

## ***YEAR 12 Trial Exam Paper***

**2019**

# **BUSINESS MANAGEMENT**

**Written examination**

***Sample responses***

**This book presents:**

- high-level sample responses
- mark allocations
- tips.

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## SECTION A

### Question 1a.

#### Sample response

A private limited company is a type of business that is owned by between two and fifty shareholders.

It differs from a public listed company as it is not listed on the Australian Securities Exchange (ASX), meaning its shares can't be freely traded.

#### **Mark allocation: 4 marks**

- 1 mark for identifying that a private limited company is 'owned'
- 1 mark for identifying that ownership comprises between two and fifty shareholders/people
- 2 marks for distinguishing between a private limited and a public listed company

**Note:** This may be one point explained in detail or a number of points. You must provide information about both forms of ownership for a distinction to be made.

For example:

- Shares are tradeable/not tradeable on the ASX
- Company is listed/not listed on the ASX
- Company publishes reports/does not publish reports



#### **Tips**

- *The 2018 VCAA exam awarded 2 marks for a 'define' question, whereas, in 2017, this type of question was awarded 1 mark. For a 2-mark question, you should adapt your response to ensure it provides two distinct points.*

**Question 1b.****Sample response**

A waste minimisation strategy that could be implemented is 'lean management'. This is an approach that attempts to improve operations by eliminating waste and improving quality – 'lean', in this case, means no excess. A business using this approach would carefully analyse each stage of the operations system and remove any inefficiencies that do not add value to the product.

**Mark allocation: 2 marks**

- 1 mark for identifying lean management as a strategy to minimise waste by improving quality or reducing aspects of a business that create waste
- 1 mark for describing how operations can be analysed to determine where inefficiencies can be removed/reduced

**Question 1c.****Sample response**

Another area of management responsibility that could contribute to waste minimisation is technology support, which monitors and manages the technology within a business. This area can minimise waste by ensuring the technology used is operating efficiently – for example, there are no faults that waste electricity, or issues that cause the equipment/technology to create defective products that must be discarded.

Regular maintenance can lead to efficient operations of technology so that waste is not created.

**Mark allocation: 3 marks**

- 1 mark for identifying the area of responsibility
- 2 marks for explaining how the selected area can minimise waste – technology operating efficiently, not creating defective goods

**Note:** You could draw on any of the five areas of management responsibility in the Study Design (operations, finance, human resources, sales and marketing, and technology support). Technology by itself is not an area of management responsibility and would receive no marks if used.

**Tip**

- *When given a choice of concept, you should review the material and select an option that provides scope for a full response. In this example, it may be difficult to link human resources to waste minimisation, as many labour tasks may be associated with operations.*

**Question 2a.****Sample response**

Porter believed that when faced with change, a business could adopt one of two approaches to maintain or gain a competitive advantage over competitors: the lower cost approach or the differentiation approach.

The lower cost approach requires a business to produce its output at the lowest possible cost. Reductions in cost are made to inputs, production, packaging, marketing and any other area where cuts can be made. This allows the business to pass these lower costs onto customers and become known for having the lowest priced product in the market. This lower price will attract price-conscious consumers, allowing the business to remain competitive.

Alternatively, the business can differentiate its product (find a means of making its product unique in some way to gain a competitive edge) thereby allowing the business to market itself as a leader or innovator in that industry. Some strategies include making the product more durable, providing better customer support, extending warranties or launching different brands within the same market. This can allow the business to sell its product at a higher price, as consumers will feel they are getting value for money.

In a highly competitive market such as soft drinks, it is most likely that businesses are competing on price, and so Buzz Ltd should adopt a differentiation strategy. By being unique, possibly making 'healthy' soft drinks and trading on its reputation in its current market, the company could develop an advantage over its competitors.

***Mark allocation: 6 marks***

Questions worth this many marks are usually marked globally. In this case, the marks can be broken down in the following way:

- 2 marks for explaining each approach from Porter's Generic Strategies (up to 4 marks)
- 2 marks for justifying the particular approach recommended

**Note:** The justification must be more than just a statement about which approach to adopt; you must provide a reason for choosing the strategy and link it to the specific business.

**Question 2b.****Sample response**

Sourcing supplies from overseas has positive benefits for the business. In general, overseas suppliers are able to provide supplies at a lower price, as wage rates are lower in some countries. When entering a new market, businesses may want to keep their costs low as they need to price their product at a level that will attract customers.

However, businesses can also attract a reputation for their actions, and buying imported materials when local suppliers are available can be seen as socially irresponsible – profits and local jobs are all sent overseas, resulting in a negative reputation for the company. Businesses need to consider the impact of their decisions, and by sourcing supplies from overseas, they are likely to lose customers who value Australian-made products and businesses that support their local communities.

**Mark allocation: 4 marks**

- 2 marks for mentioning the benefits of sourcing inputs from overseas
- 2 marks for mentioning the negative aspects associated with the decision

**Note:** These are sample benefits and negative aspects – you may select others such as the opportunity to access more suppliers (chance to ‘shop around’) or the loss of immediate contact with suppliers in the event something goes wrong.

**Tip**

- *An analysis requires you to identify the main features and examine them closely: examine in parts, and show how the parts relate to the whole. The decision to source inputs from overseas is what is being examined, and you must present the positive and negative parts of this decision.*

**Question 3a.****Sample response**Quality assurance

Quality assurance is a quality management strategy that involves all aspects of the business being assessed and given a certificate of quality from an external body. All processes are assessed, and once it is determined that the processes meet the required standard, this certification is awarded.

Such a system allows Hickling Housing to build quality into its work processes, by placing an emphasis on eliminating defects and reducing waste during the production process. Hickling Housing will require all employees and management to share the responsibility for improving quality. This strategy will improve Hickling Housing's operations as they will be more efficient, with fewer defective products made. This reduces costs, so the business is able to keep prices lower, which allows it to remain competitive.

Computer-aided design

Computer-aided design (CAD) is a software program that generates three-dimensional diagrams from a set of given input data. Once the design has been created, it can be viewed from multiple angles, assisting both the designer and the end user to visualise what will be produced.

Once the design is agreed upon, Hickling Housing will be able to accurately determine the quantity of materials to be used in a house, as well as the time needed for the task to be completed. CAD software can customise a series of options that meets the client's or customer's needs. CAD software can also design the sequence of steps that Hickling Housing would need to take to create the desired product in the shortest possible lead time using the least amount of materials. This ensures operations occur efficiently and there is little to no waste generated in the production process, as all parameters have been determined to an exact specification. A reduction in waste reduces costs, and these reductions can be passed on to consumers to ensure the business remains competitive.

***Mark allocation: 8 marks***

- 2 marks for describing each strategy (up to 4 marks)
- 2 marks for linking each strategy to improving operations and maintaining competitiveness in the specific business (up to 4 marks)

**Question 3b.****Sample response**

On-the-job training is where employees learn specific or new skills and tasks as they carry on in their normal job. They may watch an experienced co-worker or mentor performing a task to identify areas for improvement. This type of training allows for common mistakes to be corrected through instant feedback, so productivity is not compromised. However, this training is not conducted by a professional or certified external body, so incorrect procedures could be passed down.

On the other hand, off-the-job training allows employees to learn specific or new skills and tasks by attending a course or workshop at another venue away from their normal place of work. Industry experts run these courses to help employees develop their skill base. This type of training avoids workplace distractions so employees can focus on the training to improve their skills. However, there is a loss of productivity, as employees are sent off-site to complete the training and will not be at work to carry out their normal duties.

***Mark allocation: 4 marks***

- 2 marks for explaining each type of training
- 2 marks for making a distinction between the two types of training

**Note:** The number of points of distinction are not set – assessors should consider the depth of the response against the breadth of the response. Both approaches provide the possibility for full marks.

**Question 4a.****Sample response**

Anne Edmunds is using an autocratic management style.

This style is characterised by one-way communication from the top down, with no staff input into the decisions made by management. Employees are required to do as instructed and are not able to offer advice or an opinion on the decision made.

**Mark allocation: 3 marks**

- 1 mark for identifying the style (the only answer possible is autocratic)
- 2 marks for explaining one characteristic – you may refer to control, communication or decision-making

**Tip**

- *Questions such as this one require a specific response. Read the information carefully to ensure you have identified the correct style and can earn the marks for describing the characteristics.*



**Question 4b.****Sample response**

The way managers interact with employees can affect the way employees perform and their level of motivation. If a manager is autocratic then they often do not have the trust of employees. If a manager is autocratic and employees don't feel a connection to the business then employee productivity may fall, raising costs and hence worsening the profit performance of the business.

Adriana Industries could move to a consultative management style, where managers seek input from employees, which creates trust between the two stakeholders. If employees feel they have some voice in the business, they will respond by being more positive about the business. They will be more motivated at work and this is likely to improve their productivity. This should have a flow-on effect and lead to higher profit figures in future periods.

However, the consultative style requires more communication between management and employees, and this can be time-consuming. If the need to change is urgent, then managers may not have the time to consult with employees. Introducing automation and improving profit could be deemed more urgent, and employee consultation may worsen the situation due to the time needed to consult.

**Mark allocation: 6 marks**

Questions such as this are usually marked globally. Alternatively:

- 2 marks for explaining how an autocratic style may result in poor profit performance
- 2 marks for identifying an alternative style (consultative is most appropriate, although persuasive or participative could be used) and explaining how this style may improve profit performance
- 2 marks for evaluating the strategy – for example, providing a negative aspect of adopting the selected style

**Tip**

- *This question is prescriptive in that strategies are named – there is little opportunity for you to choose strategies. In this case, you must study all points in the Study Design in order to respond to all of the questions.*

## Question 5

### Sample response

An award is a legal document that sets out the minimum pay and working conditions for the employees in a particular industry. Awards are set by the Fair Work Commission (FWC), an independent, centralised national tribunal that acts as a safety net. An award is inflexible, with everyone receiving the same pay across an industry. Any award is usually set for a period of four years, and there is generally no alteration to these awards during their life cycle. Prior to the expiry of an award, negotiations for the next award will commence. Owing to the scale of an award, employees are usually represented by their respective trade unions, and employers are represented by the relevant employer associations. The government is also involved.

An alternative to an award is an agreement. An agreement is a legally enforceable arrangement that sets out the pay and working conditions of the employees at a specific workplace. Agreements have been negotiated by the employer and the employees, with or without union involvement. An agreement must be ratified by the FWC before being implemented. An agreement can include links to productivity gains and have a greater degree of flexibility than an award, as it can be designed to meet the specific needs of a business. As a result, an agreement usually provides for higher wage rates and/or better working conditions than an award – in fact, prior to being signed off by the FWC, an agreement must pass the ‘better off overall test’. This test compares the agreement with the relevant award and determines whether employees will be better off overall under this agreement.

Regardless of whether a business adopts an award or negotiates its own agreement, negotiations can lead to disputes. Each side involved in the negotiations will have their own agenda and list of what they want the new award or agreement to achieve. These agendas will often be at odds with each other, and so disputes can arise.

When the negotiations for an agreement result in a dispute, both the Human Resource Manager and the relevant trade union will participate in dispute resolution.

The Human Resource Manager will act as the representative of management and negotiate on its behalf. Human resource managers present the point of view of management and seek to negotiate a resolution that benefits the employer.

Trade unions will have members who are employed by a business, and who have a direct stake in the employee relations processes of that business. They will often be called to represent their members in the development of an agreement, with the aim of getting the best possible deal for the employees.

Both parties seek a resolution, but both parties are also cognisant of relevant laws and what industrial action can be taken to further their claims. They also know that an escalation of the dispute can see the FWC intervene and determine a resolution, and so the parties try hard to settle the dispute in a manner that is satisfying to both sides.

**Note:** The response above is more detailed than a typical high-scoring response. You are not expected to include all the points listed above to achieve full marks.

**Mark allocation: 10 marks**

<b>Mark range</b>	<b>Descriptor: typical performance in each range</b>
9–10 marks Very high	<ul style="list-style-type: none"> <li>• Very high-level explanation of the two wage-setting systems with multiple points of comparison</li> <li>• Shows in-depth understanding of key terms and concepts</li> <li>• Shows understanding of the role of both unions and Human Resource Managers (HRM)</li> <li>• Understands the causes of conflict in negotiations</li> </ul>
7–8 marks High	<ul style="list-style-type: none"> <li>• High-level explanation of the two wage-setting systems with multiple points of comparison</li> <li>• Shows a good understanding of key terms and concepts</li> <li>• Shows understanding of the role of both unions and HRM</li> <li>• Understands the causes of conflict in negotiations</li> </ul>
5–6 marks Medium	<ul style="list-style-type: none"> <li>• Good explanation of the two wage-setting systems with some points of comparison</li> <li>• Shows some understanding of key terms and concepts</li> <li>• Shows some understanding of the role of both unions and HRM</li> <li>• Understands the causes of conflict in negotiations to some degree</li> </ul>
3–4 marks Low	<ul style="list-style-type: none"> <li>• Limited explanation of the two wage-setting systems with few points of comparison</li> <li>• Shows limited understanding of key terms and concepts</li> <li>• Shows limited understanding of the role of both unions and HRM</li> <li>• Understands the causes of conflict in negotiations to a limited degree</li> </ul>
1–2 marks Very low	<ul style="list-style-type: none"> <li>• Poor explanation of the two wage-setting systems with no points of comparison</li> <li>• Shows no understanding of key terms and concepts</li> <li>• Shows no understanding of the role of both unions and HRM</li> <li>• No understanding of the causes of conflict in negotiations</li> </ul>
0 marks	<ul style="list-style-type: none"> <li>• No attempt at response</li> <li>• Response addresses none of the concepts/issues identified in the question or suggested marking guide</li> </ul>

**Tips**

- *These questions are marked globally – assessors read the response from start to finish and award a mark based on the criteria above, rather than checking off points. You should therefore ensure that you write one response, not three short-answer responses.*

## SECTION B

### Question 1

#### Sample response

Net profit is a key performance indicator (KPI) that determines the revenue remaining after expenses have been deducted.

Percentage of market share is another KPI that could be used to assess the performance of the business.

#### *Mark allocation: 3 marks*

- 1 mark for defining the determination of revenue as a KPI – the term ‘revenue’ (or ‘income’) must be included, rather than ‘sales’
- 1 mark for stating that expenses are deducted from revenue
- 1 mark for identifying another KPI relevant to the business

### Question 2

#### Sample response

The decision to remove gaming facilities from the hotels could be driven by societal attitudes. The economic and social cost of problem gambling has seen the issue of poker machines raised in the public forum. The desire to be seen as a good citizen may drive a business to undertake such a change.

Following on from societal attitudes, the government may make changes to the law relating to gaming venues and poker machines. The business may be driven to change because of these laws that affect the way gaming venues operate.

While this is occurring, the business may be facing restraining forces. Financial considerations may restrain the business from changing. The data in the table suggests that the hotels with gaming venues provide the majority of the revenue and profit for the business. To give up this revenue may have greater negative complications later – customers may go elsewhere, and so profits may fall and the business may suffer financial hardship.

#### *Mark allocation: 6 marks*

- 2 marks for explaining each force and linking them to the scenario (up to 6 marks)



#### **Tips**

- *The Study Design identifies ten driving forces. You should read the material carefully and identify the most relevant forces for the scenario provided. In this case, employees are unlikely to be a driving force.*
- *Restraining forces are also listed in the Study Design. Selecting financial considerations is appropriate given the data in the table. You should draw on this data wherever possible.*

### Question 3

#### Sample response

Lewin's Force Field Analysis is based on the concept that for change to occur, driving forces need to overcome restraining forces. In order to do this, either the driving forces must be strengthened, or the restraining forces weakened until the equilibrium between the two is broken.

The first step is to identify the driving forces acting on the business, be it legislation, societal attitudes or the beliefs of Alyvia Rallis – the CEO. The next step is to identify the restraining forces. Forces that could hinder the success of expansion could include the financial costs, the legal requirements of cancelling licence fees and the attitudes of the managers and employees of the individual hotels, who may see their livelihood disappear.

In order to apply the theory, the significance or importance of the driving and restraining forces to Glanfield Holdings and this proposed change would have to be analysed. The application of weights to the driving and restraining forces would indicate if the change is likely to be successful. If the restraining forces outweigh the driving forces, Alyvia would need to strengthen the driving forces (perhaps by generating greater demand in their local community for the new services), or lessen the restraining forces (perhaps by looking at cost-effective ways of proceeding), until the point is reached where it is viable to make the change. At this point Alyvia could consider the creation of an action plan and a timeline for proceeding with the change, as well as the allocation of responsibility to key personnel to lead the change.

Using Lewin's theory, however, is a subjective task; biases may be expressed by the person completing the analysis, and the restraining forces may not be weighted accurately, or the driving forces exaggerated. The presence of bias in this process can lead to the business undertaking change when the business isn't ready for it, or when the forces aren't adequately understood.

#### Mark allocation: 6 marks

- 2 marks for explaining how the theory operates
- 2 marks for linking the theory to the business
- 2 marks for evaluating the appropriateness of the theory



#### Tip

- *Evaluating a Force Field Analysis is about more than just identifying and weighting driving and restraining forces. You need to go further and reference concepts such as developing an action plan, designing a timeline for change, assigning responsibility for change, and forming a guiding group. Not all of these points need to be made but at least two should be provided.*

## Question 4

### Sample response

Senge developed the concept that all businesses were ‘learning organisations’ – that all businesses are dynamic entities, constantly having to adapt and improve, in an effort to develop into the type of business they aspire to be, often as outlined in their mission and vision statements.

A key principle of this theory is the concept of building a shared vision. If Glanfield Holdings has a shared vision, this will motivate all members of the business. It will encourage risk-taking and experimentation, and foster innovation. The business must take risks to learn, grow and adapt to the changes it faces. Staff who adopt this shared vision will comprehend the long-term objectives and plan for the business, which will in turn further develop their commitment to the business and to learning. In this situation, Alyvia Rallis needs her employees to understand that if the business is to grow, it must remove the gaming machines. If all employees are on board with this philosophy, then the change will occur more effectively, and the business will be able to deal with this and other future changes.

A second principle developed by Senge was that businesses needed to develop ‘systems thinking’. Systems thinking is the ability to see the ‘big picture’ – to look past what is happening within the business, observe what is happening in the external environment and adapt. Businesses do not operate in isolation, and change can arise from patterns outside the business, not just from events specific to a business. Societal attitudes and legislation are big picture forces that will impact on the economy and society as a whole and not just Glanfield Holdings, and so the business needs to be proactive in developing the capacity to always consider the future.

### Mark allocation: 4 marks

- 2 marks for explaining the concept of a shared vision and linking the concept to Glanfield Holdings
- 2 marks for explaining a second principle and linking it to Glanfield Holdings



### Tip

- *Senge’s theory involves five principles. When asked to select an additional principle, you should select the most appropriate to the scenario. A definition or rote-learned description of the principles selected won’t always address the actual question, and will therefore not earn more marks.*

## Question 5

### Sample response

If the business removes its gaming facilities and moves more into family-friendly venues and live-music venues, it may result in some job losses. As these venues seem to be less profitable, there may be less need for staff. Employees will therefore be affected by the proposed change and may therefore resist the change.

One low-risk strategy that Alyvia might use during this period is communication. Communication is a two-way process between management and employees which means both parties are in open and honest dialogue. Ideally, since the communication is two-way, everyone is able to contribute to the discussion. Clear communication can reduce employee resistance and reduce the fear that might otherwise occur during a period of change. Open communication will allow Alyvia to explain clearly to staff what the closing of the gaming venues will mean and how it will affect them. By then being able to ask questions and contribute to the discussion, employees will feel more comfortable with the change and be much more likely to support it.

A second low-risk strategy that Alyvia could use is support. If employees are made redundant or require training because their role has altered due to the venue-changing focus, support will allow employees to ease into their new roles. Managers will accept that employees need time to adapt to a new environment, and by informing them that the support is there, the employees will feel as though they are valued. This will allow employees to feel more comfortable with the change and they will be much more likely to support it.

### *Mark allocation: 6 marks*

Questions such as this are usually marked globally. Alternatively:

- 2 marks for explaining the impact on employees
- 2 marks for explaining one low-risk strategy
- 2 marks for explaining a second low-risk strategy

**END OF SAMPLE RESPONSES**