in the global agricultural industry. 	
Accept other relevant answers.	

- (d) Examine the impact of patent registrations and product liability on SAS's operations in global markets. (6 marks)

Description	Marks
For each competition regulation (2 x 3 marks)	
Examines the impact of the competition regulation on SAS's operations in global markets	3
Describes the impact of the competition regulation on SAS's operations in global markets	2
States a fact about the competition regulation	1
Total	6
<p>Answers could include:</p> <p>Patent registrations:</p> <ul style="list-style-type: none"> intellectual property rights, including patents, play a crucial role in protecting SAS's innovative designs, technologies, and products in global markets. The company must secure appropriate patent registrations to prevent competitors from copying, imitating, or infringing upon its proprietary designs and technologies when expanding internationally, SAS needs to navigate the complexities of patent laws and regulations in different countries. This involves conducting thorough patent searches, filing patent applications, and enforcing patent rights to protect its intellectual property assets for example, if SAS develops a unique product design or technology, it must secure patent protection in key markets such as Europe and North America to prevent competitors from exploiting its innovations. By obtaining and enforcing patents, SAS can maintain a competitive edge, preserve its market share, and generate licensing revenues from its intellectual property assets. <p>Product liability:</p> <ul style="list-style-type: none"> product liability laws vary significantly across different countries, impacting SAS's obligations and potential liabilities concerning product safety, quality, and consumer protection SAS must adhere to local product liability regulations, standards, and requirements in each market it serves. This includes ensuring that its products meet relevant safety standards, labelling requirements, and consumer protection laws specific to each country for example, if SAS sells its products in Europe, it must comply with the European Union's product safety regulations and standards. This involves conducting product testing, certification, and compliance assessments to ensure that its products meet all applicable requirements and standards. 	
Accept other relevant answers.	

Question 9

(25 marks)

- (a) Describe **two** examples of environmental sustainability that CHF could consider when expanding into the Indonesian market. (4 marks)

Description	Marks
For each example (2 x 2 marks)	
Describes an example of environmental sustainability that CHF could consider when expanding into the Indonesian market	2
States an example of an ethical practice relating to environmental sustainability	1
Total	4
<p>Answers could include:</p> <ul style="list-style-type: none"> • sustainability aims to meet the needs of the business while seeking to protect and preserve resources and the environment for the future. This includes finding ways to reduce waste and recycling of more resources such as water, energy and paper • CHF can also measure their carbon footprint and investigate carbon offsets. Sustainable practices can differentiate businesses in the market and be used to promote the CHF in a positive light to build CHF's customer base • CHF's employees will feel ethical by working in a sustainable business. Sustainable businesses have been shown to improve staff morale and increase staff productivity and reduce absenteeism • one way that CHF can be more sustainable is for it to be efficient with resources, recycling supplies and reducing waste. CHF can promote the business more through its website and social media and not through other advertising methods such as print material. 	
Accept other relevant answers.	

- (b) Discuss how CHF can control the quality of its operations in the Indonesian market. (4 marks)

Description	Marks
Discusses how CHF can control the quality of its operations in the Indonesian market	4
Explains how CHF can control the quality of its operations in the Indonesian market	3
Outlines how CHF can control the quality of its operations	2
States a fact about how a business can control the quality of its operations	1
Total	4
<p>Answers could include:</p> <ul style="list-style-type: none"> control of quality may involve quality assurance (QA), quality improvement (QI) and quality control (QC) QA refers to a set of activities designed to make sure the development and maintenance process is adequate so that a system can meet its objectives, for example, CHF could use QA to prevent defects throughout the production process QI refers to the effort taken to increase efficiency, actions and procedures, with the purpose of achieving additional benefits for the business and its users, for example, CHF could use Total Quality Management (TQM) to improve its production process QC refers to the process of checking and reviewing processes at the end to determine if the requirements of the business are being met, for example, it ensures that the final product meets a defined set of quality criteria and meets the requirements of CHF's customers maintenance of quality is essential for CHF to maintain its brand. A brand is often associated with a particular level of quality and any lowering of quality or perception of quality would result in a loss of consumer confidence in the brand resulting in a decline in sales and profits. 	
Accept other relevant answers.	

Question 9 (continued)

- (c) Comment on the profitability of CHF in 2022 and 2023, using **three** suitable ratios from the table above. (9 marks)

Description	Marks
For each profitability ratios (3 x 3 marks)	
Identifies the correct ratio	1
Subtotal	3
Comments on the ratio for each year	2
States a fact about the ratio	1
Subtotal	6
Total	9
<p>Answers could include:</p> <p>Profit ratio:</p> <ul style="list-style-type: none"> • shows the percentage of net sales • in 2022, this was 12% which means for every \$1 of sales earned, CHF had \$0.12 profit • in 2023, this increased to 14%, which means for every \$1 of sales earned, CHF had \$0.14 profit • ratio has improved in 2023 by 2%. <p>Return on equity ratio:</p> <ul style="list-style-type: none"> • measures how much profit a business generates on capital invested • in 2022, this was 8%. For every \$1 of sales earned, CHF had invested \$0.08 from capital • in 2023, this increased to 11%. For every \$1 of sales earned, CHF had invested \$0.11 from capital • ratio shows a 3% improvement in generating profits. <p>Expense ratio:</p> <ul style="list-style-type: none"> • shows the percentage of sales that is consumed by operating expenses • in 2022, this was 60%. For every \$1 of sales earned, CHF consumed \$0.60 in operating expenses • in 2023, this decreased to 55%. For every \$1 of sales earned, CHF consumed \$0.55 in operating expenses • this ratio has improved by 5%, showing that CHF has reduced its expenses. <p>Accept other relevant answers.</p>	

- (d) Analyse the impact of cultural customs and business etiquette on the success of CHF's operations in Indonesia. (8 marks)

Description	Marks
For each cultural consideration (2 x 4 marks)	
Analyses the impact of the cultural customs/business etiquette on the success of CHF's operations in Indonesia	4
Explains the impact of the cultural customs/business etiquette on the success of CHF's operations in Indonesia	3
Describes the impact of the cultural customs/business etiquette on business success	2
States a fact about the cultural consideration	1
Total	8
<p>Answers could include:</p> <p>Customs:</p> <ul style="list-style-type: none"> when conducting business in another country such as Indonesia, CHF will need to consider cultural differences that may be presented cultural differences could include basic customs, mannerisms, and gestures. For example, if a salesperson for CHF approaches a meeting with knowledge of a customer's cultural background, then this salesperson's words, body language, and actions can all be adapted to better suit those of the customers in Indonesia understanding cultural differences and adapting to these differences will allow CHF to be better-liked by customers in Indonesia. This will enable CHF to grow their customer base, increase their sales and profits, and to operate successfully in Indonesia. <p>Business etiquette:</p> <ul style="list-style-type: none"> the formality of address is an important consideration when dealing with colleagues and business partners from different countries. CHF can consider if team members in Indonesia prefer titles and surnames or being on a first name basis while it can vary across organisations, Asian countries such as Indonesia tend to use formal 'Mr/Ms Surname', while Australians and Americans tend to use first names CHF will need to be aware of business etiquette in the countries in which they choose to operate. This will allow CHF to operate successfully in Indonesia. <p>Accept other relevant answers.</p>	

ACKNOWLEDGEMENTS

- Question 2(a)** Dot points 1–5 adapted from: AANZFTA. (n.d.). *Overview: The ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)*. Retrieved August, 2024, from <https://aanzfta.asean.org/aanzfta-overview/>
- Question 8(b)** Dot points 10–12 adapted from: FasterCapital. (2024). *Functional Currency Reporting*. Retrieved August, 2024, from <https://fastercapital.com/startup-topic/Functional-Currency-Reporting.html>

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