

2017

AUSTRALIAN ECONOMICS AND BUSINESS STUDIES COMPETITION

Business Studies Competition

Question Paper
Thursday, 18 May 2017

Instructions:

1. Do not open this booklet until instructed by your teacher.
2. You have **fifty minutes** to answer all **forty questions**.
3. **Pencils and erasers only**. No calculators or rulers are allowed.
4. Read all instructions in the Response Sheet provided.
5. Mark your answers using **pencil only** on the Response Sheet.
6. All questions are of equal value.
7. Choose the **most correct** option to the question and colour in the corresponding oval on the Response Sheet.
8. **One mark** will be awarded for each correct response.
9. Avoid random guessing, as **one quarter** of a mark will be deducted for each incorrect answer.
10. **PLEASE MAKE SURE YOU FILL IN YOUR NAME CORRECTLY ON THE RESPONSE SHEET.**

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Question 1

Which of the following marketing strategies refers to a business charging the highest possible price for a product during its introduction stage?

- a. Bundle pricing
- b. Price penetration
- c. Price skimming
- d. Premium pricing

Question 2

Which of the following ratios may be used to analyse the effect of issuing a 5-year bond*?

*A bond is a debt security.

- a. Liquidity ratio
- b. Gearing ratio
- c. Current ratio
- d. Net Profit ratio

Question 3

Which of the following is NOT an advantage of holding stock?

- a. To reduce lead times between order and delivery
- b. To provide an alternative product when inventory of another product is low
- c. To meet consumer demand
- d. To increase the net assets of the business

Question 4

The Chief Financial Officer (CFO) of an Australian toy manufacturer has decided that the company's goal for the following year is to improve its turnover of accounts receivable.

Which of the following represent the objectives in which he is addressing?

- a. Profitability and growth
- b. Liquidity and efficiency
- c. Solvency and liquidity
- d. Growth and solvency

Question 5

An assembly line is an example of a:

- a. Fixed position layout
- b. Product layout
- c. Process layout
- d. Circle layout

Question 6

Which of the following is a transformed resource for a medical clinic?

- a. Medical diagnostic equipment
- b. Patients
- c. Doctors
- d. Medicine and drugs

Question 7

To ensure that the Balance Sheet gives a realistic view of a company's financial position, an internal auditor may remove the sale of surplus buildings from income.

This is an example of:

- a. Normalised earnings
- b. Creative accounting
- c. Capitalising expenses
- d. Appropriate cut-offs

Question 8

Harry's Hair is a niche hairdressing salon that has seen falling revenue in recent months. Harry has undertaken market research to determine why this is occurring, and discovered that there have been several new entrants to the market and that the government is going to provide additional funding for hairdresser apprentices.

Which of the following areas of the situational analysis has Harry discovered in his research?

- a. Weaknesses, threats, strengths
- b. Strengths, opportunities, threats
- c. Threats, weaknesses, opportunities
- d. Opportunities, strengths, weaknesses

Question 9

The subsidiary company of The Coca Cola Co. operating in Australia is called what?

- a. Coca Cola Australasia
- b. Coca Cola Oceania
- c. Coca Cola Amatil
- d. Coca Cola Beverages

Question 10

Which of the following is NOT part of the external environment of a business?

- a. Legal frameworks
- b. Government regulation
- c. Corporate social responsibility
- d. Outsourcing of key business functions

Question 11

Which element of the promotional mix deals with crisis management when a business is found to be acting unethically and/or against existing legal frameworks?

- a. Relationship marketing
- b. Word of mouth
- c. Public relations
- d. Opinion leaders

Question 12

"Employees are a company's greatest asset." (Anne Mulcahy)

Why are the employees of a business not recorded as an asset on the balance sheet?

- a. They are recorded as an asset, which is denoted by the amount of their wages or salary
- b. The economic value of an employee is difficult to estimate and is unpredictable
- c. It is difficult to reliably and accurately measure the 'value' of an employee to a business
- d. Some employees could be considered a liability to the business

Question 13

The share price of CIMB Bank has fallen from \$22.60 to \$2.60 overnight.

What might CIMB Bank have done to their shares?

- a. They have conducted a share split to drive the price down
- b. The majority shareholder has sold his share in the company
- c. The stock market has crashed overnight, as another major bank has defaulted
- d. They have issued new shares to drive the price down

Question 14

Which of the following provides an example of co-branding of products?

- a. Streets Golden Gaytime Cornettos
- b. Cadbury's Vegemite flavored Dairy Milk Chocolate
- c. Kellogg's Crunchy Nut
- d. Coca Cola Life

Question 15

Which of the following business models is based heavily on e-marketing for the generation of revenue for the firm?

- a. Facebook
- b. Amazon
- c. IKEA
- d. JB Hi-Fi

Question 16

A dairy department manager at a busy suburban Coles store is concerned about the high levels of dumping of stock, which has been a result of the expiry of products.

What is the **most** feasible strategy that the Dairy Department manager could implement to overcome this problem?

- a. Contact the warehouse and request that longer-life stock is sent to the store
- b. When stock is almost at its due date, the manager should heavily discount the stock
- c. Implement a FIFO policy, and ensure staff are rotating older stock forward on the shelf
- d. Order less amounts of stock to ensure less stock is dumped

Question 17

Code-sharing occurs when two businesses agree to provide resources and operate together, whilst conducting marketing independent of each other.

The occurrence of "code-sharing" is common in which industry?

- a. Automotive industry
- b. Clothing and textiles industry
- c. Transport and logistics industry
- d. Airline industry

Question 18

Which of the following businesses is NOT part of the Wesfarmers Group?

- a. Myer
- b. Officeworks
- c. Kmart
- d. Coles

Question 19

Why might a current ratio (current assets/current liabilities) less than 1 be better than a current ratio greater than 1?

- a. Cash and accounts receivable do not accrue any interest or tax benefits to a company
- b. Low liquidity indicates that a company is using sources other than its own cash and inventory to fund the operations of the business i.e. accounts payable, factoring
- c. It would never be beneficial to have a current ratio of below 1
- d. A low current ratio indicates that the company is not owed large amounts of cash

Question 20

A human resources manager is looking for ways to motivate his staff. He has decided to involve all staff in a profit-sharing scheme. What type of reward is this?

- a. Non-monetary
- b. Individual
- c. Tax effective
- d. Group

Question 21

Desmond has been an experienced architect for over 30 years with a boutique firm. Many of the staff come to him for assistance, even though he does not hold a position of authority within the business. He has been encouraged to apply for a promotion to take on more of a communications role due to his ability to inspire and motivate others around him with his words.

Which of the following types of power does Desmond currently possess?

- a. Coercive and expert
- b. Legitimate and reward
- c. Referent and expert
- d. Reward and referent

Question 22

If a business is in the growth stage of the business life cycle, it is likely to have:

- Low operating cash flows, negative investing cash flows, positive financing cash
- High operating cash flows, no investing cash flows, no financing cash flows
- High operating cash flows, negative investing cash flows, negative financing cash flows
- High operating cash flows, positive investing cash flows, negative financing cash flows

Question 23

The below table shows the working roster of John for the last 4 weeks.

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
4 weeks ago	3 to 11pm	3 to 11pm	3 to 11pm	4 to 11pm	4 to 11pm	3 to 11pm	
3 weeks ago		RDO*	3 to 11pm	4 to 11pm	4 to 11pm	3 to 11pm	
2 weeks ago	3 to 11pm	3 to 11pm	3 to 11pm	4 to 11pm	4 to 11pm	3 to 11pm	
1 week ago		RDO*	3 to 11pm	4 to 11pm	ANNUAL LEAVE^: 7 hours	ANNUAL LEAVE^: 8 hours	

* RDO denotes "Rostered Day Off"

^Annual Leave is paid with holiday loading of 17.5%

Using the table above, determine what type of employee John is.

- Permanent Full-Time
- Fixed-Term Part-Time
- Casual
- Permanent Part-Time

Question 24

Using the information from question 23, determine what employee expectation has been incorporated into John's working roster.

- Safe working conditions
- Work-life balance
- Remuneration benefits
- Job security

Question 25

During an interview with PLC International, Lee is asked the following question:

“Give us an example of how you overcame a difficult situation in the workplace.”

What aspect of Lee's personality is the interviewer trying to examine?

- a. Work ethic
- b. Cognitive skills
- c. Conative skills
- d. Socio-psychological traits

Question 26

Which of these is NOT an objective of a social enterprise?

- a. To make a profit
- b. To increase market share
- c. To fulfil a market need
- d. To fulfil a social need

Question 27

What type of management style would a customer service manager at Qantas normally use?

- a. Contingent
- b. Autocratic
- c. Laissez-faire
- d. Participative

Question 28

Which of the following pieces of information would be most useful for an inventory manager at a firm which specialises in the production and sale of niche beers?

- a. Recently published market research papers
- b. Sales reports for the last quarter
- c. Income statement for last month
- d. Production budgets used for the previous quarter

Question 29

A conglomerate corporation is a large corporation which owns a controlling stake in numerous smaller companies. These smaller companies conduct business separately from the conglomerate.

Which of the following is an example of a conglomerate?

- a. Qantas
- b. Woodside Petroleum
- c. Woolworths Limited
- d. Coca Cola Amatil

Question 30

Victoria plans to open a coffee shop. To do so, she will need \$100,000 to buy the franchise and \$40,000 to outfit the coffee shop. Victoria has \$30,000 in her bank account, and the current interest rate is 5% per annum.

What is the quantity of financial capital that Victoria plans to get from the financial market if she decides to use 80% of the deposit in her bank account to fund the coffee shop?

- a. \$116,000
- b. \$140,000
- c. \$110,000
- d. \$82,000

Question 31

Mary's Toy Shop Records Pty Ltd	
Property, Plant and Equipment	\$500,000
Net Profit	\$30,000
Cash	\$4,000
Overdraft	\$60,000
Car	\$90,000
Debentures	\$30,000
Inventory	\$4,500
Mortgage	\$60,000
Accounts payable	\$3,000

What is the value of non-current assets?

- a. \$90,000
- b. \$594,000
- c. \$590,000
- d. \$503,000

Question 32

Which of the following is an example of covert industrial action?

- a. A lockout
- b. A strike
- c. Implementation of grievance procedures
- d. Increased absenteeism

Question 33

A total of 120 computer games were bought by a business. This business is using the 'last in, first out' (LIFO) approach. The cost breakdown is the first group of 40 attracted a cost of \$50, the second group of 60 attracted a cost of \$100, and the last group of 20 attracted a cost of \$150. 20 games remained unsold.

Using the LIFO approach, which of the following is correct?

- a. The first group cost \$3,000 and total COGS is \$10,000
- b. The first group cost \$2,000 and total COGS is \$8,000
- c. The total COGS is \$10,000 and cost of unsold goods is \$3,000
- d. The cost of the last group is \$3,000 and cost of unsold goods is \$2,000

Question 34

How is the market share of a business determined?

- a. As a percentage of all sales in an industry
- b. As a percentage of all profits in an industry
- c. As a proportion of total employees in an industry
- d. The total assets owned compared within its industry

Question 35

Which Australian company bought Vegemite in January 2017?

- a. A2 Milk
- b. SPC Ardmona
- c. Mondelez International
- d. Bega Cheese

Question 36

From which financial statement(s) could you determine the value of "Cost of Goods Sold"?

- a. Income statement ONLY
- b. Cash flow statement ONLY
- c. Balance sheet ONLY
- d. Balance Sheet AND Income statement

Question 37

A product recall can be damaging to a brand or product.

How might a business overcome this type of issue, especially if the product is one of their best-selling products?

- a. Using new advertising techniques to "re-image" the product
- b. Cease production of the product and remove it from the market completely
- c. Implement public relations policies to minimise consumer distress
- d. Hide the product fault and hope it is not exposed

Question 38

The abbreviation SMA stands for:

- a. Standardised Market Advertising
- b. Small to Medium Association
- c. Social Media Advertising
- d. Simple Market Advertising

Question 39

Toyota is credited for creating the Lean Manufacturing Principles.

Which of the following is NOT one of the lean manufacturing principles?

- a. Levelized production
- b. Respect for humanity
- c. Continuous improvement
- d. None of the above

Question 40

The Big 4 accounting firms consist of:

- a. Westpac, ANZ, Commonwealth Bank, NAB
- b. Deloitte, PwC, Ernst and Young, KPMG
- c. Deutsche Bank, PwC, Ernst and Young, KPMG
- d. KPMG, Deloitte, BDO, Ernst and Young

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About the Organisers

This Competition is run annually by a non-profit organisation within the UNSW Business School. The aim is to stimulate high school students' interest in business and economics, and lay the path for potential careers in the business world, government and academia.

Acknowledgements

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