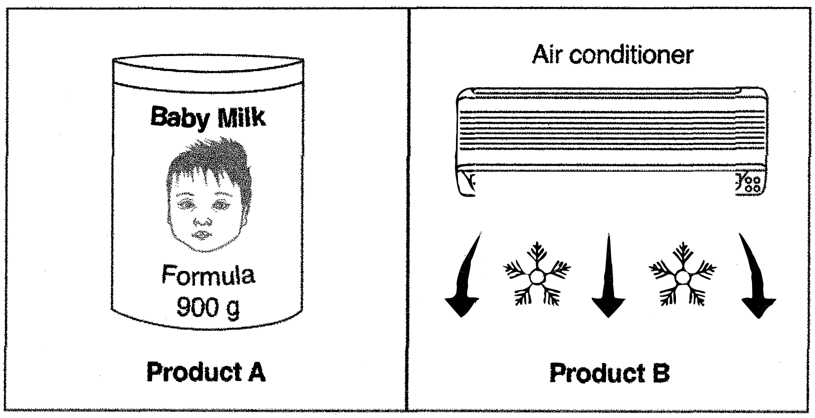
**Question 21** (10 marks)

(a) A manufacturer of flags has seen a steady increase in sales, which coincides with the start of a major sporting event. The operations manager has increased the working hours of all employees to meet this demand. **3**

Explain the interdependence between operations and ONE other key business function for this business.

Human Resources: operational processes require human labor as a key transforming input. The number of employees – and the tasks assigned – in the flag operation is shaped by specific operational targets and objectives. This results in HR processes of recruitment and training to meet those targets.

(b) A department store is considering the quantity of products they will need to order and store for the following year. **3**




How can each of these TWO products affect inventory management?

The product size and degree of perishability will affect inventory management decisions regarding quantity. Baby milk formula may have a 'best before' date and purchasing too much may increase spoilage & waste (cost). Warehousing space and insurance cost for larger and more expensive air-con units will impact the quantity of units purchased.

**Question 21 continues on page 11**

Do NOT write in this area.

**Question 21 (continued)**

(c) An ice-cream business is considering allowing customers to choose their own ice-cream flavours and toppings rather than having a set menu of ice-creams. **4**

Discuss the influence of visibility (customer contact) for this business.

Advantages: increasing visibility in the context of this service firm will enhance the degree of customisation available for customers. This personalisation of ice cream flavours and toppings will lift satisfaction.

Disadvantages: introducing such variety will impact the speed and efficiency of the operation, increasing customer wait times. Increasing staff to counter this would add to the cost base of the business - squeezing profit margins.

**End of Question 21**

**Please turn over**





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**Question 24** (10 marks)

(a) The following is an extract from a business balance sheet.

| *Assets* | | *Liabilities* | |
|---|---|---|---|
| Cash at bank | $5 000 | Overdraft | $9 000 |
| Accounts receivable | $20 000 | Accounts payable | $11 000 |
| Inventory | $5 000 | Long-term loan | $90 000 |
| Office equipment | $70 000 | *Owners' equity* | |
| Motor vehicles | $80 000 | Capital | $55 000 |
| | | Retained profits | $15 000 |

(i) Calculate the current ratio for this business. Show all working. (Current ratio = current assets ÷ current liabilities) **2**

- Cash + Acc Rec + Inventory = $30,000
- Overdraft + Acc Pay = $20,000

$\frac{30,000}{20,000} = 1\cdot50 : 1$

(ii) Explain the influence of ONE financial institution on the financial management of this business. **4**

Retail Bank: deposit-taking institution that lends money to individual and business customers. The loan of $90k is likely taken with such a bank. Banks charge interest on loans and these rates can change, resulting in higher (or lower) interest expenses for a business. Moreover, fees and charges on account services also add to the cost base of this business.

**Question 24 continues on page 17**





Big Time BS

Question 24 (continued)

(b) Explain how offering discounts for early payment may improve a business's cash flow and reduce working capital. **4**

Improve Cash Flow: Accounts Receivable are current assets – credit sales that require payment. Offering discounts to creditors incentivises them to pay, thus converting the invoice into liquid cash – boosting flow.
Reduce Working Capital: When a firm offers a discount on their Accounts Receivable, when they are paid the overall value of Current Assets is reduced. Because working capital is the difference between assets + liabilities, discounts reduces working capital.

**End of Question 24**

Do NOT write in this area.





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**Question 23** (10 marks)

A piano teaching business which guarantees highly qualified and experienced teachers is rapidly expanding across all states of Australia.

(a) Outline how marketing of this business relies on an effective human resources department. **2**

The 'People' marketing strategy - having the best staff and customer service - is critical for this business to build word-of-mouth and brand reputation. Recruitment processes must be effective in obtaining good teachers.

(b) How may economic factors influence customers choosing this business? **4**

The state of the economy can either heighten or lower the barriers to customers in choosing this service. Poor economic conditions reduce discretionary spending on 'non-essentials' such as piano tuition. This will result in reduced revenue and profit for the firm. On the other hand, a growing, stable economy inspires consumer confidence. Consumers are then more likely to seek these services, especially the elite and higher-priced tuition from this business.

**Question 23 continues on page 15**

Do NOT write in this area.

Question 23 (continued)

(c) Propose TWO ways this business can use market segmentation to continue its growth. **4**

Demographic: Prior to entering new states and cities across Australia, this firm must determine the demographic characteristics of these places. This will enable promotional materials and the location of premises to meet customer needs.
Geographic: Additionally, establishing new tuition centres in densely populated geographic areas will maximise the number of potential customers in their market.
These segmentation approaches will result in higher sales - and sustained growth.

**End of Question 23**

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**Question 22** (10 marks)

A business has highly skilled employees who are valued for their input in the decision-making process. Employees are consulted in setting objectives and have an influence on strategies adopted, including flexible working conditions.

(a) Outline the relationship between ONE stakeholder and the human resources function of this business. **2**

Employees: there is a clear recognition of the competence and value of staff in this firm – as exemplified in managerial approaches and the application of HR rewards policies (flexible conditions).

(b) Explain how this business exhibits corporate social responsibility in the management of employees. **3**

Corporate Social Responsibility guides firms to act in ways beneficial to business owners (profit) and people (staff) and the planet. Levels of staff involvement in large strategic decisions is very high, resulting in a clear expression of care for the wellbeing and satisfaction of staff.

**Question 22 continues on page 13**

Question 22 (continued)

(c) Justify the importance of maintenance in human resource management for this business. **5**

This business evidently requires the services and contribution of very well educated and skilled people. In such a business context, sourcing and retaining top talent can grant a firm a distinct competitive edge over rivals – new ideas and innovations for products or process changes come from humans within the business. Thus it is critical for this business to deploy numerous maintenance HR strategies to ensure such assets to the future success of the business are retained. As such, the input, consultation and flexible conditions will provide strong incentive for them to stay.

**End of Question 22**

**Please turn over**