



BUSINESS MANAGEMENT AND ENTERPRISE

ATAR course examination 2018

Ratified 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% (65 Marks)

Question 1

(12 marks)

- (a) Describe **three** leadership traits that are beneficial for successful management in a cross-cultural setting. (6 marks)

Description	Marks
For each of the three leadership traits:	
Describes a leadership trait and applies it to a cross cultural setting	2
Describes briefly a leadership trait without applying it to a cross cultural setting	1
Total	6
<p>Answers could include:</p> <p>Skilled communicator:</p> <ul style="list-style-type: none"> • process or ability to exchange information accurately and timely, to actively listen • more difficult in a cross-cultural setting due to language barriers, but if multiple languages can be spoken to convey messages this is an important advantage. <p>Socially aware:</p> <ul style="list-style-type: none"> • an awareness of relationships, thus leading to the ability to understand the needs of team members • the ability to understand other social and cultural customs leads to the ability to establish trust and long-lasting business relationships • this is what the business would be aiming for in a new cross-cultural setting, to achieve success. <p>Skilled decision-maker:</p> <ul style="list-style-type: none"> • knows when to make decisions quickly if required, but also able to balance the risk in decision-making to avoid damage to the business • this trait is needed in a new cross-cultural setting as there is no history of past actions and performance to follow or provide advice • the situation/cross-cultural context is new/different/more complex; therefore, decisions are often required to be made speedily and often in the absence of full or limited available information. <p>Future thinker:</p> <ul style="list-style-type: none"> • has a long-term vision of where the business is headed, so incremental planning can take place and the business is pro-active, rather than reactive in its responses • can see the larger global picture, implement the vision on a global scale, usually not confined to conventional thinking and open to possibilities which would provide an inclusive work environment required in a new cross-cultural setting. <p>Self-discipline:</p> <ul style="list-style-type: none"> • able to control own emotions and have intelligence in dealing with a crisis or adverse situations • a self-disciplined leader understands the impact that their actions and decisions may have, this is particularly needed in a cross-cultural setting as it helps to provide greater certainty for staff. 	

<p>Responsible:</p> <ul style="list-style-type: none"> • ability to be independent, accountable, accept authority and more aware that actions have consequences • needed in a new cross-cultural setting to understand where pre-established ideas or the 'same old' consensual view of reality cannot be relied upon, to understand where adaptation or new ideas are required, to demonstrate they can think for themselves, often seeing new perspectives, real purpose and outcomes • have the ability to take control and be answerable in a new cross-cultural setting. <p>Motivational:</p> <ul style="list-style-type: none"> • ability to use psychological forces/motivate people to strive for certain goals rather than simply act on orders; that is, to determine the direction of a person's behaviour, level of effort and persistence in the face of obstacles • it is needed in a new cross-cultural setting to provide motivation, direction and support for staff while recognising differences in intrinsic and extrinsic motivations, rewards and punishments in different cultural settings. <p>Accept any other correct, logical answer.</p>

(b) Describe why a global business leader might adapt their autocratic leadership style in a cross-cultural setting. (2 marks)

Description	Marks
Describes why an autocratic leadership style might need to be adapted in a cross-cultural setting	2
Provides a limited description of why an autocratic leadership style might need to be adapted in a cross-cultural setting	1
Total	2
<p>Answer(s) could include:</p> <p>Reason why a business leader might adapt an autocratic leadership style:</p> <ul style="list-style-type: none"> • to gain two-way communication from employees from a diverse background, as this will breed innovation • to create feelings of belonging and inclusion among staff, to help retain and reduce staff turnover. <p>Typically an autocratic leader:</p> <ul style="list-style-type: none"> • makes all decisions alone – this may not be wise when not understanding the culture or new business landscape and does not allow for skilled workers to contribute ideas • there is usually one-way communication only – this may upset new team members and does not foster good teamwork and relationships, and thus limit performance • bossy and dictatorship-like style may put new workers offside and cause resentment; thus may need to be adapted • autocratic style limits creativity and 'out-of-the-box' thinking – a highly structured, rigid leadership style might not fit the culture of the global workplace. <p>Ways to adapt the style:</p> <ul style="list-style-type: none"> • listen to team members and take feedback • establish clear rules and guidelines to limit misunderstandings • provide the group with the knowledge and skills they need – empowering staff • recognise success to build relationships and motivation. <p>Accept any other correct, logical answer.</p>	

Question 1 (continued)

- (c) Leaders in business are expected to act ethically. Describe **two** different ways in which a leader might demonstrate ethical global business decisions. (4 marks)

Description	Marks
For each of the two ways:	
Describes how a leader might demonstrate ethical global business decisions	2
Provides a limited description of how a leader might demonstrate ethical global business decisions	1
Total	4
<p>Answer(s) could include:</p> <p>A leader might demonstrate ethical global business decisions in the following ways:</p> <ul style="list-style-type: none"> • environmental responsibility – being environmentally responsible regarding sustainability, recycling, using solar energy, reducing carbon emissions, being conscious about their environmental impact • outsourcing – where questions arise regarding outsourcing, to consider the loss of their own workforce and their lack of control over workers and standards of the organisation to which the outsourcing has been given, particularly if the outsourcing has been given to an overseas organisation • the use of offshore labour – acting ethically in the use of offshore labour; not using sweatshops where workers are paid little for their work, are forced to work unpaid overtime, with no breaks or are punished for slow work and mistakes; maintaining the quality of products produced relative to the price at which they are sold. <p>Other:</p> <ul style="list-style-type: none"> • not using tax havens or transfer pricing for tax avoidance • using their corporate social responsibility (CSR) to benefit others in the global community. 	
Accept any other correct, logical answer.	

Question 2

(10 marks)

- (a) What is the rationale for a joint venture? Describe **one** benefit of this type of strategic alliance. (3 marks)

Description	Marks
States the rationale for a joint venture	1
Subtotal	1
Describes a benefit of a joint venture	2
States a benefit of a joint venture	1
Subtotal	2
Total	3
<p>Answer(s) could include:</p> <p>Rationale:</p> <ul style="list-style-type: none"> • a joint venture is an arrangement where two or more businesses join forces to become one entity for a particular purpose or project • this allows both businesses to develop a new project whilst still focusing on their core business • joint ventures allow for the sharing of business costs, target market and customer bases that are already established individually by each business. <p>Benefits:</p> <ul style="list-style-type: none"> • accessing greater cultural knowledge to assist in a global environment • spreading costs and risks to minimise the impact on the business • gain a competitive advantage by reducing the number of competitors • gain access to knowledge and intellectual property of partners. <p>Accept any other correct, logical answer.</p>	

Question 2 (continued)

- (b) Describe **two** ways in which a joint venture might use technology to enhance its success in a global market. (4 marks)

Description	Marks
For each of the two ways:	
Describes the way that the technology can be used in a global market	2
States a fact about using the technology in a global market	1
Total	4
<p>Answer(s) could include:</p> <p>Distribution of products:</p> <ul style="list-style-type: none"> • communicate directly with customers globally through email, video conference, website, customers are purchasing more online and getting products delivered to home – e.g. Coles home delivery • technology can help track inventory – online tracking of deliveries • technology in transportation – e.g. GPS technology, tracking is faster and more efficient • use of apps – procedures are quick, efficient, use of credit cards – no use of cash, e.g. Uber eats – order from home using the app, quick to order, no handling cash. <p>E-commerce:</p> <ul style="list-style-type: none"> • use of websites – promotion of the business or its products, customers can shop and order online 24 hours a day all over the world – improvements in technology and globalisation means most businesses do global shipping of products • websites can use multiple currencies and languages to appeal to a wider market. <p>Social media campaigns:</p> <ul style="list-style-type: none"> • global businesses are having more social media presence • businesses can have Facebook business pages to gain exposure and provide easily accessible customer support • other social media that might be used to increase global success includes Twitter, Instagram. 	
Accept any other correct, logical answer	

- (c) Explain why it is important to manage diversity as a strategy for business growth. (3 marks)

Description	Marks
Explains why it is important to manage diversity for business growth	3
Provides a limited explanation about managing diversity for business growth	2
States a fact about managing diversity	1
Total	3
<p>Answer(s) could include:</p> <p>A global business environment means dealing with a variety of customers, suppliers and employees.</p> <p>Managing diversity is important because it:</p> <ul style="list-style-type: none"> • develops strong relationships with suppliers and the workforce • breeds innovation of ideas, products and processes • ensures a more productive working environment as the business grows • leads to better ideas and methods through openness in communication • can lead to stakeholders' willingness to do more business • can lead to a greater understanding of needs and wants of customers, suppliers and employees <ul style="list-style-type: none"> ◦ when customers are more likely to be satisfied, this can lead to increased sales or use of the service ◦ employees are more likely to be motivated • promotes creativity in the workforce and with suppliers – supports productive relationships and efficiency. 	
Accept any other correct, logical answer.	

Question 3

(11 marks)

- (a) Outline **two** sources of financial risk that this skin care business might encounter in trading with China. (4 marks)

Description	Marks
For each of the two sources:	
Outlines the financial risk in export markets	2
Identifies the financial risk in export markets	1
Total	4
Answer(s) could include: <ul style="list-style-type: none"> • currency fluctuations – the change that occurs in the dollar value of one country’s currency relative to another country’s currency. Currency fluctuations can result in an exporter losing money • non-payment of monies – not being paid for the goods or services supplied to the export market. This can cause difficulties in recovering the debt in an international market. 	
Accept any other correct, logical answer.	

- (b) Describe **two** strategies the Australian skin care business might employ to minimise financial risk in an export market. (4 marks)

Description	Marks
For each of the two strategies:	
Describes the strategy that could minimise financial risk	2
Identifies the strategy without describing how it could minimise financial risk	1
Total	4
Answer(s) could include: <ul style="list-style-type: none"> • documentation – using letters of credit or pre-payment options to protect against payment default by importers. Documentary letters of credit act as a guarantee from a bank that the payment will be paid in full • insurance – provides protection against risk to exporters selling their products on credit • hedging (forward) – against currency fluctuations or the value of the currency (the exchange rate) changing over a period of time. This is created by written agreement between two parties, whereby the currency exchange rate is agreed upon and set for all future transactions, regardless of the movement of each currency. 	
Accept any other correct, logical answer.	

- (c) Explain a legal consideration that the Australian skin care business would need to consider before exporting products to China. (3 marks)

Description	Marks
Explains a legal consideration before exporting products to China	3
Provides a limited explanation of a legal consideration before exporting products to China	2
Identifies a legal consideration before exporting products to China	1
Total	3
<p>Answer(s) could include:</p> <p>Patent registrations:</p> <ul style="list-style-type: none"> to protect intellectual property globally a business should consider applying for a patent in each different country in which it intends to operate, or register a patent in multiple countries under the Patent Cooperation Treaty the same needs to be considered with Trademarks, e.g. registration under the Madrid Protocol. <p>Product liability:</p> <ul style="list-style-type: none"> operating in different countries with different laws and regulations makes managing the risk of product liability complex different policies and regulations must be considered China may have different laws/regulations in the cosmetic industry, the business will need to ensure their products meet these requirements. <p>Accept any other correct, logical answer.</p>	

Question 4

(10 marks)

(a) Outline the role of free trade agreements.

(2 marks)

Description	Marks
Outlines the role of free trade agreements (FTAs)	2
States a relevant fact about FTAs	1
Total	2
Answer(s) could include: FTAs: <ul style="list-style-type: none"> • aid in the development and growth of a country's gross domestic product • allow for the trade between countries to operate more freely, as well as removing trade barriers for international businesses – this aims to create more jobs and tax revenue locally • makes it easier, cheaper and more efficient for local businesses to trade internationally, by reducing taxes such as import and export tax • aim to be mutually beneficial for all countries involved, such as ASEAN-Australia-New Zealand Free Trade Agreement. Accept any other correct, logical answer.	

(b) Describe a benefit and a challenge that free trade agreements might have for Australian-owned businesses.

(4 marks)

Description	Marks
Describes a benefit of FTAs to Australian-owned businesses	2
States a benefit of FTAs to Australian-owned businesses	1
Subtotal	2
Describes a challenge of FTAs to Australian-owned businesses	2
States a challenge of FTAs to Australian-owned businesses	1
Subtotal	2
Total	4
Answer(s) could include: Benefits: <ul style="list-style-type: none"> • increased profits due to Australian-owned businesses selling more products by exporting internationally, with fewer restrictions • greater market share and access to overseas markets • can stimulate economic growth in Australia, reducing unemployment and increasing the country's gross domestic product • the flow of expert labour can be included in FTAs to help a country improve in areas of need. Challenges: <ul style="list-style-type: none"> • could lead to more competition in Australia by foreign-owned businesses so that Australian businesses would have more competitors locally • market share in Australia could be reduced • could become less competitive due to there being higher labour costs in Australia • can put pressure on small businesses not prepared to expand globally • can put pressure on industries, such as manufacturing, that might be cheaper to complete in other countries • the flow of labour included in FTAs can displace Australians in meaningful work. Accept any other correct, logical answer.	

- (c) Describe **two** incentives that the Australian Government provides to encourage international trade. (4 marks)

Description	Marks
For each of the two incentives:	
Describes the incentive the Australian Government provides to encourage international trade	2
States a fact about the incentive the Australian Government provides to encourage international trade	1
Total	4
<p>Answer(s) could include:</p> <p>Government grants:</p> <ul style="list-style-type: none"> • provide financial assistance to help encourage export development to other countries • are used to reduce upfront costs for businesses that want to expand internationally. This makes expansion more financially viable • examples include Austrade and Export Market Development Grants <p>Taxation:</p> <ul style="list-style-type: none"> • concessions, such as exports being exempt from GST • the Duty Drawback Scheme allows exporters to claim refunds on customs duty they have paid • tax incentives for research and development expenditure through the Australian Taxation Office <p>Others:</p> <ul style="list-style-type: none"> • Export Finance and Insurance Corporation (EFIC) assists businesses access finance • EFIC Export Finance Guarantee also assists with finance • Austrade assistance helps businesses improve their understanding and promotion in international markets. 	
Accept any other correct, logical answer.	

Question 5

(12 marks)

(a) Outline **two** factors that drive global business development. (4 marks)

Description	Marks
For each of the two factors:	
Outlines the factor that drives global business development	2
Identifies the factor that drives global business development	1
Total	2
Answer(s) could include: <ul style="list-style-type: none"> • financial growth opportunities and/or loss minimisation – a greater customer market can lead to greater financial growth opportunities because businesses have a greater reach of customers from different countries. Loss in profit or downturns in a market in one country have less of an impact to a global business that has spread its risk • consumer purchasing and spending patterns – spending patterns increasing in a country, or the availability of higher spending patterns, allows for opportunities for a business to expand globally • World Trade Organisation (WTO) regulations and sanctions – the WTO is an organisation that sets standards for international trade and rules of FTAs. Its role is to combat multinational corporations that exploit developing nations with regard to environment and labour. The WTO sets standards of transparency of trade partners, lowers barriers for increased access to the global market and helps facilitate trade agreements. It is also charged with the task of resolving conflicts if they arise • deregulation of the financial market – can give Australian businesses access to markets outside of Australia, leading to a larger customer base. Deregulation allows for businesses to be cost-effective when they expand globally, to grow their market share internationally and makes it easier to send capital overseas. Accept any other correct, logical answer.	

(b) Describe a tax minimisation strategy that a global business might adopt. (2 marks)

Description	Marks
Describes a tax minimisation strategy	2
States a fact about a tax minimisation strategy	1
Total	2
Answer(s) could include: <ul style="list-style-type: none"> • tax haven – is a jurisdiction that has a low rate of tax or does not levy a tax. It offers some degree of secrecy. Tax havens do not share or provide information to other financial institutions or governments. • transfer pricing – is the setting of the price for goods and services sold between controlled legal entities within an enterprise. For example, if a subsidiary company sells goods to a parent company, the cost of those goods paid by the parent to the subsidiary is the transfer price. This allows for the manipulation of profits and the consequent amount of tax paid by the enterprise. Accept any other correct, logical answer.	

- (c) Explain **two** impacts of globalisation, other than tax minimisation, that might affect David's operations in Taiwan. (6 marks)

Description	Marks
For each of the two impacts:	
Explains the effect of the impact of globalisation	3
Describes the impact of globalisation	2
Identifies the impact of globalisation	1
Total	6
Answer(s) could include:	
<ul style="list-style-type: none"> • employment levels in developing and developed countries – employment levels in developed countries are generally lower than developing countries. The higher the unemployment level, the greater are the opportunities businesses have of paying lower wages and having more applicants to choose from when they advertise jobs. Low unemployment in most developed countries means that wages are higher and there are less applicants to choose from when jobs are advertised. This drives globalisation towards developing countries, because labour costs are lower • global spread of technology – communication technology is developing at a rapid rate, including in developing countries. Ease of communication allows businesses in different countries to work together to achieve goals. For example, transport technology (in the form of shipping containers) improved as more goods were transported • international cooperation – international cooperation such as FTAs, co-productions and strategic alliances allow for the growth of globalisation. It makes the opportunities to trade in other countries more attractive and easier for businesses. Lack of international cooperation or wars between nations can hinder the ability for further globalisation • global spread of skills – leads to greater sharing of ideas and education. If the required skill sets are not available in a country the ability to globalise may be hindered • domestic market – if a domestic market is flooded with a product or industry type, this may push for businesses to send products or to look for profits in other countries. Domestic businesses might need to decrease the price of their products to compete negatively, affecting their profits. This can lead to cost-cutting domestically, including redundancies. 	
Accept any other correct, logical answer.	

Question 6

(10 marks)

(a) Define the purpose of basic financial ratios for Jay.

(2 marks)

Description	Marks
Defines the purpose of basic financial ratios	2
States a fact about basic financial ratios	1
Total	2
Answer(s) could include: Financial ratios compare and analyse financial information. They: <ul style="list-style-type: none"> • are a management tool for judging financial performance of a business • assess if the financial performance has improved – compared to another period • compares the performance of the business against its competitors • analyses a business' financial position • assesses a business' financial performance • compares actual figures with projected or budgeted figures (variance analysis) • aid in decision making. 	
Accept any other correct, logical answer.	

(b) Name and describe the financial ratio Jay would use to measure the stability of his business.

(2 marks)

Description	Marks
Names and describes debt to equity ratio	2
Names the debt to equity ratio	1
Total	2
Answer(s) could include: <ul style="list-style-type: none"> • the debt to equity ratio shows the percentage of the business' financing that comes from creditors and investors • a higher debt to equity ratio indicates that more outside financing, such as bank loans, is used than investor financing provided by the owner/s • the debt to equity ratio is calculated by dividing total liabilities by total equity • a debt to equity ratio of 50% would mean that investors and outsiders have an equal stake in the business' assets. 	
Accept any other correct, logical answer.	

- (c) Interpret the results of Jay's Bike Clinic's financial ratios from the past two years, as shown in the table below. (6 marks)

Description	Marks
For each of the two ratios:	
Interprets the ratio in relation to Jay's Bike Clinic	3
Describes what the ratio measures	2
States a fact about the ratio	1
Total	6
<p>Answer(s) could include:</p> <p>Profit ratio:</p> <ul style="list-style-type: none"> measures the amount of net income earned with each dollar of sales generated shows what percentage of sales remain as profit after all expenses are paid by the business the larger the ratio the more profitable is the business an extremely low profit margin would indicate that expenses are too high and that management needs to budget to cut expenses the formula is calculated by dividing profit (net income) by net sales is informative when comparing two difference accounting periods the movement of the gross profit ratio from 11% in 2016 to 9% in 2017 shows a decrease of 2% this indicates that profitability is decreasing, which means the business is earning less profit per sales dollar, even though fee income is increasing this is not a good trend and has been caused by expenses increasing at a faster rate than the increase in fees. <p>Return on equity ratio:</p> <ul style="list-style-type: none"> measures how much profit is returned for each dollar contributed by the owner the formula is calculated by dividing profit by equity the larger the ratio the greater the return on the owner's investment the ratio has gone from 3% in 2016 to 4.2% in 2017, showing an increase of 1.2% this indicates that for each dollar of Jay's equity, 3 cents was returned as profit in 2016 and 4.2 cents in 2017 this is a good trend indicating a greater return to Jay on his investment; however, it is still quite a low return. 	
Accept any other correct, logical answer.	

Section Two: Extended answer

40% (50 Marks)

Question 7

(25 marks)

- explain to Daisy the purpose of the strategic planning process

(3 marks)

Description	Marks
Explains the purpose of the strategic planning process	3
Provides a limited explanation of the purpose of the strategic planning process	2
States a relevant fact about the strategic planning process	1
Total	3
<p>Answer(s) could include:</p> <p>Strategic planning process:</p> <ul style="list-style-type: none"> • establishes overall goals for a business and develops a plan to achieve these goals • is a formal process involving stepping back from the day-to-day operations of the business and deciding on the direction to take the business, according to its priorities • based on structured goals that give clear direction for the business. Once these goals are set they are implemented and communicated to all staff for the best possible chance of success • strategic plans need to be controlled through regular monitoring • evaluating strategic plans throughout will help keep the goals achievable and changes can take place if needed • assists Daisy to assess whether she should expand her business to Bali. <p>Accept any other correct, logical answer.</p>	

- describe **two** political factors that might affect her business operations in Bali (4 marks)

Description	Marks
For each of the two political factors:	
Describes the political factor that might affect business operations in Bali	2
Identifies the political factor that might affect business operations in Bali	1
Total	4
<p>Answer(s) could include:</p> <p>Stability of foreign governments:</p> <ul style="list-style-type: none"> Indonesia has a relatively stable government it is a member of ASEAN which promotes economic, social, and cultural goals between joining countries it is still a developing country which Daisy should consider – there could be positive and negative impacts to her business. <p>Relationship of foreign governments with the Australian Government:</p> <ul style="list-style-type: none"> Indonesia and Australia are strategic partners and enjoy a framework of cooperation spanning politics, economics, tourism, and education trade between the two countries has grown over the years these are positive political factors that could encourage Daisy to expand her business to Bali. 	
Accept any other correct, logical answer.	

Question 7 (continued)

- explain **two** cultural considerations that might affect the success of Daisy’s surf and yoga camp (6 marks)

Description	Marks
For each of the two cultural considerations:	
Explains the effect of the cultural consideration that might affect the success of Daisy’s business	3
Describes the cultural consideration that might affect the success of Daisy’s business	2
Identifies the cultural consideration that might affect the success of Daisy’s business	1
Total	3
<p>Answer(s) could include:</p> <ul style="list-style-type: none"> levels of education, e.g. availability of skilled/non-skilled labour. When employing local staff, training may need to be provided, including teaching basic English customs, e.g. organisational culture, dress code, ensuring guests do not offend locals/staff and have an understanding of local customs holidays and celebrations, e.g. number of public holidays varies between countries, which affects business costs and productivity. Bali has a multi-religious population and Daisy may run into obstacles with employees or suppliers during religious holidays and celebrations at these times religious beliefs, e.g. relates to work practices such as uniform and facilities layout and design – prayer rooms or allowing time for prayer for local workers. Australian visitors to the retreat may not understand some practices business etiquette, e.g. Indonesia has etiquette for greetings, gift giving, gender which may be different to Australia communication protocols, e.g. status, hierarchy, modes of communication, is very important in Indonesia and Daisy must consider this in her relationships. <p>Note: Responses need to relate to business operations and practices in a cross-cultural environment.</p> <p>Accept any other correct, logical answer.</p>	

- as part of the strategic planning process, prepare a SWOT analysis for Daisy's surf and yoga camp (8 marks)

Description	Marks
For each of the four SWOT elements:	
Outlines two or more factors relevant to Daisy's surf and yoga camp	2
Outlines a factor relevant to Daisy's surf and yoga camp	1
Total	8
<p>Answer(s) could include:</p> <p>Strengths:</p> <ul style="list-style-type: none"> the experience of operating a surf and yoga camp in Yallingup the success of Daisy's current business attracting both local and international tourists Daisy speaks some Indonesian Australia and Indonesia are also strategic partners the popularity of yoga is growing. <p>Weaknesses:</p> <ul style="list-style-type: none"> Daisy does not currently have business connections in Bali Daisy will need to spend time creating networks in Bali. <p>Opportunities:</p> <ul style="list-style-type: none"> Bali is a popular holiday destination the availability of cheap flights to Bali diverse culture and good surf in Bali. <p>Threats</p> <ul style="list-style-type: none"> established surf and yoga retreats successfully operating already in Bali, creating competition change in laws could take place in Bali, banning foreign-owned businesses. <p>No marks are awarded for simply drawing a SWOT analysis.</p> <p>Accept any other correct, logical answer.</p>	

Question 7 (continued)

- recommend to Daisy whether the expansion of her surf and yoga camp to Bali would be a desirable option. Justify your recommendation. (4 marks)

Description	Marks
Makes a logical recommendation supported by comprehensive, relevant evidence from the case study	4
Makes a recommendation and uses relevant evidence from the case study	3
Makes a recommendation and gives a reason for or against the proposition	2
States a relevant fact about the proposition	1
Total	4
<p>Answer(s) could include:</p> <p>Reasons to expand:</p> <ul style="list-style-type: none"> • already has a successful operation so knows what to set up, already has resources, procedures and employees • already speaking some Indonesian will help develop connection and relationships • could gain repeat customers from Yallingup to go to Bali • easy transition in culture as many Australians have set up businesses in Bali • Bali is a popular holiday destination and cheap flights are available for Western Australia guests • Bali is a popular international travel destination, attracting an international client base for repeat business • a good political relationship exists between Australia and Indonesia. <p>Reasons not to expand:</p> <ul style="list-style-type: none"> • high competition with many surf and yoga camps already operating • lacks existing business relationships and connections in Bali. <p>Factors to consider regarding the expansion:</p> <ul style="list-style-type: none"> • Daisy’s SWOT analysis indicates that the many strengths and opportunities, such as already having a successful operation for five years, knowing what to set up, established resources, procedures and potential employees willing to move to Bali, the good political relationship between Australia and Indonesia, and the accessibility of Bali from Australia, seem to outweigh the threats and weaknesses • the threat of high competition can be diminished, knowing that she already runs a successful business and can market to an existing client base • the weaknesses presented can be overcome by the fact that she speaks some Indonesian and can spend time in Bali developing business relationships. <p>Accept any other correct, logical answer.</p>	

Question 8

(25 marks)

- describe **two** benefits of home grown products to the Australian economy (4 marks)

Description	Marks
For each of the two benefits:	
Describes the benefit of home-grown products to the Australian economy	2
Identifies the benefit of home-grown products to the Australian economy	1
Total	4
Answer(s) could include:	
<ul style="list-style-type: none"> greater sales of home-grown products overseas leads to greater profits for the business and these profits staying in Australia greater sales leads to more employment in the home country lower unemployment levels means less crime, less social welfare and the subsequent increase in the collection of income taxes for the government. This can be used for essential services such as schools, hospitals, roads and infrastructures to benefit the people living in the home country greater profits from increased sales will result in increases in taxation collection. Governments can use taxation collected to benefit people living in the home country. 	
Accept any other correct, logical answer.	

- describe **two** benefits of innovation for Watch Out Clothing (4 marks)

Description	Marks
For each of the two benefits:	
Describes the benefit of innovation for Watch Out Clothing	2
Identifies the benefit of innovation for Watch Out Clothing	1
Total	4
Answer(s) could include:	
Gain competitive advantage:	
<ul style="list-style-type: none"> product must be different (features, quality) from any others in the global market to attract and gain a competitive advantage. This is through being different and standing out from the products of other businesses expansion of global market presence – innovation can lead to expansion overseas and be competitive in global markets through its ability to be new or different. This can lead to options such as franchising around the world and licensing of its products increased market share – a new product or service can create a consumer demand for the product, resulting in more products being sold and the business' market share increasing internationally. 	
Financial gain:	
<ul style="list-style-type: none"> increase in satisfied customers can lead to an increased market share, sales and repeat customers. Innovation can also lead to creating a delay in the decline stage of the product lifecycle resulting in greater profit. 	
Accept any other correct, logical answer.	

Question 8 (continued)

- explain **one** feature of the ASEAN-Australia-New Zealand Free Trade Agreement and how this feature could benefit Watch Out Clothing (5 marks)

Description		Marks
Explains a feature of the ASEAN-Australian-New Zealand Free Trade Agreement (AANZFTA)		2
States a feature of the AANZFTA		1
Subtotal		2
Explains how the feature could be of benefit to Watch Out Clothing		3
Provides a limited explanation of how the feature could be of benefit to Watch Out Clothing		2
States a fact about the benefit of the AANZFTA		1
Subtotal		3
Total		5
Answer(s) could include:		
Feature	Benefit	
<ul style="list-style-type: none"> eliminates tariffs on (96% of Australia's exports by 2020) 	<ul style="list-style-type: none"> reduces the price of the export product which might potentially increase sales leading to an increase in profits and market share 	
<ul style="list-style-type: none"> international arbitration is established 	<ul style="list-style-type: none"> assists to resolve foreign investment disputes by referring disputes to international arbitration 	
Accept any other correct, logical answer.		

- construct a political and legal, economic, socio-cultural and technological (PEST) analysis to assess the viability of Watch Out Clothing expanding its operations into Singapore (8 marks)

Description	Marks
For each of the four PEST elements:	
Outlines two or more factors relevant to Watch Out Clothing's expansion	2
Outlines a factor relevant to Watch Out Clothing's expansion	1
Total	8
<p>Answer(s) could include:</p> <p>PEST analysis has four elements:</p> <p>Political and legal (P):</p> <ul style="list-style-type: none"> tax laws, industrial relations laws, environmental regulations, consumer protection, trade regulations, stability and relationships of foreign governments introduction of FTAs – opening trade opportunities for Singapore international relationships improving due to trade agreements e.g. Australia and Singapore continually improving political relationships through FTA agreements strong political ties between the two countries that have traded in the past no conflict in recent history between the two countries. <p>Economic (E):</p> <ul style="list-style-type: none"> interest rates, inflation, unemployment, growth, discretionary spending, currency fluctuations growth potential in Western markets – increased demand for high visibility work clothing growth in Singapore market – successful global businesses emerging increase in demand for products and industries that cater for PPE. <p>Socio-cultural (S):</p> <ul style="list-style-type: none"> population growth, religious beliefs, lifestyles, community expectations for safety, value for money and ethics consumers more confident to do online shopping. <p>Technological (T):</p> <ul style="list-style-type: none"> rate of change, automation, research and development e-commerce allows sale of products online e.g. eBay, Etsy, business websites – faster, efficient open to a global market ability to market through social media campaigns technology leads to faster shipping, better payment methods, safer ways of payment and delivery tracking systems e-commerce enables transfer of profits and sales between currencies instantly. <p>Accept any other correct, logical answer.</p>	

Question 8 (continued)

- recommend to the owners of Watch Out Clothing whether expansion into Singapore would be a desirable option. Justify your recommendation. (4 marks)

Description	Marks
Makes a logical recommendation supported by comprehensive, relevant evidence from the case study	4
Makes a recommendation and uses relevant evidence from the case study	3
Makes a recommendation and gives a reason for or against the proposition	2
States a relevant fact about the proposition	1
Total	4
<p>Answer(s) could include:</p> <p>Factors to justify the expansion into Singapore:</p> <ul style="list-style-type: none"> • ASEAN FTA – making it easier and cheaper for Watch Out Clothing to export to Singapore at lower costs • Singapore’s changing laws towards OSH – more customer need for their products and more sales • differentiated from other suppliers as an established and trusted business • reference to the key points from the PEST analysis • Singapore is a stable government • Australia has a reputation as having ‘high quality’ products • Australian government incentives such as grants and reduction of tax for exports • the relationship between the two countries is stable • discretionary spending in Singapore is high and the economy is stable. <p>Accept any other correct, logical answer.</p>	

Question 9

(25 marks)

- outline **three** sources of funding that could be suitable for the purchase of the new manufacturing equipment (6 marks)

Description	Marks
For each of the three sources:	
Outlines a suitable source of funding for the purchase of the new manufacturing equipment	2
States a fact about a suitable source of funding for the purchase of the new manufacturing equipment	1
Total	6
<p>Answer(s) could include:</p> <p>Internal sources:</p> <ul style="list-style-type: none"> retained profits – profit that a company keeps (retains) after paying taxes and dividends. The company then would not have to repay borrowings that would attract interest payments as well as the borrowings. <p>External sources:</p> <ul style="list-style-type: none"> secured loans – finance obtained from a bank or other financial intermediary that can be for short-term or long-term. Interest charges can be fixed or variable on the loan. The amount borrowed is paid back over a nominated period of time financial institutions – banks, finance companies, merchant banks, life insurance companies and general insurance companies provide various short-term and long-term loans debentures – are issued by a company. They provide a long-term source of finance without the company losing any control because debenture-holders do not have a voting right share capital – the funds raised from selling shares in a limited company. This can generate a large sum of finance for the company venture capital – investment in small to medium-sized businesses that have a strong growth potential, normally at the start of a business idea. The amount borrowed can be paid back over a number of years Government – governments can offer financial support to businesses or industries by providing government grants or providing one-off payment to businesses, which do not need to be repaid. <p>Accept any other correct, logical answer.</p>	

Question 9 (continued)

- justify an inventory control technique that would be suitable for My Ethical Eats Ltd's growing business (4 marks)

Description	Marks
Justifies a suitable inventory control technique	4
Provides limited reasons for a suitable inventory control technique	3
Describes an inventory control technique	2
States a fact about an inventory control technique	1
Total	4
<p>Answer(s) could include:</p> <p>Inventory control techniques:</p> <ul style="list-style-type: none"> Just-in-Time (JIT) – materials and components are scheduled to arrive precisely when they are needed in the production process. This results in finished goods being delivered to customers as soon as the items are produced. This eliminates the need for inventory storage costs Just-in-Case (JIC) – management system that maintains buffer stock in case there are emergencies, such as delayed delivery of material or there is supply and/or demand fluctuations. <p>JIT would be a suitable inventory control technique:</p> <ul style="list-style-type: none"> the business deals with perishable foods which may spoil if not used in time, therefore needing an efficient production process reputation of manufacturing fresh and healthy products may be impacted if not using fresh produce having a reliable supply chain allows the business to acquire fresh produce in time for manufacturing do not need to store large quantities of inventory, reducing inventory storage costs <p>JIC would be a suitable inventory control technique:</p> <ul style="list-style-type: none"> large amounts of inventory on hand that will cater for the increase in demand of frozen food there is always availability to meet customer demand flexibility of having sufficient inventory to ensure there is no delay in the production process purchasing/distributing using economies scale reduction of down-time of the new manufacturing equipment. <p>Accept any other correct, logical answer.</p>	

- explain **two** features of quality management that My Ethical Eats Ltd would need to consider if it was to purchase the new manufacturing equipment (6 marks)

Description	Marks
For each of the two features:	
Explains the feature of quality management related to the purchase of equipment	3
Provides a limited explanation of the feature of quality management related to the purchase of equipment	2
States a fact about the feature of quality management related to the purchase of equipment	1
Total	6
Answer(s) could include:	
<ul style="list-style-type: none"> Quality control (QC) – refers to the process that involves checking and reviewing work processes to determine if the requirements of the business are being met. The new manufacturing equipment would need to meet the production needs of the business. Quality assurance (QA) – refers to the methods used by a business to ensure the quality of its products. The business would need to ensure that the new equipment is able to meet the manufacturing targets and standards (including customer satisfaction) set by the business. Quality improvement (QI) – refers to the analysis of business performance and business efforts to improve performance. To invest in the equipment, the business would want to ensure that the equipment can provide a higher quality product and/or is more efficient. 	
Accept any other correct, logical answer.	

Question 9 (continued)

- explain why and how My Ethical Eats Ltd could adapt its marketing mix in the future to cater to its potential global brand (5 marks)

Description	Marks
Explains in detail why and how the marketing mix should be adapted based on evidence from the case study	5
Explains why and how the marketing mix should be adapted and makes some reference to the case study	4
Describes the elements of the marketing mix and refers to its adaptation	3
States a fact about the elements of the marketing mix and refers to its adaptation	2
States a fact about the marketing mix	1
Total	5
<p>Answer(s) could include:</p> <p>Adaptation marketing strategy:</p> <div style="border: 1px dashed gray; padding: 10px; margin: 10px 0;"> <p>For copyright reasons these strategies cannot be reproduced in the online version of this document, but may be viewed at https://smallbusiness.chron.com/adaptation-marketing-strategy-71691.html</p> </div> <p>Elements of the marketing mix:</p> <ul style="list-style-type: none"> product name – must ensure that the name is not already being used, is not offensive or translates to a similar meaning <div style="border: 1px dashed gray; padding: 10px; margin: 10px 0;"> <p>For copyright reasons these elements cannot be reproduced in the online version of this document, but may be viewed at https://smallbusiness.chron.com/adaptation-marketing-strategy-71691.html</p> </div>	
Accept any other correct, logical answer.	

- recommend to My Ethical Eats Ltd whether purchasing the new manufacturing equipment would be desirable for expanding operations internationally. Justify your recommendation. (4 marks)

Description	Marks
Makes a logical recommendation supported by comprehensive, relevant evidence from the case study	4
Makes a recommendation and uses relevant evidence from the case study	3
Makes a recommendation and gives a reason for or against the proposition	2
States a relevant fact about the proposition	1
Total	4
<p>Answer(s) could include:</p> <p>Factors to justify the purchase of the new manufacturing equipment:</p> <ul style="list-style-type: none"> level of demand by consumers – their desire and willingness to pay a price for a specific good or service: <ul style="list-style-type: none"> number of potential customers and frequency of purchase ability of customers to purchase products (disposable income) enough potential customers to warrant the investment of expansion potential customers must be able to afford the organic, locally-sourced food and ethically-prepared frozen food consumption patterns – the process by which individuals identify, purchase and consume products and services to satisfy their needs: <ul style="list-style-type: none"> consumers wanting organic, locally-sourced food and ethically-prepared frozen food changing trends of consumers – health/organic food consumers looking for alternative products consumers searching for convenient, healthy food options competitor activity – the presence of one or more competitors can affect the price of goods as the company attempts to gain a larger market share in a new market: <ul style="list-style-type: none"> refers to the number of competitors in the market and their market share of healthy, organic and convenient food cheaper, lower-quality alternatives – not organic or ethically sourced. <p>Accept any other correct, logical answer.</p>	

ACKNOWLEDGEMENTS

- Question 1(a)** Text under 'Motivational' (1st dot point) Adapted from: George, J. M. & Jones, G. R. (2012). [Definition of work motivation]. Retrieved August, 2018, from www.diva-portal.org/smash/get/diva2:944047/FULLTEXT01.pdf
- Question 1(b)** Text under 'Ways to adapt the style' (all dot points) adapted from Cherry, K. (2018). *Autocratic Leadership*. Retrieved August, 2018, from <https://www.verywellmind.com/what-is-autocratic-leadership-2795314>
- Question 9** Text under 'Adaptation marketing strategy' (1st and 3rd dot points) adapted from: Dontigney, E. (n.d.) *Adaptation Marketing Strategy*. Retrieved September 2018, from <https://smallbusiness.chron.com/adaptation-marketing-strategy-71691.html>
- Text under 'Adaptation marketing strategy' (2nd dot point) from: Dontigney, E. (n.d.) *Adaptation Marketing Strategy*. Retrieved September 2018, from <https://smallbusiness.chron.com/adaptation-marketing-strategy-71691.html>
- Text under 'Elements of the marketing mix' (1st, 3rd and 4th dot points) adapted from: Dontigney, E. (n.d.) *Adaptation Marketing Strategy*. Retrieved September 2018, from <https://smallbusiness.chron.com/adaptation-marketing-strategy-71691.html>

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