



Trial Examination 2023

HSC Year 12 Business Studies

Solutions and Marking Guidelines

SECTION I

Answer and explanation	Syllabus content, outcomes and targeted performance bands
<p>Question 1 C</p> <p>C is correct. As they run a service-based business, one way that accountants can differentiate themselves from their competitors is by the amount of expertise they offer. This expertise can be highlighted by their qualifications, such as certifications and degrees, and by their years of experience in the industry.</p> <p>A and B are incorrect. Accountants offer services, not goods for sale.</p> <p>D is incorrect. Accountants already offer a customised service that is unique to each of their clients; therefore, they cannot increase the degree of customisation they offer.</p>	<p>Operations: Strategic Role of Operations Management H1, H8</p> <p style="text-align: right;">Band 3</p>
<p>Question 2 A</p> <p>A is correct. Outsourcing refers to hiring an external party to perform a task that would traditionally be performed by the business itself; thus, it is not an example of environmental sustainability.</p> <p>B, C and D are incorrect. These options are all examples of environmental sustainability.</p>	<p>Operations: Strategic Role of Operations Management H2</p> <p style="text-align: right;">Band 3</p>
<p>Question 3 B</p> <p>B is correct. E-cigarettes and nicotine-based products are damaging to health; although these products may not be illegal, their effects raise questions about the ethics of marketing and selling such products.</p> <p>A and C are incorrect. These ethical concerns are not relevant to a company selling e-cigarettes and nicotine-based products.</p> <p>D is incorrect. Breaking consumer laws is a legal concern, not an ethical concern.</p>	<p>Marketing: Ethical H2, H3</p> <p style="text-align: right;">Band 4</p>
<p>Question 4 A</p> <p>A is correct. Hedging refers to any strategy or financial tool that is used to reduce the risk of a loss resulting from financial transactions.</p> <p>B is incorrect. Derivatives are a specific type of hedging tool that is used in certain situations; they are not applicable to preventing a loss resulting from any type of financial transactions.</p> <p>C and D are incorrect. Commercial bills and debentures are forms of borrowing, not strategies or financial tools used to reduce risk in financial transactions.</p>	<p>Finance: Global Financial Management H5</p> <p style="text-align: right;">Band 4</p>

Answer and explanation	Syllabus content, outcomes and targeted performance bands
<p>Question 10 D</p> <p>D is correct. Corporate social responsibility (CSR) states that businesses should work to improve society as a whole. In terms of human resources, CSR involves dealing with employees ethically and attempting to improve their quality of life.</p> <p>A is incorrect. This option is a financial decision, not a decision that demonstrates CSR, as lower minimum wage rates also lower costs for the business. Providing jobs in a developing country is not relevant because those jobs would still be provided within Australia if the business had not decided to outsource their operations overseas.</p> <p>B is incorrect. This option is an example of CSR in operations management, not human resources management.</p> <p>C is incorrect. This option is an example of compliance with the National Employment Standards (NES), which is legally required for each business.</p>	<p>Human Resources: Ethics and Corporate Social Responsibility H2, H3</p> <p style="text-align: right;">Band 5</p>
<p>Question 11 B</p> <p>B is correct. The company is reducing overheads in response to overseas competitors entering the Australian market, which implies that it is facing cost-based competition from sellers in the global market.</p> <p>A is incorrect. The scenario does not refer to any change in legal regulations that would affect the business's operations.</p> <p>C and D are incorrect. The scenario does not imply that the reduction in overheads occurs as a result of quality expectations; in general, reducing overheads does not require an adjustment in the quality of the business's products.</p>	<p>Operations: Strategic Role of Operations Management H2</p> <p style="text-align: right;">Band 5</p>
<p>Question 12 A</p> <p>A is correct. In a SWOT analysis, threats are external factors that the business cannot control. Thus, shortages that result from the COVID-19 pandemic is an example of a threat as they are outside of the business's control.</p> <p>B is incorrect. Although the economic cycle is an external factor, an upswing in the economic cycle would be identified as an opportunity because an upswing is favourable for the introduction of a new product.</p> <p>C and D are incorrect. These options refer to internal factors that are within the control of the business.</p>	<p>Marketing: Situational Analysis H4, H8</p> <p style="text-align: right;">Band 5</p>
<p>Question 13 D</p> <p>D is correct. The NES covers unpaid parental leave, not paid parental leave.</p> <p>A, B and C are incorrect. These services are covered by the NES.</p>	<p>Human Resources: Legal H2</p> <p style="text-align: right;">Band 5</p>

Answer and explanation	Syllabus content, outcomes and targeted performance bands
<p>Question 14 D</p> <p>D is correct. Any product that is sold in Australia is covered by the Australian Consumer Law, which adds implied conditions in the sale of every product. Two of these conditions state that the product must be of acceptable quality and be fit for purpose. The skateboards do not meet these requirements; therefore, the implied conditions are a cause of concern for the skateboard manufacturer.</p> <p>A is incorrect. Sugging refers to marketing under the guise of surveying, which is not relevant to this scenario.</p> <p>B is incorrect. Deceptive and misleading advertising may have been a cause of concern if the manufacturer was advertising its skateboards as durable and long-lasting products. However, this is not reflected in the scenario.</p> <p>C is incorrect. The scenario does not mention the skateboard manufacturer doing anything to decrease the level of competition in the market.</p>	<p>Marketing: Implied Conditions H2, H8</p> <p style="text-align: right;">Band 5</p>
<p>Question 15 D</p> <p>D is correct. If the rival business recorded their assets at historical cost even though they have appreciated in value, the business's assets are undervalued and thus represents a benefit to a buyer. Therefore, company Y does not need to be concerned about such assets when evaluating the financial reports of the rival company.</p> <p>A is incorrect. Failing to normalise one-off sales of big assets may result in an unrealistically high display of assets on the balance sheet due to the large influx of cash from the sale.</p> <p>B is incorrect. Research and development expenses being recorded as an asset will overstate assets on the balance sheet and understate expenses on the income statement.</p> <p>C is incorrect. The time remaining before long term liabilities become due is not displayed on the balance sheet. This is a limitation of the balance sheet and would concern company Y when evaluating financial reports.</p>	<p>Finance: Limitations of Financial Reports H4, H8</p> <p style="text-align: right;">Band 6</p>
<p>Question 16 C</p> <p>C is correct. The minimum NES entitlements guarantee that full-time and part-time workers receive annual and personal leave. Since John only works three days a week, John is likely to be a part-time worker.</p> <p>A is incorrect. Apprentices are required to attend trade school alongside on-the-job training. John is unlikely to be an apprentice as, according to the information provided, he is not completing any formal study.</p> <p>B is incorrect. The NES does not guarantee annual and personal leave for casual employees.</p> <p>D is incorrect. Contractors are not treated as employees of a business under the law and therefore are not entitled to annual leave or personal leave.</p>	<p>Human Resources: The Employment Contract H2</p> <p style="text-align: right;">Band 5</p>

Answer and explanation	Syllabus content, outcomes and targeted performance bands
<p>Question 17 C</p> <p>C is correct. The product is well established in the market and seems to be in use; therefore, it is in the maturity stage.</p> <p>A is incorrect. The product is not new.</p> <p>B is incorrect. The product is not gaining popularity (growth stage), as it is already well established.</p> <p>D is incorrect. If the product was in decline, it is unlikely it would be advertised at all.</p>	<p>Marketing: Situational Analysis H4, H8</p> <p style="text-align: right;">Band 5</p>
<p>Question 18 B</p> <p>The current ratio from 2022 to 2023 shows increased liquidity (0.75 : 1 to 1.3 : 1) and the debt to equity ratio from 2022 to 2023 shows increased gearing (0.9 : 1 to 1.4 : 1).</p>	<p>Finance: Financial Ratios H4, H8</p> <p style="text-align: right;">Band 5</p>
<p>Question 19 A</p> <p>A is correct. Enterprise agreements are an aspect of the human resource management process as they set out the terms of an agreement between employees and their employer. <i>Fair Work Australia</i> is a government organisation that must approve all enterprise agreements and thus it is a major stakeholder in the human resource management process.</p> <p>B is incorrect. Unions organise strikes and industrial action.</p> <p>C is incorrect. While a union can lobby the decisions of the Australian Government, they do not advise the Government on which laws should be passed.</p> <p>D is incorrect. Although society is impacted by the waste disposal actions of a company, this is not an example of society's role as a stakeholder in the human resource management process.</p>	<p>Human Resources: Stakeholders H2</p> <p style="text-align: right;">Band 6</p>
<p>Question 20 C</p> <p>C is correct. Goodwill is an intangible asset that is included on a balance sheet.</p> <p>A, B and D are incorrect. Research and development, expenses and sales are included on an income statement.</p>	<p>Finance: Monitoring and Controlling H4</p> <p style="text-align: right;">Band 6</p>

SECTION II

Sample answer	Syllabus content, outcomes, targeted performance bands and marking guide
Question 21	
<p>(a) Interdependence between operations and marketing is the idea that these departments are dependent on each other for the business to function optimally. In Logan’s business, the marketing department would monitor changing consumer demands. For example, marketing may identify that there is a greater need for accounting services that relate to cryptocurrency transactions and associated capital gains tax calculations. This would be communicated to the operations department, who would carry out the accounting services demanded by consumers. Operations needs marketing to research the market and inform consumers about the services offered by the firm, while marketing needs operations to deliver the services. Thus, operations and marketing are interdependent within Logan’s business.</p> <p><i>Note: This response is more detailed than a student would be required to provide.</i></p>	<p>Operations: Interdependence with Other Key Business Functions H1 Bands 3–4</p> <ul style="list-style-type: none"> • Outlines the interdependence between operations and marketing in Logan’s business 2 <hr/> <ul style="list-style-type: none"> • Provides some relevant information 1
<p>(b) Technology may influence Logan’s business by improving the efficiency of labour and thus allowing more work to be completed each day. Newer machines may increase the speed of routine tasks, increase the quality of work done and/or decrease costs for the business. For example, a new accounting software may be able to automatically scan and interpret transaction logs from cryptocurrency exchanges and calculate net capital gains quickly and accurately. This would reduce the time taken to complete tax returns, since many people buy and sell cryptocurrencies hundreds or thousands of times a year.</p>	<p>Operations: Technology H2 Bands 4–5</p> <ul style="list-style-type: none"> • Explains in detail how technology influences the day-to-day operations of Logan’s business 4 <hr/> <ul style="list-style-type: none"> • Explains how technology influences the day-to-day operations of Logan’s business 3 <hr/> <ul style="list-style-type: none"> • Outlines how technology influences the day-to-day operations of Logan’s business 2 <hr/> <ul style="list-style-type: none"> • Provides some relevant information 1

Sample answer	Syllabus content, outcomes, targeted performance bands and marking guide
<p>(c) Resources are transformed when value is added to them. Information is a transformed resource for Logan’s business as accountants transform the information they are given by their clients. For example, when completing a tax return, an accountant will collect relevant financial information from their client and transform it into a tax return application. Therefore, the information provided by the client becomes a transformed resource.</p> <p>In a nail salon business, customers are a transformed resource as nail artists transform the customer (specifically, the customer’s nails) as part of their service. The added value is the customer’s nails being serviced to their satisfaction and requirements. Thus, customers can be transformed resource for a service-based business such as a nail salon.</p>	<p>Operations: Inputs, Transformed Resources H4 Bands 4–5</p> <ul style="list-style-type: none"> Describes the role of information as a transformed resource. <p>AND</p> <ul style="list-style-type: none"> Describes the role of customers as a transformed resource. <p>AND</p> <ul style="list-style-type: none"> Refers to Logan’s business. <p>AND</p> <ul style="list-style-type: none"> Refers to another service-based business 4 <hr/> <ul style="list-style-type: none"> Describes the role of information as a transformed resource. <p>AND</p> <ul style="list-style-type: none"> Describes the role of customers as a transformed resource. <p>AND</p> <ul style="list-style-type: none"> Refers to Logan’s business. <p>OR</p> <ul style="list-style-type: none"> Refers to another service-based business 3 <hr/> <ul style="list-style-type: none"> Describes the role of information as a transformed resource. <p>AND</p> <ul style="list-style-type: none"> Describes the role of customers as a transformed resource 2 <hr/> <ul style="list-style-type: none"> Provides some relevant information 1

Sample answer	Syllabus content, outcomes, targeted performance bands and marking guide
<p>Question 22</p>	
<p>(a) The production approach to marketing involves focusing on production only, with the assumption that if a product is made, customers will buy it. This approach is most effective when the target market is large and the product offered by the business is in high demand with a relatively low supply because it enables the business to focus on mass production, and thus economies of scale, and not to worry about goods not being purchased. An example of a product suited to the production approach is white goods and home appliances, such as refrigerators, washing machines and ovens. This approach has been successfully implemented by Haier, an appliance company located in China. The production approach is particularly suited to countries with large populations, so Haier has gained a large share of the domestic Chinese market for home appliances.</p>	<p>Marketing: Production Approach H1 Bands 3–4</p> <ul style="list-style-type: none"> Explains how the production approach can be effective in marketing a particular product. <p>AND</p> <ul style="list-style-type: none"> Supports the answer with an example. 3 <hr/> <ul style="list-style-type: none"> Explains how the production approach can be effective in marketing a particular product. 2 <hr/> <ul style="list-style-type: none"> Provides some relevant information 1
<p>(b) Price skimming involves setting a high initial price for a new product or service to establish an image of quality and to recover research and development costs. This price is then gradually decreased as competition enters the market. It can be used for innovative or unique products with high research and development costs.</p> <p>Penetration pricing involves setting a low initial price to minimise competition and gain a large market share rapidly. It is best used when the target market is sensitive to price, which makes it possible to achieve economies of scale over the long term.</p>	<p>Marketing: Pricing Strategies H5 Band 5</p> <ul style="list-style-type: none"> Explains skimming as a pricing strategy. <p>AND</p> <ul style="list-style-type: none"> Explains penetration as a pricing strategy. <p>AND</p> <ul style="list-style-type: none"> Describes when each strategy is most appropriate to use 3 <hr/> <ul style="list-style-type: none"> Explains skimming as a pricing strategy. <p>AND</p> <ul style="list-style-type: none"> Explains penetration as a pricing strategy 2 <hr/> <ul style="list-style-type: none"> Provides some relevant information 1

Sample answer	Syllabus content, outcomes, targeted performance bands and marking guide
<p>(c) Process refers to the flow of activities through which a service is delivered. The steps involved in the delivery of service give customers evidence they can use to judge the service. For example, a customer who needs to repair their Apple device needs to go through several steps. This process involves booking an appointment at an Apple store, calling out the customer’s name when they arrive for their appointment and personalising the meeting with the Apple employee who will perform the repair.</p> <p>Physical evidence refers to the appearance of the physical environment in which the service is delivered. For example, the pristine, minimalist environment in an Apple store emphasises the appearance of the company’s high-tech products and the museum-like display of products influences the customer’s perception of the service.</p> <p>Thus, process and physical evidence are two distinct marketing strategies for service-based businesses.</p>	<p>Marketing: Processes and Physical Evidence H5 Bands 5–6</p> <ul style="list-style-type: none"> Explains the marketing strategy of process. <p>AND</p> <ul style="list-style-type: none"> Explains the marketing strategy of physical evidence. <p>AND</p> <ul style="list-style-type: none"> Provides a relevant example of process AND physical evidence. 4 <hr/> <ul style="list-style-type: none"> Explains the marketing strategy of process. <p>AND</p> <ul style="list-style-type: none"> Explains the marketing strategy of physical evidence. <p>AND</p> <ul style="list-style-type: none"> Provides a relevant example of process OR physical evidence. . . . 3 <hr/> <ul style="list-style-type: none"> Explains the marketing strategy of process. <p>AND</p> <ul style="list-style-type: none"> Explains the marketing strategy of physical evidence. 2 <hr/> <ul style="list-style-type: none"> Provides some relevant information 1
<p>Question 23</p>	
<p>(a) $\frac{\text{net profit}}{\text{total equity}} = \frac{7000}{40\,000}$ $= 17.5\%$</p> <p>The return on equity ratio measures a business’s profitability. A return on equity ratio of 17.5% indicates a return on investment of 17.5% for the 2022–2023 financial year.</p>	<p>Finance: Financial Ratios, Profitability H4, H10 Bands 4–5</p> <ul style="list-style-type: none"> Calculates and interprets the return on equity ratio for the business 2 <hr/> <ul style="list-style-type: none"> Calculates the return on equity ratio 1

Sample answer	Syllabus content, outcomes, targeted performance bands and marking guide
<p>(b) $\frac{\text{sales}}{\text{accounts receivable}} = \frac{20\,000}{15\,000}$</p> <p style="text-align: center;">≈ 1.3</p> <p>$\frac{365}{1.3} \approx 281$</p> <p>The accounts receivable turnover ratio measures the effectiveness of a business's credit policy and how efficiently it collects debt. Dividing 365 by 1.3 shows that this business takes approximately 281 days to convert the accounts receivable into cash and thus repay their debts.</p>	<p>Finance: Financial Ratios, Efficiency H4, H10 Bands 4–5</p> <ul style="list-style-type: none"> • Calculates the accounts receivable turnover ratio. <p>AND</p> <ul style="list-style-type: none"> • Divides 365 by the accounts receivable turnover ratio. <p>AND</p> <ul style="list-style-type: none"> • Deduces how long it takes for debts to be repaid 4 <hr/> <ul style="list-style-type: none"> • Calculates the accounts receivable turnover ratio. <p>AND</p> <ul style="list-style-type: none"> • Attempts to approximate how long it takes for debts to be repaid 3 <hr/> <ul style="list-style-type: none"> • Calculates the accounts receivable turnover ratio 2 <hr/> <ul style="list-style-type: none"> • Provides some relevant information 1

Sample answer	Syllabus content, outcomes, targeted performance bands and marking guide
<p>(c) Given that the competing business’s revenue is \$500 000:</p> $\text{gross profit ratio} = \frac{\text{gross profit}}{\text{sales}}$ $0.6 = \frac{\text{gross profit}}{500\,000}$ $\text{gross profit} = 0.6 \times 500\,000$ $= 300\,000$ $\text{expense ratio} = \frac{\text{total expenses}}{\text{sales}}$ $0.4 = \frac{\text{total expenses}}{500\,000}$ $\text{total expenses} = 0.4 \times 500\,000$ $= 200\,000$ $\text{net profit} = \text{gross profit} - \text{total expenses}$ $= 300\,000 - 200\,000$ $= 100\,000$ $\text{net profit ratio} = \frac{\text{net profit}}{\text{sales}}$ $= \frac{100\,000}{500\,000}$ $= 0.2$ $= 20\%$ <p>Therefore, the net profit ratio is 20%.</p>	<p>Finance: Financial Ratios, Profitability H4, H10 Band 6</p> <ul style="list-style-type: none"> • Calculates the competing business’s net profit ratio. 4 <hr/> <ul style="list-style-type: none"> • Calculates the business’s net profit ratio, with ONE error when calculating the gross profit, total expenses, net profit or net profit ratio 3 <hr/> <ul style="list-style-type: none"> • Calculates at least TWO of gross profit, total expenses, net profit or net profit ratio 2 <hr/> <ul style="list-style-type: none"> • Calculates at least ONE of gross profit, total expenses, net profit OR net profit ratio 1
<p>Question 24</p>	
<p>(a) Equal employment opportunity (EEO) refers to the principle that everyone must be given equal access to employment opportunities across all areas of a business. EEO is part of state and federal anti-discrimination legislation. This means that businesses must be objective in all aspects of human resources, including recruitment, selection, training and promotion. They must not discriminate against personal characteristics, such as race, sex, religion and sexual orientation, which are irrelevant to performance in the workplace. Failing to comply with these laws makes a business liable to legal action.</p>	<p>Human Resources: Legal H2 Bands 3–4</p> <ul style="list-style-type: none"> • Describes the characteristics and features of EEO. <p>AND</p> <ul style="list-style-type: none"> • Describes EEO’s influence on human resource management . . . 2 <hr/> <ul style="list-style-type: none"> • Provides some relevant information 1

Sample answer	Syllabus content, outcomes, targeted performance bands and marking guide
<p>(b) Corporate culture refers to the culture within an organisation; it is the values, attitudes, standards and beliefs that are shared by employees in a workplace. A business’s human resources department is responsible for setting and maintaining corporate culture in the workplace; thus, corporate culture is an indicator of the effectiveness of human resource management. Key variables such as absenteeism and turnover rates can be used as possible indicators of poor corporate culture.</p> <p>However, corporate culture can be hard to measure as it is hard to measure beliefs, values and attitudes. This can hinder the use of corporate culture as a measurement tool when evaluating the effectiveness of human resource management.</p>	<p>Human Resources: Indicators H6 Bands 5–6</p> <ul style="list-style-type: none"> • Defines corporate culture. <p>AND</p> <ul style="list-style-type: none"> • Discusses at least ONE strength of using corporate culture as an indicator of the effectiveness of human resource management. <p>AND</p> <ul style="list-style-type: none"> • Discusses at least ONE weakness of using corporate culture as an indicator of the effectiveness of human resource management4 <hr/> <ul style="list-style-type: none"> • Discusses at least ONE strength of using corporate culture as an indicator of the effectiveness of human resource management. <p>AND</p> <ul style="list-style-type: none"> • Discusses at least ONE weakness of using corporate culture as an indicator of the effectiveness of human resource management3 <hr/> <ul style="list-style-type: none"> • Discusses at least ONE strength of using corporate culture as an indicator of the effectiveness of human resource management. <p>OR</p> <ul style="list-style-type: none"> • Discusses at least ONE weakness of using corporate culture as an indicator of the effectiveness of human resource management2 <hr/> <ul style="list-style-type: none"> • Provides some relevant information1

Sample answer	Syllabus content, outcomes, targeted performance bands and marking guide
<p>(c) Negotiation and mediation are methods of solving workplace disputes that involve encouraging the conflicting parties to come to an agreement on their own.</p> <p>However, negotiation involves the conflicting parties communicating with each other to reach an agreement on their own, without any third-party intervention.</p> <p>In comparison, mediation involves an independent third party analysing the core issues at stake, and then attempting to help the conflicting parties come to an agreement.</p>	<p>Human Resources: Workplace Disputes H5 Bands 4–5</p> <ul style="list-style-type: none"> • Outlines in detail the similarities between negotiation and mediation. <p>AND</p> <ul style="list-style-type: none"> • Outlines in detail the differences between negotiation and mediation 4 <hr/> <ul style="list-style-type: none"> • Outlines the similarities between negotiation and mediation. <p>AND</p> <ul style="list-style-type: none"> • Outlines the differences between negotiation and mediation 3 <hr/> <ul style="list-style-type: none"> • Outlines the similarities between negotiation and mediation. <p>OR</p> <ul style="list-style-type: none"> • Outlines the differences between negotiation and mediation 2 <hr/> <ul style="list-style-type: none"> • Provides some relevant information 1

SECTION III

Question 25 (20 marks)

Executive summary

TempRent is an online car rental service that is looking to expand into the national market. To do so, TempRent will need a source of funds, such as debentures. To inform and persuade their target markets, it will also need to use promotion strategies, such as advertising and sales promotions. Finally, TempRent will need to be aware of the expansion's impact on cash flow and working capital, and manage this impact through strategies such as distribution of payments and sale and leaseback.

Suitable sources of funding

TempRent will need a source of funding to facilitate the expansion. Since the shareholders are hesitant to use equity funding, an appropriate source of funding may be a form of external long-term borrowing, such as a debenture.

A debenture is an agreement made by a business in which they repay the money borrowed as a lump sum at the end of the loan, while the interest component of the debt is paid in regular payments throughout the loan period. This is a suitable source of funding for TempRent's expansion as the principal on the loan will not need to be paid during the initial period of the expansion, when the business's sales in the national market will be slow and business recognition is being built through promotion strategies. This will also avoid putting a strain on cash flow and working capital.

Promotion strategies

Promotion refers to any communication that a business uses to inform, persuade or remind customers as they make a purchase decision. As part of the expansion, TempRent should use promotion strategies to attract new customers while retaining existing customers. Two strategies from the promotion mix that TempRent can use are advertising and sales promotions.

Advertising refers to paid, non-personal communications displayed in forms of mass media that aim to inform and persuade the target market about a business's products and/or services. TempRent could purchase advertising space in bulk from websites such as YouTube, Facebook and Google, giving TempRent the ability to communicate to a large number of people at one time. TempRent could also directly target potential customers by purchasing advertising spaces on car enthusiast websites and forums, and in car magazines. An appropriate and targeted advertising campaign will help to increase brand recognition and market share for TempRent as the business expands into the national market.

A sales promotion is any activity or material that encourages customers to purchase a business's products and/or services by offering added value, typically for a limited time. For example, TempRent could provide a 10% discount on the first booking for new customers, or a 20% discount for the first month of the expansion. This sales promotion campaign could also be linked to the advertising campaign, which would allow both campaigns to work together to raise the brand recognition of TempRent and rapidly increase market share.

Cash flow and working capital

Cash flow refers to the movement of cash in and out of a business and working capital refers to the funds available for the short-term financial commitments of a firm. Thus, it is likely that both cash flow and working capital will be significantly impacted during the initial stages of TempRent's expansion. This is because, as a result of the expansion, there will be a sharp rise in promotional campaign costs, interest expenses, staffing costs and other expenses related to running a larger business. In the initial stages of the expansion, there is unlikely to be additional inflow of cash to counter the increase in expenses, resulting in decreased working capital and potentially a negative cash flow.

One strategy that could be used to manage cash flow is distribution of payments. This involves distributing payments and expenses throughout the period of the expansion so that cash shortfalls do not occur. This would require careful planning and budgeting; however, it could enable TempRent to take advantage of discounts on early payments and avoid excess fees for late payments on debentures or any other type of loan that has been taken out.

A strategy that could be used to manage working capital is sale and leaseback. In order to help the business meet short-term financial commitments in the initial stages of the expansion, TempRent should consider selling some large assets to a lessor and leasing the asset back through fixed payments for a negotiated number of years. This will increase liquidity and the cash pool available to TempRent until it starts making sufficient sales in the national market.

Conclusion

As TempRent expands to the national market, it will face many challenges. TempRent should consider using debentures to obtain a suitable source of funding. TempRent should consider promotional strategies such as advertising and sales promotions to increase brand recognition and market share. Finally, TempRent should use strategies such as distribution of payments and sale and leaseback to manage the impact of the expansion on cash flow and working capital. Following these recommendations will help TempRent in their expansion.

Note: Responses may vary, and marks should be awarded based on the merits and justifications of each response. A wide variety of alternative business report structures/formats are acceptable.

Syllabus content	Syllabus outcomes
Marketing – marketing strategies – promotion Finance – financial management strategies	H2, H5, H7, H8, H9

Criteria	Marks
<p>The response is effective in:</p> <ul style="list-style-type: none"> • outlining a suitable source of funding that could be used to finance the expansion • providing comprehensive supporting arguments for TWO promotion strategies that will help the business gain recognition and increase market share in the national market • making a clear judgement about the expansion's impact on cash flow and working capital and how this impact could be managed • demonstrating extensive knowledge and understanding relevant to the information provided in the question • integrating relevant business terms and concepts into a logical and cohesive business report. 	17–20
<p>The response is competent in:</p> <ul style="list-style-type: none"> • describing a suitable source of funding that could be used to finance the expansion • providing supporting arguments for TWO promotion strategies that will help the business gain recognition and increase market share in the national market • making some judgement about the expansion's impact on cash flow and working capital and how this impact could be managed • demonstrating some knowledge and understanding relevant to the information provided in the question • integrating relevant business terms and concepts into a logical and cohesive business report. 	13–16
<p>The response is adequate in:</p> <ul style="list-style-type: none"> • briefly describing a source of funding that could be used to finance the expansion • outlining TWO promotion strategies that will help the business gain recognition and increase market share in the national market • describing the expansion's impact on cash flow and/or working capital and/or how this could be managed • using some business terms and concepts to produce some features of a business report. 	9–12
<p>The response is limited in:</p> <ul style="list-style-type: none"> • identifying a source of funding that could be used to finance the expansion • identifying at least ONE promotion strategy • identifying a cash flow and/or working capital management strategy • using basic business terms to produce some features of a business report. 	5–8
<p>The response attempts to:</p> <ul style="list-style-type: none"> • refer to finance management OR marketing management • use basic business terms. 	1–4

SECTION IV**Question 26** (20 marks)

The processes of operations management broadly describe the main activities conducted by the operations department of a business. The operations department gets inputs, including transformed resources such as materials; adds value to these inputs through a transformation process; and gets outputs, which are the products sold by the business. In order to help a business achieve its strategic goals, operations management aims to maximise a business's profits by using appropriate operations strategies to achieve cost leadership or differentiation. The strategies of technology and global factors are exemplified by successful companies, such as Apple, Sonova Group, Qantas, Pure Gelato and Kmart, while the strategy of performance objectives can be illustrated by a hypothetical case study.

Technology refers to designing, constructing or applying innovative devices, machinery and methods in order to improve operations processes. The use of technology in the transformation process helps a business become more efficient and cost-effective, leading to a competitive advantage. Businesses can opt to use leading edge technology, which is the most advanced or innovative technology at a point in time. This can further increase the efficiency of the transformation process through increased economies of scale or lead to the creation of outputs that are different from competing products. Sonova Group is a healthcare business specialising in hearing aids and related equipment. The leading edge wireless technology used in their hearing aids has gained a large amount of market share for Sonova Group, as competing products lack these features.

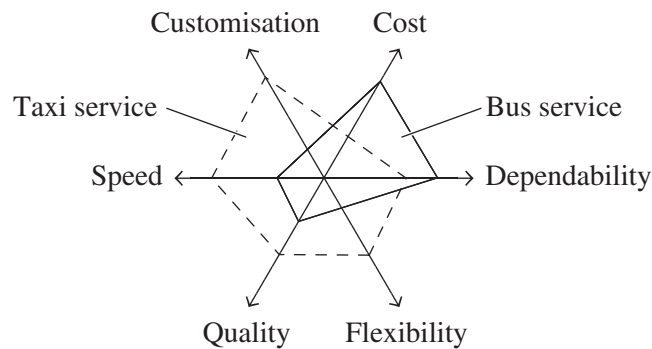
However, leading edge technology can sometimes have bugs and potential flaws. In November 2021, Tesla had to recall 12 000 vehicles equipped with its Full Self-Driving Beta software. This technology falsely identified collision threats and would bring Tesla vehicles to a sudden halt, thus increasing the chances of a collision from vehicles travelling behind these Teslas.

Alternatively, businesses can opt to use established technology that has been developed and widely used and thus has had bugs and flaws removed over successive iterations. Using 'tried and tested' technologies in transformation processes could reduce costs and delays. For example, the ice cream manufacturer Pure Gelato decided to skip upgrading to Windows 8 altogether, which allowed them to avoid bugs in the software and staff training for the new technology. This helped the business to remain efficient and maintain low costs. Similarly, Qantas was one of the first airlines to place orders for the Airbus A380s. However, Qantas ensured that they were not the very first airline to use this technology to avoid having to deal with untested aircrafts.

Global factors refers to a range of strategies in operations management that are used in the context of globalisation, such as global sourcing. A business that sources inputs from around the world has an advantage when attempting to achieve competitive advantage because using the global market enables businesses to access suppliers with a variety of products at different price points. Thus, a business can gain access to higher quality transformed resources, such as materials, which allows for an easier means of differentiation from competing businesses or access to cheaper inputs that can help a business achieve cost leadership. For example, Apple is able to obtain leading edge cameras from Sony and the fastest RAMs from Samsung, both of which help Apple differentiate their products from the competition. On the other hand, Kmart is able to source much of its clothing from Bangladesh, where the cost of inputs is low, which helps Kmart achieve cost leadership.

Another strategy that is used to help a business optimise its operations processes is performance objectives. There are six aspects of operations processes that will affect customer satisfaction and business competitiveness: quality, speed, dependability, flexibility, cost and customisation. A business can choose to focus on a few of these performance objectives to gain a competitive advantage. The relative importance of each performance objective will be different, depending on the market a business operates in.

For example, the following diagram illustrates the possible importance of each performance objective for a taxi service and a bus service.



While each performance objective is important, a bus service will most likely focus their operations processes on dependability and cost. Dependability refers to doing things on time and keeping the promises that have been made. For a bus service, this means keeping to the published timetables and providing enough bus services to maintain a constant availability of seats on the route. Cost refers to the ability to produce goods and/or services with a certain standard of quality at less of a cost than competitors. For a bus service, this would involve minimising the costs associated with a particular route. In contrast, a taxi service would not focus on cost and dependability as the core of its operations processes.

In conclusion, it is clear that operations strategies are used to optimise the processes of operations management so that the business can achieve its long-term strategic goals and achieve differentiation or cost leadership.

Note: Diagrams are not required to obtain full marks.

Syllabus content	Syllabus outcomes
Operations – operations processes and operations strategies	H4, H5, H8, H9

Criteria	Marks
<p>The response is effective in:</p> <ul style="list-style-type: none"> explaining comprehensively the relationship between operations strategies and processes of operations management applying a relevant case study or studies and contemporary business issues communicating clearly, logically and cohesively using relevant business terms and concepts. 	17–20
<p>The response is competent in:</p> <ul style="list-style-type: none"> explaining the relationship between operations strategies and processes of operations management using a relevant case study or studies and contemporary business issues communicating logically and cohesively using relevant business terms and concepts. 	13–16
<p>The response is adequate in:</p> <ul style="list-style-type: none"> outlining the characteristics and features of operations strategies and processes of operations management referring to a case study or studies and contemporary business issues communicating using business terms and concepts. 	9–12
<p>The response is limited in:</p> <ul style="list-style-type: none"> describing operations strategies and/or processes referring to a case study or studies and contemporary business issues in general terms communicating using some business terms and concepts. 	5–8
<p>The response attempts to:</p> <ul style="list-style-type: none"> refer to operations management identify a case study or studies use basic business terms. 	1–4

Question 27 (20 marks)

The processes of human resource management broadly describe the main activities conducted by a business's human resources department. These include four broad groups of activities: acquisition (acquiring the right employees), development (training and developing employees to do their job efficiently), maintenance (managing employees to optimise their job satisfaction and productivity), and separation (managing the end of the employee–employer relationship when required). Human resource management assists with achieving a business's strategic goals by using appropriate strategies to maintain an effective and skilled workforce. Strategies used by successful businesses include rewards, global factors and leadership style.

Rewards management is a key strategy used in the acquisition and maintenance processes. This strategy helps to attract, motivate and retain employees. Rewards can be monetary, such as a high base salary, gain-sharing plans and end-of-year bonuses, or non-monetary, such as career pathways and opportunities for creative personal projects. They can also be individual, such as an end-of-year bonus, or group-based, such as whole team bonuses. Regardless of the form that rewards take, this human resource management strategy capitalises on the fact that talented employees are more likely to join and stay with the business if their hard work and talent is recognised and rewarded.

For example, Apple offers base salaries up to 30% higher than industry average and significant monetary discounts on Apple products because they want to recruit creative and talented employees. Google offers non-monetary rewards such as time for creative personal projects; Google's product 'Gmail' resulted from one employee's personal creative project while working for Google. Thus, rewards are an integral part of the human resource processes of acquisition and maintenance.

Another strategy that can support human resource processes is global factors, which involves making use of the opportunities presented by globalisation. In the acquisition process, hiring overseas labour can be an effective way to reduce costs. For example, the average cost of manufacturing products in Australia is around \$40 per hour. However, the average cost is around \$2 in the Philippines and around \$3 in Mexico. This is why brands such as Myer, Kmart and Just Jeans manufacture much of their clothing in countries such as Bangladesh; they can pay drastically lower wage rates than they would have to in Australia.

Another aspect of globalisation that human resource management can utilise is hiring globally for specific skills when there is a shortage of those skills in Australia. For example, due to the ongoing STEM crisis in Australia, there is a shortage of skilled labour in the areas of science, technology, engineering and mathematics. Businesses in Australia can therefore hire people from overseas where there is a higher supply of those skills to meet their hiring needs.

Finally, the strategy of leadership style can be used by human resource management during the maintenance process. A business can choose to adopt a variety of leadership styles depending on its needs and the situation. Authoritarian leaders tend to hold all authority and responsibility. Twitter and Tesla's current CEO, Elon Musk, is an example of an authoritarian leader in a high-profile company. However, authoritarian leaders are more appropriate in low-skilled jobs where employee input is not needed or even appropriate. A manager at a fast-food store with young, inexperienced employees and high turnover of customers is likely to adopt an authoritarian approach to handling human resources in the business.

On the other hand, democratic leaders delegate authority to others and are more appropriate for team-based workplaces where the employees are highly knowledgeable and skilled. Apple is well known for hiring many talented employees. Since Tim Cook became the CEO of Apple in 2011, he has led the company in a democratic manner, opting to leave most of the details of the business to the talented senior executives at Apple. Tim Cook's approach has resulted in Apple being the first company in history to reach \$1 trillion market capitalisation.

Using the wrong management style can result in high turnover rates and a drop in employee morale and satisfaction, as demonstrated at Twitter after Elon Musk became CEO. When Elon Musk asked Twitter employees to commit to long hours and a 'hardcore' work ethic, around one third of employees resigned. It is thus essential that the correct leadership style is used during the maintenance process in a business to maximise employee productivity. Failing to implement the right leadership style may result in serious issues for a company's productivity.

In conclusion, human resource management strategies are used to maximise the effectiveness of a business's workforce. Rewards help to attract talented staff and global factors allow the business to expand the talent available to them, thus maximising their chance of acquiring the right staff. Leadership style and rewards are strategies that contribute to maintaining, retaining and motivating existing staff. Ultimately, human resource strategies allow human resource management to perform its processes in an optimal way, thus helping businesses achieve their overall long-term objectives.

Syllabus content	Syllabus outcomes
Human resources – processes of human resource management and strategies of human resource management	H4, H5, H8, H9

Criteria	Marks
<p>The response is effective in:</p> <ul style="list-style-type: none"> explaining comprehensively the relationship between human resource strategies and processes of human resource management applying a relevant case study or studies and contemporary business issues communicating clearly, logically and cohesively using relevant business terms and concepts. 	17–20
<p>The response is competent in:</p> <ul style="list-style-type: none"> explaining the relationship between human resource strategies and processes of human resource management using a relevant case study or studies and contemporary business issues communicating logically and cohesively using relevant business terms and concepts. 	13–16
<p>The response is adequate in:</p> <ul style="list-style-type: none"> providing the characteristics and features of human resource strategies and processes of human resource management referring to a case study or studies and contemporary business issues communicating using business terms and concepts. 	9–12
<p>The response is limited in:</p> <ul style="list-style-type: none"> describing human resource strategies and/or processes referring to a case study or studies and contemporary business issues in general terms communicating using some business terms and concepts. 	5–8
<p>The response attempts to:</p> <ul style="list-style-type: none"> refer to human resource management identify a case study or studies use basic business terms. 	1–4