



Trial Examination 2022

HSC Year 12 Business Studies

Solutions and Marking Guidelines

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SECTION I

Answer and explanation	Syllabus content, outcomes and targeted performance bands
<p>Question 1 A</p> <p>A is correct. Price discrimination is considered a consumer law issue per the syllabus.</p> <p>B is incorrect. Sugging is an unethical practice in which a product is sold under the guise of market research.</p> <p>C is incorrect. Engaging in fair competition is considered an ethical issue and includes actions that seek to decrease or eliminate competition.</p> <p>D is incorrect. Truth and accuracy in advertising is considered an ethical issue and refers to situations where businesses deliberately make vague and misleading statements in advertising.</p>	<p>Marketing: Consumer Laws, Ethical H2, H3</p> <p>Bands 2–3</p>
<p>Question 2 B</p> <p>B is correct. Public companies, by definition, are traded on the Australian Securities Exchange (ASX).</p> <p>A is incorrect. Private companies seek private investors and are not traded on the ASX.</p> <p>C is incorrect. Public sector companies, or government organisations, are not traded on the ASX.</p> <p>D is incorrect. Some companies cannot trade on the ASX; for example, partnerships, sole traders and private companies.</p>	<p>Finance: Equity H2, H4</p> <p>Bands 2–3</p>
<p>Question 3 D</p> <p>D is correct. The employee’s role has become redundant (no longer needed) due to the new machine.</p> <p>A and B are incorrect. Resignation and voluntary separation refer to an employee leaving their job of their own accord. Neither applies here as the employee loses their job as a result of the business purchasing a new machine.</p> <p>C is incorrect. Retirement refers to an employee reaching a certain age at which they decide to permanently leave the workforce.</p>	<p>Human Resources: Separation H4</p> <p>Bands 2–3</p>
<p>Question 4 C</p> <p>C is correct. The <i>Competition and Consumer Act 2010</i> (Cwlth) is the legislation that regulates consumer laws and business marketing practices in Australia.</p> <p>A is incorrect. The <i>Trade Practices Act 1974</i> (Cwlth) was replaced by the <i>Competition and Consumer Act 2010</i> (Cwlth).</p> <p>B is incorrect. The <i>Fair Work Act 2009</i> (Cwlth) governs employment relationships in businesses.</p> <p>D is incorrect. The <i>Anti-Discrimination Act 1977</i> (NSW) governs discrimination in employment.</p>	<p>Marketing: Consumer Laws H2</p> <p>Bands 2–3</p>

Answer and explanation	Syllabus content, outcomes and targeted performance bands
<p>Question 5 B</p> <p>B is correct. Commercial bills are short-term loans from non-bank institutions.</p> <p>A is incorrect. Debentures are a long-term debt financing option.</p> <p>C is incorrect. Leasing is a working capital management strategy, not a source of finance.</p> <p>D is incorrect. Retained profits are an internal source of finance.</p>	<p>Finance: Debt H2</p> <p>Bands 2–3</p>
<p>Question 6 A</p> <p>A is correct. Absenteeism, turnover and accidents are all measures of the effectiveness of human resource management.</p> <p>B, C and D are incorrect. These options are not measures of the effectiveness of human resource management.</p>	<p>Human Resources: Indicators H6</p> <p>Bands 2–3</p>
<p>Question 7 C</p> <p>C is correct. This is the minimum time required to complete all tasks, given that each task can only start once all its prerequisites are completed. The critical path is as follows. start → <i>B</i> → <i>C</i> → <i>D</i> → <i>G</i> → <i>I</i> → finish</p> <p>Therefore, the minimum path is $2 + 3 + 6 + 2 + 2 = 15$ days.</p> <p>A is incorrect. This option assumes the minimum completion time can be calculated by finding the shortest path from start to finish. This does not account for the prerequisites of each task. For example, task <i>I</i> cannot start until task <i>G</i> is completed, which in turn cannot start until task <i>E</i> and task <i>D</i> are completed, and so on.</p> <p>B is incorrect. Task <i>G</i> is a prerequisite for task <i>I</i>; thus, the critical path is extended to 15 days.</p> <p>D is incorrect. This option incorrectly calculates the maximum completion time by adding the times for all tasks.</p>	<p>Operations: Transformation Processes H4, H8</p> <p>Bands 3–4</p>
<p>Question 8 A</p> <p>A is correct. Task <i>F</i> has a float time of exactly 6 days. Redoing the critical path analysis with an 11-day duration time for task <i>F</i> shows that the critical path remains 15 days.</p> <p>B is incorrect. This option assumes that the critical path was 14 days.</p> <p>C is incorrect. This option assumes that the shortest route is the critical path.</p> <p>D is incorrect. This option assumes that extending any task will delay the whole project.</p>	<p>Operations: Transformation Processes H4, H8</p> <p>Bands 3–4</p>

Answer and explanation	Syllabus content, outcomes and targeted performance bands
<p>Question 9 C</p> <p>C is correct. Both strategies are used in the early phases of a product's life cycle. The skimming pricing strategy involves charging a very high price initially to recover research and development costs and to establish an image of quality. The penetration pricing strategy seeks to charge a low initial price in the early phases of a product's life cycle in an attempt to penetrate a market and gain a large market share.</p> <p>A, B and D are incorrect. These options are not correct statements.</p>	<p>Marketing: Price Including Pricing Methods H5</p> <p style="text-align: right;">Bands 3–4</p>
<p>Question 10 B</p> <p>B is correct.</p> <p>revenue – cost of goods sold = gross profit 21 million – 6 million = \$15 million</p> <p>A is incorrect. This option calculates the net profit (gross profit – expenses).</p> <p>C is incorrect. This option subtracts expenses from revenue. which does not does not lead to gross profit.</p> <p>D is incorrect. Although inventory is important in calculating cost of goods sold, subtracting inventory from revenue will not result in the gross profit. The equation is revenue – (opening stock + purchase – closing stock) = gross profit, but these values are not provided.</p>	<p>Finance: Monitoring and Controlling H4, H10</p> <p style="text-align: right;">Bands 3–4</p>
<p>Question 11 B</p> <p>B is correct and D is incorrect. Participative styles of management are not advisable when management has vastly more knowledge than workers. These styles are recommended when all members of a team are experts as the value of employee input can vary in different situations.</p> <p>A is incorrect. Autocratic leadership styles still exist and are very suitable for time-critical businesses.</p> <p>C is incorrect. Flat structures are generally more efficient than traditional pyramid structures as flat structures tend to have a faster flow of information.</p>	<p>Human Resources: Leadership Style H5</p> <p style="text-align: right;">Bands 3–4</p>

Answer and explanation	Syllabus content, outcomes and targeted performance bands
<p>Question 12 C</p> <p>C is correct. Improved economies of scale is implied by the company achieving lower costs per item manufactured. Economies of scale refers to the cost per manufactured unit falling as the scale of production increases due to increased efficiency of production, while many overhead costs remain the same.</p> <p>A and B are incorrect. From the information provided, it is not known whether the bicycle company achieved cost leadership or competitive advantage.</p> <p>D is incorrect. Leading edge technology cannot be ‘achieved’, and this option does not take into account the lower costs per item manufactured aspect of the scenario.</p>	<p>Operations: Global Factors H5</p> <p>Bands 3–4</p>
<p>Question 13 D</p> <p>D is correct. Unions advise and represent employees in the human resources process.</p> <p>A is incorrect. The business is represented by managers, not unions.</p> <p>B is incorrect. The employer(s) generally represent themselves but are advised by employer associations, not unions.</p> <p>C is incorrect. Employer associations advise and potentially represent employers.</p>	<p>Human Resources: Stakeholders H2, H4</p> <p>Bands 3–4</p>
<p>Question 14 D</p> <p>D is correct. Luxury cars are most likely to have an exclusive channel of distribution as customers may travel long distances to find a particular car or purchase a car from a retailer who may offer exclusive services such as warranties and servicing deals.</p> <p>A and C are incorrect. Laptops and washing machines are sold by a wide variety of retailers, both in-person and online, and customers are unlikely to travel long distances to exclusive retailers to buy them.</p> <p>B is incorrect. Chocolate bars depend on a high volume of sales and, thus, are unlikely to depend on an exclusive channel of distribution.</p>	<p>Marketing: Place/Distribution H5, H8</p> <p>Bands 4–5</p>
<p>Question 15 A</p> <p>A is correct. Long-service leave is one of the national minimum employment standards in Australia.</p> <p>B and C are incorrect. These options, while maybe being part of common law or legislation, are not national minimum employment standards.</p> <p>D is incorrect. Although a maximum number of hours per week is a national minimum employment standard, the maximum is 38 hours, not 70.</p>	<p>Human Resources: Legal H2</p> <p>Bands 4–5</p>

Answer and explanation	Syllabus content, outcomes and targeted performance bands
<p>Question 20 D</p> <p>D is correct. If interest rates fall, then interest expenses will fall for businesses. Furthermore, if interest rates are low in Australia, then the Australian dollar will be less valuable as foreign investors will not want to invest in Australian banks.</p> <p>A, B and C are incorrect. These options do not give the correct change in the costs of Australian businesses and exchange rate of the Australian dollar.</p>	<p>Finance: Financial Institutions, Global Market Influences H2, H10</p> <p>Bands 5–6</p>

SECTION II

Sample answer	Syllabus content, outcomes, targeted performance bands and marking guide
Question 21	
<p>(a) Technology, as an influence on business operations, refers to the design, construction and application of innovative devices, machinery and methods to improve operations processes.</p> <p>The leather wallet manufacturer could use new machinery as well as technologically superior leather-treating methods to differentiate the quality of its products.</p>	<p>Operations: Cost-Based Competition H2 Bands 3–4</p> <ul style="list-style-type: none"> Provides characteristics and features of the influence of technologies on business operations. <p>AND</p> <ul style="list-style-type: none"> Refers to the scenario 2 <hr/> <ul style="list-style-type: none"> Sketches in general terms technology-based competition 1
<p>(b) While quality control and quality assurance are similar in that they both attempt to increase the quality of a product, they are different in the way in which they achieve this result.</p> <p>Quality control involves testing a business’s products at various points of the production process against a predetermined standard and taking corrective action as required. For the leather wallet manufacturer, this could involve checking wallets at the end of production for even stitching and loose threads.</p> <p>Quality assurance attempts to achieve a high-quality production level from the outset by focusing on stringent processes and using quality parts. For the leather wallet manufacturer, this could involve using Australian grain leather and high-quality stitching machines.</p>	<p>Operations: Quality Management H5 Bands 4–5</p> <ul style="list-style-type: none"> Explains how quality control and quality assurance are similar AND how they are different. <p>AND</p> <ul style="list-style-type: none"> Refers to the scenario 3 <hr/> <ul style="list-style-type: none"> Explains how quality control and quality assurance are similar OR how they are different. <p>AND</p> <ul style="list-style-type: none"> Refers to the scenario 2 <hr/> <ul style="list-style-type: none"> Sketches in general terms quality control OR quality assurance 1

Sample answer	Syllabus content, outcomes, targeted performance bands and marking guide
<p>(c) The leather wallet manufacturer seeks to achieve the competitive advantage of product differentiation.</p> <p>As a result, the volume of wallets produced will likely be low, as higher quality products tend to have additional stages of production and take longer to make.</p> <p>The business will also likely offer a greater variety of wallets to differentiate its products from the competition. Rather than mass-producing standardised wallets, the business will likely produce various styles, colours and sizes of wallets.</p> <p>Variation in demand will need to be tracked and anticipated so that production can be kept flexible to cater for customer demands, as product differentiation requires a business to cater to customers' needs and wants.</p> <p>Visibility tends to be high in differentiation-focused businesses but may be limited to customer service interactions for a leather wallet manufacturer. Customer service centres will likely be located in Australia.</p>	<p>Operations: Transformation Processes H1, H4 Bands 5–6</p> <ul style="list-style-type: none"> Explains how volume, variety, variation in demand and visibility are impacted by the business's choice of competitive advantage 5 <hr/> <ul style="list-style-type: none"> Explains with limited detail how volume, variety, variation in demand and visibility are impacted by the business's choice of competitive advantage 4 <hr/> <ul style="list-style-type: none"> Provides characteristics and features of volume, variety, variation in demand and visibility. <p>OR</p> <ul style="list-style-type: none"> Provides characteristics and features of cost leadership OR differentiation 3 <hr/> <ul style="list-style-type: none"> Sketches in general terms volume, variety, variation in demand and visibility. <p>OR</p> <ul style="list-style-type: none"> Sketches in general terms cost leadership OR differentiation 2 <hr/> <ul style="list-style-type: none"> Provides some relevant information about cost leadership OR differentiation 1
<p>Question 22</p>	
<p>(a) <i>For example:</i></p> <p>A business could operate in the industrial market, which is the market where goods that are needed to produce other goods are traded. A business could also operate in the intermediate market, which is the market where businesses purchase goods for resale to other businesses.</p> <p><i>Note: Other market types include resource, consumer, mass and niche.</i></p>	<p>Marketing: Types of Markets H1 Bands 3–4</p> <ul style="list-style-type: none"> Outlines TWO market types in which a business could operate 2 <hr/> <ul style="list-style-type: none"> Identifies at least ONE market type in which a business could operate 1

Sample answer	Syllabus content, outcomes, targeted performance bands and marking guide
<p>(b) Psychological factors are influences within a consumer that affect their buying behaviour. A consumer may choose to purchase a certain brand of product based on their perception of that brand's quality, even though competing brands also sell the same product and would objectively be comparable.</p> <p>Sociocultural factors are influences from the people surrounding the consumer; they are external forces. A consumer may choose to purchase a certain brand of product because the brand is popular among a peer group of which they are a member.</p>	<p>Marketing: Factors Influencing Customer Choice H2 Bands 4–5</p> <ul style="list-style-type: none"> • Explains how the psychological and sociocultural factors that influence customer choice are different 3 <hr/> <ul style="list-style-type: none"> • Outlines the psychological and sociocultural factors that can influence customer choice. 2 <hr/> <ul style="list-style-type: none"> • Sketches in general terms the psychological OR sociocultural factors that can influence customer choice. 1
<p>(c) The marketing process comprises six steps:</p> <ol style="list-style-type: none"> 1. Situational analysis: This involves a business analysing its current position in the market. This can be done through a SWOT analysis and/or an analysis of a product's life cycle. 2. Market research: This involves collecting and analysing information to identify consumer needs and wants so that marketing decisions can be made. 3. Establishing marketing objectives: This involves establishing objectives that state what is to be accomplished through marketing activities. 4. Identifying target markets: This involves a business attempting to clarify and segment the target market in order to best satisfy the needs and wants of that market. 5. Developing marketing strategies: This involves creating strategies for place, price, promotion and product. Additional strategies for people, processes and physical evidence may also be created. 6. Implementation, monitoring and controlling: This involves implementing the marketing strategies, then comparing the planned results with the actual results to take corrective action as required. 	<p>Marketing: Situational Analysis, Market Research, Establishing Market Objectives, Developing Marketing Strategies, Implementation, Monitoring and Controlling H4 Bands 5–6</p> <ul style="list-style-type: none"> • Describes characteristics and features of the SIX steps of the marketing process 4–5 <hr/> <ul style="list-style-type: none"> • Outlines in general terms the SIX steps of the marketing process 3 <hr/> <ul style="list-style-type: none"> • Identifies at least FOUR steps of the marketing process 2 <hr/> <ul style="list-style-type: none"> • Identifies at least TWO steps of the marketing process 1

Sample answer	Syllabus content, outcomes, targeted performance bands and marking guide
Question 23	
<p>(a) <i>For example:</i></p> <p>Two objectives of financial management are growth and efficiency.</p> <p>Growth involves increasing the size of a business over time as measured by market share, sales or profit. Efficiency involves lowering the operating costs of a business while collecting money owed to the business efficiently and in a timely manner.</p> <p><i>Note: Other objectives of financial management include profitability, liquidity and solvency.</i></p>	<p>Finance: Objectives of Financial Management H5 Band 3</p> <ul style="list-style-type: none"> • Provides characteristics and features of TWO financial management objectives 4 <hr/> <ul style="list-style-type: none"> • Provides characteristics and features of ONE financial management objective. 3 <hr/> <ul style="list-style-type: none"> • Outlines ONE financial management objective. <p>OR</p> <ul style="list-style-type: none"> • Identifies TWO financial management objectives 2 <hr/> <ul style="list-style-type: none"> • Identifies ONE financial management objective 1
<p>(b) The government is a major influence on any business. It influences the economic state of a nation through monetary and fiscal policy, which in turn has a significant impact on the availability and cost of finance; the business environment through legislation (such as taxation law); and the establishment of independent government organisations such as the Australian Securities and Investments Commission (ASIC), which regulates financial services and corporate governance.</p>	<p>Finance: Influence of Government H2 Band 4</p> <ul style="list-style-type: none"> • Outlines the influence of the government on financial management. 2 <hr/> <ul style="list-style-type: none"> • Makes a general statement about the influence of the government on financial management. 1

Sample answer	Syllabus content, outcomes, targeted performance bands and marking guide
<p>(c) Debt financing refers to borrowings from external sources by a business, such as borrowing funds from a bank.</p> <p>The advantages of debt financing include funds usually being readily available and being able to claim a tax deduction on interest repayments. The disadvantages of debt financing include higher costs as interest must be paid and the demand for security to obtain debts in the first place.</p> <p>Equity financing refers to a business’s internal source of funds, such as the contributions of the owner(s).</p> <p>The advantages of equity financing include being a cheaper source of finance as no interest needs to be paid and being a lower risk for a business and the business owner. The disadvantages of equity financing include a portion of future profits going to new owners, and dividends not being tax deductible.</p>	<p>Finance: Planning and Implementation H4 Band 5</p> <ul style="list-style-type: none"> • Defines debt financing AND equity financing. <p>AND</p> <ul style="list-style-type: none"> • Provides at least ONE advantage of debt financing. <p>AND</p> <ul style="list-style-type: none"> • Provides at least ONE disadvantage of debt financing. <p>AND</p> <ul style="list-style-type: none"> • Provides at least ONE advantage of equity financing. <p>AND</p> <ul style="list-style-type: none"> • Provides at least ONE disadvantage of equity financing. 4 <hr/> <ul style="list-style-type: none"> • Any THREE of the above points. . . 3 <hr/> <ul style="list-style-type: none"> • Any TWO of the above points. . . . 2 <hr/> <ul style="list-style-type: none"> • Makes a relevant statement about debt financing OR equity financing. 1

Sample answer	Syllabus content, outcomes, targeted performance bands and marking guide
Question 24	
<p>(a) Human resource management depends on operations to provide information about human resource needs and provide training and development as required, both of which are necessary for human resources to perform its core roles of acquisition and development.</p> <p>Operations depends on human resource management to hire appropriate employees (a transforming input) as required, so that operations can perform its core role of transformation.</p> <p>Thus, human resource management and operations are interdependent as they rely on each other to function.</p>	<p>Human Resources: Interdependence with Other Key Business Functions H1 Bands 3–4</p> <ul style="list-style-type: none"> • Explains how human resource management and operations are interdependent 4 <hr/> • Explains with limited detail how human resource management and operations are interdependent 3 <hr/> • Outlines how human resource management and operations are interdependent 2 <hr/> • Provides some relevant information about human resource management OR operations 1
<p>(b) There is an increasing view towards corporations having a responsibility towards society to behave ethically and contribute to solving societal issues. In terms of human resource management, this involves creating adequate working conditions for employees and recognising that a business depends on society as a source of staff as well as the source of business.</p> <p>Corporations behaving ethically towards staff has numerous advantages, such as improving absenteeism rates, which lowers overall costs; increasing staff retention rates, which results in decreased recruitment and training costs; and promoting good publicity and reputation, which results in easier access to talented individuals.</p>	<p>Human Resources: Ethics and Corporate Social Responsibility H2, H3 Band 5</p> <ul style="list-style-type: none"> • Provides detailed advantages and/or disadvantages of the possible implications of corporate social responsibility and ethics on human resource management . . 4 <hr/> • Provides characteristics and features of corporate social responsibility and ethics as a key influence on human resource management 3 <hr/> • Outlines corporate social responsibility and ethics 2 <hr/> • Makes a general statement about corporate social responsibility OR ethics. 1

Sample answer	Syllabus content, outcomes, targeted performance bands and marking guide
<p>(c) Performance management is a human resource management strategy that seeks to align employee performance with company goals by monitoring and guiding employees.</p> <p>The primary tool used in performance management is a performance review/appraisal, which begins with setting goals for employees then guiding employees to achieve those goals through ongoing performance feedback and ends with a formal performance evaluation.</p>	<p>Human Resources: Performance Management H5 Bands 3–4</p> <ul style="list-style-type: none"> • Outlines the use of performance management as a human resource management strategy 2 <hr/> <ul style="list-style-type: none"> • Provides some relevant information about performance management 1

SECTION III

Question 25 (20 marks)

Executive summary

Sierra's Salad Stand (SSS) is a rapidly growing business in the central business district (CBD) that is looking to recruit new workers. When recruiting workers, SSS must be mindful to abide by all antidiscrimination laws, and the minimum employment standards and wage rates set by law. SSS should also use human resource management strategies such as recruiting workers with a mix of general and specific skills and designing future jobs with a variety of general and specific tasks before commencing recruitment. After recruiting, SSS should use a strategy such as performance management to help with the training and development of the new workers. Finally, SSS will need an appropriate source of finance, such as commercial bills, to finance the hiring and training of the new workers.

Current legal framework

The body of law that acts as an influence on human resource management consists of statutory laws and common laws. Much of human resource management law is enforced by the Fair Work Ombudsman and set out in the *Fair Work Act 2009* (Cwlth). Aspects of the law that are particularly applicable to SSS are the antidiscrimination laws, National Employment Standards and National Minimum Wage.

The National Employment Standards are 11 minimum employment entitlements that must be provided to all employees. SSS must be aware of the National Employment Standards in order to meet the requirements set out. For example, SSS must be aware of the maximum number of work hours per week (38 hours) and annual leave requirements for employees, and must cater to reasonable requests for flexible working arrangements. When deciding on payment for the new workers, SSS must meet the National Minimum Wage rate, which is \$20.33 as of 01 July 2021. SSS must stringently meet all such laws or risk facing penalties from the Fair Work Ombudsman.

SSS must also be aware of antidiscrimination laws. Antidiscrimination legislation is enforced by various statutes, such as the *Anti-Discrimination Act 1977* (NSW). When hiring new workers, SSS must ensure that no policies or practices disadvantage a person or group of people because of a personal characteristic that is irrelevant to work performance, such as race, sex or age. Failure to meet these laws may result in punitive action by governmental or legal authorities.

Human resource management strategies for recruitment

SSS can use a variety of strategies to acquire suitable workers. A strategy that is vital in the recruitment of new workers is looking for both general and specific skills. General skills are skills that are generic but necessary for all jobs. These include communication, numeracy skills, customer relations and time management, all of which are valuable skills that would benefit SSS. Specific skills are skills specific to a job. Since SSS is a healthy lunch business, potential employees must also have skills in hygienic food handling and, presumably, appropriate food preparation skills.

Another strategy that SSS must use when acquiring new workers is job design. Job design requires SSS to carefully analyse and list all tasks that will need to be performed by future workers, including a mix of general tasks, such as serving customers and handling the register, and specific tasks, such as food preparation and cooking. This is crucial in attracting the correct applicants as well as selecting suitable candidates.

Human resource management strategies for development

After acquiring suitable workers, SSS can use a variety of strategies to train and develop them to maximise productivity and help meet the business's objectives. Performance management is a key human resource strategy that is part of the training and development of workers. It is the process through which organisations ensure individual workers are working towards organisational goals by monitoring and guiding their performance. This is achieved by setting goals for workers that align with the organisation's goals, then providing ongoing performance feedback followed by formal performance appraisals. This process will make training needs obvious and provide workers with constructive and actionable feedback that they can use to improve in their jobs, and thus will act as a key training and development feature.

Appropriate source of funding

To finance the recruitment, training and development of new workers, SSS will need funding in the short term. One appropriate source of funds is commercial bills, which are short-term loans from non-banking institutions. This is an appropriate source of funding as the loan is not due until the end of the loan term. This will help SSS stabilise and generate income from the newly hired workers before needing to pay back the loan.

Conclusion

SSS is a thriving business that will be well served by the recruitment of new workers. In recruiting new workers, SSS must be mindful to meet all applicable laws or else face significant costs due to non-compliance. To recruit suitable workers, SSS should design the jobs carefully and recruit workers with a variety of skills. These workers should then be trained and developed using strategies such as performance management to help meet the business's objectives. The process can be financed through commercial bills to avoid placing undue financial stress on the business in the short term.

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
Human Resources – key influences – strategies in human resource management Finance – influences in financial management	H2, H4, H5, H8, H9

Criteria	Marks
<p>The response is effective in:</p> <ul style="list-style-type: none"> • providing detailed reasons that show why AND how the business must be mindful about the current legal framework when recruiting new workers • providing detailed reasons that support the use of THREE human resource management strategies to help the business recruit and develop new workers • provides detailed reasons that support the use of an appropriate source of funds to finance the recruitment and development of new workers • 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"> • providing reasons that show why AND how the business must be mindful about the current legal framework when recruiting new workers • providing reasons that support the use of THREE human resource management strategies to help the business recruit and develop new workers • providing reasons that support the use of an appropriate source of funds to finance the recruitment and development of new workers • 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"> • providing the characteristics and features of relevant aspects of the current legal framework • providing reasons that support the use of TWO human resource management strategies to help the business recruit and develop new workers • providing the characteristics and features of a source of funds that can be used to finance the recruitment and development of new workers • 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"> • describing the current legal framework for human resources in general terms • describing a human resource management strategy in general terms • describing sources of funds in general terms • 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 human resource management. • use basic business terms. 	1–4

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

Operations strategies are extremely important in helping a business achieve cost leadership and product differentiation. Global factors, outsourcing and quality management are operations strategies that fundamentally aim to help a business achieve these competitive advantages. This is exemplified by the strategies of successful businesses such as Apple, Coca-Cola Amatil (now Coca-Cola Europacific Partners), Pure Gelato, Coles, Woolworths and Victorinox.

In evaluating operations strategies, businesses must look at opportunities available in an increasingly globalised world. This includes taking advantage of sourcing inputs globally, making use of economies of scale, scanning and learning from international market leaders, and global research and development. Businesses that source inputs globally can choose from a vast array of suppliers with varying levels of efficiency, productivity, technical ability and operating hours. This is of enormous benefit to businesses attempting to achieve cost leadership as well as those pursuing product differentiation. For example, Apple chooses to obtain high-quality components from around the world, such as high-quality cameras from Sony and processors and random access memory (RAM) from Samsung, in order to achieve product differentiation.

Economies of scale is a global factor that businesses can take advantage of. Economies of scale refers to the idea that as the scale of production increases, the cost per unit of items tends to fall, resulting in significant cost advantages. Businesses that aim to achieve cost leadership will invariably attempt to take advantage of economies of scale. Coca-Cola Amatil is one example of a business that uses large machinery and extensive assembly lines for mass production in an effort to maximise benefit from economies of scale in its pursuit of cost leadership.

Scanning and learning is a global factor that involves businesses ‘scanning’ the global environment and learning from market leaders around the world. Pure Gelato, an ice-cream manufacturer in Sydney, Australia, subscribes to international cuisine magazines to learn about trending and successful new flavours of ice-cream. This strategy proved crucial when Pure Gelato was able to satisfy the demand for salted caramel gelato when it began to trend in 2014, leading to differentiation from competitors who did not offer the product.

Research and development is a global factor that involves businesses taking advantage of innovation and new and/or improved business practices from leading businesses around the world. This can lead to cost leadership or product differentiation, depending on the innovation. Coles is seeking to implement the innovation of Amazon and its ‘Amazon Go’ physical stores in America, which are completely check-out free. The first Amazon Go store opened in 2018, and Coles supermarkets are following Amazon’s example in Australia by working towards becoming check-out free by 2030. This will result in significant cost savings because a lower amount of human resources are required and will thus make it easier to pursue cost leadership. Given that human resource costs generally make up the majority of a business’s expenses, this factor is extremely important in helping Coles achieve cost leadership.

Outsourcing is another operations strategy used by businesses to obtain a competitive advantage through product differentiation. It refers to the use of external businesses to perform business activities. Apple has outsourced their manufacturing to Foxconn, the world’s largest contract electronics manufacturer. In 2012, Foxconn produced approximately 40% of the world’s electronic goods and currently produces models for companies such as PlayStation, Nintendo and Xbox. By outsourcing to Foxconn, Apple can take advantage of Foxconn’s mass-production facilities to meet the high demand for its products as well as develop and manufacture new products rapidly. In the technological market in which Apple operates, advancements in technology are continuously taking place as a result of the research and development conducted by Apple and other companies around the world. By outsourcing to Foxconn, Apple is able to take advantage of faster manufacturing times and implement newer technology in their latest models faster than their competition. This leads to a competitive advantage through product differentiation.

Quality management is an operations strategy that refers to the measures taken by businesses to ensure that their products meet their customers' expectations. Quality management is especially crucial for businesses attempting to achieve product differentiation but is also invaluable for businesses pursuing cost leadership. This is because, without a minimum acceptable level of quality, businesses pursuing cost leadership risk failing. The two main tools of quality management are quality control, which involves testing products at various points in the production process, and quality assurance, which involves improving the production process to ensure that products are high quality from the beginning of production. Both are used by Victorinox as part of its quality control system to achieve differentiation. Victorinox checks incoming materials for defects and removes the materials that do not meet its standards. This is both quality control and quality assurance. Victorinox has also carefully designed production processes to ensure quality products. Finally, Victorinox has a 'final inspection department', where 50–60 employees check and ensure that all products are up to standards. As a result of Victorinox's strict quality management, their name of their product 'Swiss Army knife' has become a well-known term indicating extreme utility, which shows the importance of quality management in helping Victorinox achieve differentiation.

In conclusion, businesses seek to obtain a competitive advantage through the operations strategies available to them, including looking at global factors, outsourcing to other businesses or managing quality to meet customers' expectations. These strategies have worked for many successful global businesses, making it clear that operations strategies play a pivotal role in helping businesses achieve cost leadership and product differentiation.

Syllabus content	Syllabus outcomes
Operations – operations strategies	H1, H5, H9

Criteria	Marks
<p>The response is effective in:</p> <ul style="list-style-type: none"> making a well-reasoned judgement regarding the importance of operations strategies in achieving cost leadership and product differentiation applying a relevant case study or studies and discussing 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"> making some judgement regarding the importance of operations strategies using a relevant case study or studies and referring to 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 some characteristics and features of operations strategies 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 an operations strategy or strategies in general terms 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"> make limited reference to operations identify a case study or studies use basic business terms. 	1–4

Question 27 (20 marks)

Market segmentation is extremely important in helping a business create a viable range of marketing strategies. A variety of marketing strategies have proven to be effective over the years, such as product, place and promotion strategies. However, a business that tries to be all things to all people will rarely end up effectively satisfying the needs and wants of any consumer group. Businesses must segment the market before effective marketing campaigns using marketing strategies such as product, place and promotion can be created to target specific consumer groups. The marketing of various large businesses reflects their understanding of this process.

Product refers to the total need-satisfying offering of a business. Branding and packaging are aspects of a product that a business can tailor to suit a segment of the market. Branding is the use of a name, term, symbol or design, or a combination of these, to identify a product. For many consumers, purchasing certain brands is a form of self-expression, such as purchasing sporting brands like Adidas and Nike. Other consumers purchase brands whose quality they trust, such as Parker pens. Some customers even receive a psychological reward from purchasing and owning a brand that symbolises a certain status, such as driving a BMW car or owning Chanel accessories and apparel. Businesses that segment the market are better able to focus on such preferences by positioning their brand to target these needs and wants.

Businesses can also target their intended market segment by tailoring the packaging of their products. Packaging involves developing a container to hold a product and can have many features and benefits. For example, Masterfoods's tomato sauce bottles have spouts that make the product easier to use, premium Sennheiser headphones have colourful packaging that acts as advertising for the product itself and Victorinox knives have non-slip handles that make the product safer and more secure to use. Thus, a business can package products to promote and differentiate them to target markets by communicating features, uses, benefits and image.

Place involves all the activities a business undertakes to ensure a product reaches the customer. Market segmentation is important for many aspects of this process, including channel choice. Channel choice refers to businesses needing to determine the number and kinds of outlets in which their products will be sold. Without segmenting the market and choosing a target market, it would be difficult to create viable marketing decisions regarding channel choice. A business whose target market is broad and for whom the demand for their product is high may choose to use intensive distribution. This involves using all available outlets for product distribution. Snickers chocolate bars and Hubba Bubba chewing gum are examples of products that make use of intensive distribution.

Selective distribution uses only some available outlets in an area to distribute a product. Goods that make use of selective distribution will target market segments comprised of consumers willing to invest time and money in visiting several retail outlets to compare prices, designs, styles and other features. Designer cosmetic brands such as Lancôme and Dior may choose to use selective distribution based on their market segmentation and the profile of the consumers they choose to target.

Exclusive distribution uses only one outlet in a relatively large geographic area. Businesses whose market segmentation has resulted in them targeting the wealthy, such as Porsche cars, or niche markets may choose to use exclusive distribution. Regardless of which channel choice is chosen, it is clear that segmenting the market is crucial in allowing businesses to target the needs and wants of their customers through the marketing strategy of place.

Promotion strategies comprise any messages a company sends to inform, persuade or remind customers about the company's products. Promotion strategies are made up of a mix of advertising, personal selling, relationship marketing, sales promotions, publicity and public relations. Segmenting the market is crucial to creating effective promotion strategies using the promotion mix, which is the blend of personal and non-personal communication choices a business makes. For example, the marketing managers of Mountain Dew segmented the market and chose active 16- to 24-year-old males with a sense of adventure. This enabled Mountain Dew to customise their promotion mix to specifically target this market. In a similar fashion, Redbull segmented the market and obtained the sponsorship of gamer and streamer Ninja, who is popular among the younger generation who are active on the internet and social media.

In conclusion, market segmentation is a crucial prerequisite of businesses that creates a viable range of marketing strategies such as product, place and promotion. Without market segmentation, businesses would be unable to find an appropriate target market and thus be unable to efficiently and effectively create marketing campaigns to help satisfy the needs and wants of their customers.

Syllabus content	Syllabus outcomes
Marketing – marketing strategies	H1, H5, H9

Criteria	Marks
<p>The response is effective in:</p> <ul style="list-style-type: none"> making a well-reasoned judgement regarding the importance of market segmentation in creating a viable range of marketing strategies applying a relevant case study or studies and discussing 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"> making some judgement regarding the importance of market segmentation for marketing strategies using a relevant case study or studies and referring to 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 some characteristics and features of marketing strategies. 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 a marketing strategy or strategies in general terms 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"> make limited reference to marketing identify a case study or studies use basic business terms. 	1–4