

2024 ASSESSMENT REPORT

BST315116 BUSINESS STUDIES

Section A

Criterion 1

Question 1

This was a straightforward and popular question. Students were able to discuss differences between the partnership and private company structure and provide advantages and disadvantages of public companies. The number of partners and owners in a private company causes some confusion amongst students.

Suggested Answers:

Components of the partnership that distinguish it from the private company:

Ownership and Liability:

- **Partnerships:** Owned by 2–20 people (or more in some industries) who share control and unlimited liability, meaning they are personally responsible for debts and losses. Partnerships are easy and inexpensive to set up but dissolve if a partner leaves or dies. Unincorporated structure.
- **Private Companies:** Limited liability protects shareholders beyond their investment. They can have up to 50 owners and are separate legal entities, continuing to operate despite ownership changes. They are complex and costly to set up, governed by the *Corporations Act 2001*, and subject to strict regulations. Incorporated structure.

Legal Entity:

- **Partnerships:** Not a separate legal entity; the business and owners are the same.
- **Private Companies:** A separate legal entity that can own property, enter contracts, and be sued independently of shareholders.

Regulatory Requirements:

- **Partnerships:** Minimal regulations and simpler compliance.
- **Private Companies:** Stricter requirements, including registration, reporting, and governance.

Marking Guide: 2 marks for partnership, 2 marks for private co.

Advantages and Disadvantages of a Public Company

Advantages:

1. **Limited Liability:** Shareholders' personal assets are not at risk beyond their investment.
2. **Access to Capital:** Can raise large funds through the ASX, enabling faster growth and expansion.
3. **Perpetual Succession:** The company continues even if owners or shareholders change.
4. **Board Expertise:** Access to diverse skills through professional directors.
5. **Separate Legal Entity:** Shareholders are protected if the company is sued.

Disadvantages:

1. **High Costs:** Expensive to establish and operate, with IPO, ASX fees, and compliance expenses.
2. **Regulatory Burden:** Subject to strict reporting and disclosure requirements.
3. **Loss of Control:** Shareholder involvement can dilute founder decision-making.
4. **Public Scrutiny:** Financial and operational transparency increases scrutiny.
5. **Double Taxation:** Profits taxed corporately and again on dividends.

Marking Guide: marks for each advantage = 4 marks + 2 marks for the disadvantage (students may explain advantages and disadvantages well for full marks, or name the advantage/disadvantage and include an example).

Question 2

While students understood the concept of business ethics, many struggled to provide a clear definition and confused ethics with legal requirements. Many students discussed goals like profit, sales, and growth but were vague in explaining ethical conflicts. For instance, slave labour or false advertising are *legal* violations in Australia, which fall outside the scope of ethics.

Suggested Answers:

Business ethics refers to the principles and standards guiding behaviour in business and how society expects businesses to conduct themselves. It involves applying moral values to business decisions and practices to ensure honesty, fairness and integrity in dealings with stakeholders, including customers, employees, investors, and the broader community. Business ethics focus on making morally right choices, beyond just legal obligations, and are essential for building trust and long-term success.

Key aspects include:

- **Honesty and Transparency:** Providing truthful and accurate information.
- **Fairness:** Treating stakeholders equitably and ensuring fair competition.
- **Corporate Social Responsibility (CSR):** Minimising harm and contributing positively to society and the environment.
- **Compliance:** Adhering to laws, regulations, and ethical norms.
- **Accountability:** Taking responsibility for business actions and their impacts.

Marking Guide: 2 marks for explanation, 2 marks for appropriate example. Students in their example could discuss a business scenario – could be real life or hypothetical.

Business goals which may conflict with a business who wants to have ethical behaviour in their business dealings:

From the Course Content, Business Goals are profits, personal efficiency, effectiveness, social responsibility. Additionally, they might include market share, growth, share price (if company structure), and environmental. Goals should be measurable and achievable.

Ethical behaviour is following a set of rules or procedures fairly. Ethical behaviour involves consideration of standards that define what is acceptable and unacceptable behaviour. Ethics looks at moral issues and choices.

It is challenging for businesses to work out the correct business decision to make when there are competing interests such as finances and a desire for profit competing with community improvement or environmental responsibility.

EXAMPLE: A focus on profit could conflict with ethical behaviour by not paying staff over the holidays/employing them as casuals. An example is using migrant workers and taking advantage of their lower English language comprehension skills and not providing them with the correct entitlements.

Marking Guide: 2 marks for explanation of each conflicting goal, 1 mark for why it is conflicting = 6 marks

Question 3

Students were able to identify stakeholders and explain how they contribute to the business's culture, however, definitions for business culture were often vague. Better definitions included mention of shared values and practices, often influenced by the interactions with various stakeholders.

Suggested Answers:

Business culture explanation as part of INTERNAL business environment:

Business culture is a component of the internal influences of the business environment. These are those that the business/owner has some degree of control over. It is shaped by four key elements: **values**, which guide decision-making; **symbols**, such as logos that represent the organisation's identity; **rituals, rites, and celebrations**, which reinforce the culture through events and activities; and **heroes**, individuals who embody the organisation's values and serve as role models. It defines the organisation for internal employees and external stakeholders, as it forms part of its public image.

Examples may include: Open and honest communication; Management style – flat, fluid; Shared decision making; Team work; Employee incentives – recognition (i.e. employee of the month); Flexible working hours/arrangements.

Marking Guide: 4 marks for explanation within internal environment include the use of examples.

How Stakeholders Impact Business Culture:

- **Shareholders/Owners:** Their priorities (e.g., profit, employee care, or customer focus) shape how the business interacts internally and externally.
- **Managers:** Leadership style and delegation of responsibility influence workplace dynamics.
- **Employees:** Their values, behaviour, and engagement foster a positive or negative work culture, affecting productivity and teamwork.
- **Customers/clients:** Feedback and loyalty shape the business's focus and culture.
- **Suppliers/Partners:** Ethical, cooperative relationships promote mutual respect and integrity.
- **Local Communities:** Engagement fosters a culture of social responsibility.
- **Environment/Future Generations:** Adopting eco-friendly practices demonstrates long-term sustainability.

Marking Guide: 3 marks for explanation of how EACH stakeholder might impact business culture = 6 marks.

Question 4

Students demonstrated a solid understanding of entrepreneurship in the first part of this question. Although they didn't consistently distinguish between the economic and social roles, they successfully identified key roles entrepreneurs play in society. Overall, part (a) was completed to a higher standard than part (b).

Suggested Answers:

Explain entrepreneurship, with 2 characteristics

Entrepreneurship is the process of identifying, developing, and bringing a new business idea, product, or service to life. Entrepreneurs are individuals who take on the risks and challenges of starting and managing a business, often driven by innovation, creativity, and the desire to solve problems or meet market needs.

Entrepreneurship requires an understanding of processes to test the viability and ethical nature of new ideas. It also requires innovation and identification of opportunities and carefully considered risk taking.

Characteristics: works well with people, sets realistic goals and attempts to achieve them, takes moderate risks but tolerates failure, has strong drive motivated by achievement (not necessarily making money), keeps in good physical health and has high energy levels, well organised, confident, emotionally stable, skilled communication, social awareness, skilled decision making, futures thinking, self-discipline, responsibility and to inspire and motivate others.

Marking Guide: 2 marks for explanation of entrepreneurship, 1 mark each for appropriate characteristics.

Economic and Social Role of Entrepreneurship in Australia

Economic Role: (includes profit, wealth, income, production, investment and employment)

- **Job Creation:** SMEs and startups, generate significant employment.
- **Economic Growth:** Innovative businesses like Canva contribute to GDP and global prestige.
- **Industry Diversification:** Entrepreneurs reduce reliance on traditional sectors, expanding tech and healthcare industries.
- **Encouraging Exports:** International expansion boosts export revenue and trade balance.

Social Role: (includes careers, choice, enterprise, investment and employment)

- **Addressing Social Challenges:** Social enterprises like Who Gives a Crap tackle issues like sanitation and climate change.
- **Innovation and Sustainability:** Entrepreneurs promote eco-friendly solutions, advancing Australia's environmental goals.
- **Building Community:** Regional ventures improve community infrastructure and economic ties.
- **Promoting Inclusivity:** Initiatives empower underrepresented groups, such as Indigenous communities and women.

Marking Guide: 3 marks could be made up of discussion of the role, link to entrepreneurship, and/or an example. Must be a link to the impact on Australian society.

Question 5

Many students struggled to clearly define operations management (OM) and failed to link it to other key business functions. When describing the transformation process, most students listed inputs, outlined basic production methods, and identified the output. However, many focused only on raw materials, neglecting essential inputs like labour, machinery, and capital. Students should address key aspects of the transformation process, such as sequencing and scheduling, task design, technology's role, and quality management, to provide a more comprehensive response.

Suggested Answers:

Explain the term operations management and outline its purpose within other key business functions:

OM involves businesses efficiently and effectively converting inputs (resources) into quality products or services desired by customers through the process of transformation. It encompasses all the activities in which managers engage to produce a good or service, focusing on creating, operating, and controlling a transformation process that takes inputs from various resources and produces outputs of goods and services needed by customers.

Marketing:

OM works closely with marketing to ensure that products and services meet customer needs and are delivered on time. Product differentiation, cost leadership, marketable product.

Example: Marketing identifies high demand for a product, operations ensures production meets demand efficiently.

Finance:

OM relies on finance to allocate budgets for production and monitor costs, while finance depends on operations for accurate cost data and profit analysis. May adopt lean production, cost leadership.

Example: Operations optimises production processes to stay within budget and maximise profitability.

Human Resources (HR):

HR ensures OM has the right talent and training to achieve production goals, while operations define the workforce requirements based on workload.

Example: During peak production periods, HR and operations coordinate hiring temporary staff.

Marking Guide: 2 marks for explanation of OM, 2 marks for how OM sits within other business functions.

Provide an example, showing clear understanding, of the transformation process

Must identify elements of INPUTS (transformed and transforming resources), PROCESSES (influences of volume/variety/variation in demand/visibility; sequencing (order) and scheduling (timing); technology, task design and layout of office/factory processes; monitoring to ensure continuous improvement), OUTPUTS (goods, services; customer service; and after-sales warranties).

Marking Guide: 6 marks for appropriate example explained with correct OM terms/concepts.

Question 6

Most students differentiated between established and leading-edge technology, providing relevant examples. However, many found it challenging to apply the use of technology to operational and strategic decision-making.

Suggested Answers:

The difference between established technology and leading-edge technology:

Established technology is technology that has already been developed, is widely used, and widely accepted. Includes the use of computers and various software packages in managing business operations and functions. Established technologies are functionally sound and help to establish basic standards in productivity and speed.

In the OM function, established technologies include: barcoding and point-of-sale (POS) data for inventory management; robotics for complex and detailed manufacturing; computer-aided design (CAD), computer-aided manufacturing (CAM) and computer-integrated manufacturing (CIM) for integrating transformation processes; information processing technologies and information technologies (IT) for administration, logistics, input modelling, demand analysis and distribution; and flexible manufacturing systems (FMS) for transformations processes.

Leading edge technology is technology that is the most advanced or innovative at a point in time. It helps businesses create products more quickly and achieve higher standards, with less waste, and operate more effectively.

Examples:

- **Nanotechnology:** Purifying water, revolutionising cosmetics, and advancing medical applications through nanoscale innovations.
- **3D Printing:** Creating custom prosthetics and bio-printed tissues for healthcare.
- **Artificial Intelligence (AI):** Used in drug discovery and personalised medicine.
- **Blockchain:** Ensuring transparency in supply chains, like Woolworths' fresh produce tracking.
- **Gene Editing (CRISPR):** Transforming biotechnology by treating and preventing diseases.
- **Renewable Energy:** Advanced solar panels and energy storage solutions driving sustainability.
- **Augmented Reality (AR):** Enhancing retail by allowing customers to visualise products in their spaces.
- **Biodegradable Materials:** Eco-friendly packaging reducing waste and environmental impact.

Marking Guide: 1.5 marks for explanation of each, 0.5 marks for each example.

The Use of Technology in Business: Operational vs. Strategic Decisions

Operational Decisions: Focus on day-to-day improvements in efficiency and productivity. Technology is used to:

- **Increase productivity:** Automation (e.g., robotic manufacturing, automated checkouts).
- **Enhance customer service:** Customer Relationship Management tools to manage relationships.
- **Improve resource management:** systems for inventory tracking and data analytics for optimising schedules.
- **Ensure quality:** AI and sensors for quality control.
- **Reduce costs:** Smart energy management systems and predictive maintenance using IoT.

Strategic Decisions: Linked to long-term goals, competitive advantage, market adaptation. Technology is used to:

- **Adopt innovations:** Differentiate using AI and blockchain (e.g., Tesla's AI for autonomous vehicles).
- **Expand markets:** E-commerce platforms (e.g., Cotton On using Shopify).
- **Drive sustainability:** Investing in green technologies for eco-friendly operations.
- **Customer engagement:** Customer Relationship Management for long-term loyalty.
- **Risk management:** Predictive analytics for identifying risks.
- **Digital transformation:** Cloud computing and e-commerce to stay competitive.

Operational decisions focus on immediate process efficiency. Strategic decisions drive long-term growth and adaptability.

Marking Guide: 3 marks for operational and 3 marks for strategic. Need to include an example of each decision type.

Question 7

Most students provided a basic description of quality management (QM). Stronger responses included strategies like quality control, quality assurance, and quality improvement. Many overlooked the *purpose* of QM. Understanding of quality assurance was particularly weak, with only a few students referencing industry standards like ISO. While knowledge of quality control was slightly better, many responses lacked depth.

Suggested Answers:

QM and its purpose in operations management

QM ensures that a business's products, services, and processes meet customer expectations, comply with regulations, and drive operational efficiency. It focuses on embedding quality into all aspects of the business through:

- **Quality Control:** Inspection and intervention.
- **Quality Assurance:** Application of international standards.
- **Quality Improvement:** Total quality management and continuous improvement.

Key Purposes of QM:

- **Customer Satisfaction:** Builds trust by meeting or exceeding expectations (e.g., hotel cleanliness standards).
- **Continuous Improvement:** Reduces inefficiencies through ongoing process evaluation (e.g., Lean Production).
- **Compliance:** Meets regulatory standards to minimise legal risks (e.g., food safety standards).
- **Efficiency:** Optimises processes to reduce waste and errors (e.g., bug reduction in software).
- **Quality Culture:** Fosters employee ownership of quality objectives (e.g., staff training).
- **Competitive Advantage:** Differentiates through superior quality (e.g., luxury car pricing).
- **Cost Reduction:** Avoids defects and rework to cut costs (e.g., early defect detection).
- **Risk Management:** Prevents quality issues and reputational harm (e.g., pharmaceutical quality checks).

Marking guide: 2 marks for explanation of QM and 2 marks for its purpose in OM.

Difference between quality assurance and quality control

Quality Assurance (QA) is a proactive approach focused on ensuring that production processes meet preset standards, often benchmarked against industry standards like ISO. It prevents defects and reduces issues with quality. QA emphasises designing products to meet quality standards from the outset, aiming for "fitness for purpose" and "right first time" to avoid rework and resource wastage. QA involves systematic activities and measurements to provide confidence in product quality, supporting global standards for consistency across different manufacturers.

Examples: ISO 9000 Compliance.

Quality Control (QC) is a reactive process that involves inspecting and measuring products at various stages of production to check quality and identify and correct defects. It requires

predefined quality standards and parameters, with tests designed to assess products against these standards. QC also seeks to focus on continuous improvement efforts. Proper training for labour is essential to apply quality standards effectively throughout the production process.

Examples: product testing, customer feedback, inspections, defects, returned goods.

Marking Guide: 2 marks each for explaining QA and QC, with 1 mark each for example = 6 marks.

Question 8

Many students were confused between offshore processing and outsourcing. While most students could identify social and environmental implications, many failed to connect these to examples, limiting the depth of their responses.

Suggested Answers:

Difference between offshore production and outsourcing in operations management.

Offshore production is the relocation of production or manufacturing processes to another country, typically to benefit from lower labour or materials costs, favourable economic conditions/regulatory advantages, or proximity to target markets. The business retains ownership and control of the production facilities, and directly manages the operations or does so through subsidiaries. For example, a clothing company might establish a factory in Vietnam to produce garments for global distribution.

Outsourcing involves contracting a third-party company to perform tasks, produce goods, or provide services that were previously managed internally, eg: customer service, IT, or logistics. Unlike offshore production, the company does not own the facilities or the processes but relies on the specialisation/expertise and capabilities of the external provider who independently operates within agreed terms. It can include **onshore outsourcing**, where domestic businesses are used as providers. It gives the business cost savings and the ability to focus on their core business activities. For example, a technology company might hire an IT service provider in India to handle customer support or software development.

Marking Guide: 2 marks for defining outsourcing, 2 marks for defining offshore production.

Social implications and environmental implications of outsourcing a component of operations:

Social Implications

Positive:

- **Job Creation:** Provides employment in developing countries, reducing poverty.
- **Skill Development:** Builds a skilled workforce through training.

Negative:

- **Job Loss:** Causes unemployment in the outsourcing company's local community.
- **Labour Exploitation:** Poor conditions and low wages for workers in some regions.
- **Cultural Disruption:** Marginalises indigenous communities or migrants.
- **Employee Morale:** Reduces job security and workforce morale.
- **Reputation:** Unethical practices can harm brand loyalty.

Environmental Implications

Positive:

- **Efficiency Gains:** Advanced processes reduce environmental footprints.
- **Sustainability:** Some partners focus on renewable energy and waste reduction.

Negative:

- **Carbon Footprint:** Long-distance transport increases emissions.
- **Environmental Degradation:** Pollution and resource overuse due to weak regulations.
- **Waste Issues:** Poor waste disposal harms ecosystems.
- **Lack of Accountability:** Weak enforcement can lead to neglect of sustainability.

Marking Guide: 3 marks each for social and environmental implication of using outsourcing, using an appropriate example. For full marks, students should fully explain (not just list), and link back to the example.

Criterion 5

Markers assessing Criterion 5 looked for clear, structured, and well-supported responses written in an academic tone. High-performing students avoided ambiguity, used PEEL (point, evidence, explanation and link) paragraph structure, headings/sub-headings, and logical flow with spacing of topics, and incorporated sentence variety. They defined terms clearly, used rich business vocabulary, and contextualised their answers with examples and relevant models. Effective responses applied correct use of acronyms and avoided informal language (e.g., "etc."). Proofreading, clarity, and professional presentation, such as underlining key terms, further enhanced the quality of their work.

Section B

Criterion 3 and 4

Question 9: Marketing Management

Criterion 3 General Feedback

Most students had a good understanding of parts (a) and (b). Stronger answers used specific terminology when discussing the marketing planning process, rather than just saying, "a poor marketing planning process can cause..."

Most students were able to analyse two issues with TWA's current promotion strategies. Stronger responses clearly identified the likely impact of each promotion strategy on business performance using specific examples.

Part (d) was challenging for students. Weaker responses described the ethical and legal implications of swapping the locally sourced produce for cheaper imported food supplies, instead of focusing on the ethical and legal implications of untruthful advertising. Very few students were able to correctly identify relevant legislation. Students are encouraged to learn legislation more specifically in the future.

Criterion 4 General Feedback

Most students were able to recommend two market research tools. Stronger responses clearly described how each of the sources could be used.

Stronger responses explained and evaluated a pricing strategy that would align with TWA's luxury positioning. Weaker responses explained loss leader or price penetration which are not

appropriate strategies that align with luxury products. Stronger responses provided a definition of product positioning and could align their strategy well with the positioning. Many students recommended a pricing method, which was incorrect.

Students should recognise that *long term* performance relates to a period over 12 months. Stronger responses described aspects of business performance: revenue, expenses, profitability, market share, growth, efficiency.

When recommending a promotional strategy, stronger responses were very descriptive. Weaker responses only suggested the use of social media for example, without describing how TWA should use social media.

Criterion 3 Suggested Answers

a) Marketing Planning Process is SMEIDI (SWOT, Market Research, Marketing Objectives, Target Market, Marketing strategies and Implementing, monitoring and controlling the plan). It also includes competitive analysis and product life cycle.

Impacts that result from a poorly managed marketing planning process could include:

- Poor or lack of market research into a market, the industry, competitors and critical stakeholders will mean that time and money has been wasted as target market customers may not be aware of the business.
- If the business chooses to expand their product range by having more tours in other areas, as a way of targeting the tourist market, they must ensure that the media chosen to promote their services is suitable to the new market otherwise they will not gain that market because customers don't know about it.
- 'Word of mouth' may be negative due to current issues with narrow package options, issues with staff.
- The business won't know about customer buying behaviour, their characteristics, lifestyle attitudes and values, where the customers are located, desired product features, pricing, promotional strategies they use.

b) TWO reasons to identify a primary target market:

- A business identifies and selects a primary target market so it can direct its marketing strategies to that group of customers. This allows the business to better satisfy the wants and needs of the targeted group who are loyal and are repeat purchasers (the '80/20 principle where 80% of sales come from 20% of customers). This occurs because the business can then:
 - Use its marketing resources more efficiently, which is likely to result in the marketing campaigns being more cost effective and time efficient
 - Make promotion material more relevant to the customers' needs, and therefore more likely to be noticed
 - Better understand the consumer buying behaviour of the target market
 - Collect data more effectively and make comparisons within the target market over time.
- Refine the marketing strategies used to influence customer choice.

c) TWO issues with current promotion strategies. Impact of each on current business performance.

Issues: TWA's current promotion strategies are either insufficient/too narrow or are antiquated (word of mouth and local newspapers/RACT Journeys magazine). No other marketing, nor online presence. Reduced/no brand loyalty due to poor product image.

Impact: the business is probably missing out on a large range of potential customers (and their money) accessing their product because they don't know about it. Decreased sales → revenues lead to decreased profits. Limited profits lead to a range of financial issues including inability to

pay bills when they fall due (leading to a breakdown between business/supplier relationship), inability of business to expand product range/grow business.

d) Ethical implication and legal implication of using untruthful advertising. Relevant legislation.

Ethical implications – violates the trust of consumers and undermines the integrity of the business, impacting their reputation.

Legal – Australian Consumer Law is relevant here. TWA would be engaging in misleading and deceptive conduct and breaching the *Competition and Consumer Act 2010*.

- Breaking the law has serious consequences and penalties. Jail time can be imposed.
- ACCC (Australian Competition and Consumer Commission) could investigate and find them guilty. Fines and penalties could be imposed for misleading and deceptive conduct.
- A breach can result in the ACCC or the relevant consumer agency taking civil or criminal proceedings against TWA.

Marking Guide: 2 marks each for ethical and for legal implication, 2 marks for identifying relevant legislation.

Criterion 4 Suggested Answers

e) Recommend 2 market research tools (primary – facts and figures collected from original sources for the purpose of the specific research problem; or secondary - information that has already been collected by some other person or organisation) to identify target market.

Primary: Focus groups; Observations; Face to face survey; Online surveys; Competitor analysis

Secondary:

- internal: information that has already been collected from inside the business – such as customer feedback, sales and management reports and research reports (if relevant).
- external: published data from sources outside the business. Eg magazines, industry newsletters, internet sources and private data collection agencies. Reports from the ABS (Australian Bureau of Statistics) data or other data sets of demographers to look at tourist demographics in Tasmania.

f) **Pricing strategies** that align with luxury product.

- **Price skimming** – set a high initial price and then slowly lowering the price to make the product available to a wider market. The objective is to skim profits off the market layer by layer. When a business charges the highest possible price for the product during the introduction stage of its life cycle.
- **Prestige or Premium pricing** – this is where the price is set high to indicate the exclusivity and luxury nature of the product. Given the bespoke nature of the cottages and the wellness activities, this might work well. A high price is charged to give the product an aura of quality and status.
- **Price points / Price lining – Product line pricing** – this is where different products within the same product range are priced at different price points. This might work well with offering some of the activities. Selling some of the products only at certain predetermined prices.
- **Bundle pricing** – this is where the business offers a group of products at a reduced price. If the business is looking to engage with mainland tourists. Where customers gain a 'package' of goods and services in addition to the tangible good they purchased.

Options that are NOT a valid pricing strategy for TWA's luxury positioning:

- Penetration pricing – set a low initial price for the tours to increase sales and market share. When a business charges the lowest price possible for a product or service to achieve a large market share.
 - Loss leader – a product sold at or below cost price.
 - Competition pricing – set a price in comparison with competitors who are also offering luxury products, or even a price matching service (pricing method).
- g) Effect of strategy in f) on business performance in the long term:
- Potential increase in market share and sales revenue (due to good customer service).
 - Improved profitability – whilst any strategy may cost extra in the short-term, long-term benefits will outweigh short term costs and will allow the business to position itself as a luxury product, attracting customers who are willing to pay 'overs' for the wellness activities.
 - Competitive advantage based on a quality, bespoke, locally based product.
- h) Promotional strategy – Advertising, online, personal selling, sales promotions, direct marketing, public relations.
- Advertising –
 - advertise in suitable publications, eg: outdoor enthusiast magazines
 - social media ads to target a particular demographic.
 - Personal selling and relationship marketing/influencers – encourage big names (local celebrities, media outlets) to stay in a cottage and do a wellness activity and spread the word on social media.
 - Sales promotions – Special offers, eg: 'Come Down for Air' campaigns, Dark MoFo.
 - Publicity and PR – Branding campaign – capitalise on the clean, green, fresh image of Tasmania and the world-renowned regions that the cottages operate in, brand awareness depends on their marketing strategy and objectives.
 - Sponsor local and/or national events for exposure.

Answers needed to explain how the strategy would positively impact TWA's performance.

Question 10: Human Resource Management

Criterion 3 General Feedback

Most students understood the role and purpose of job design. Stronger responses linked job design to the acquisition phase of the employment cycle.

Many students mixed up working casual hours and working flexible hours. Working flexibly means an employee can adjust start and finish times to fit with other commitments. Fulltime or part time employees can work flexibly. Students are encouraged to develop their understanding of *economic implications*. Many students discussed the *financial* implications on the business (i.e. loss of profit) rather than the implications of working flexibly on the broader economy.

Stronger responses were able to identify a relevant piece of legislation; however, many students did not do this.

Criterion 4 General Feedback

Stronger responses specifically highlighted how their suggested strategies would improve or be beneficial to TWA and/or enhance the skills of the staff along with a better customer experience and/or why their strategies would promote staff loyalty and low staff turnover. Strong answers also related to the stimulus.

Criterion 3 Suggested Answers

- a) Job design: the number, kind and variety of tasks that a worker is expected to carry out while performing their job. Job design approaches include job rotation, job enlargement and job enrichment.

Employment cycle: students may refer to the acquisition stage, development stage or maintenance stage.

Job design is the process of creating a job that enables the organisation to achieve its goals while motivating and rewarding the employee. This means that a well-designed job leads to higher productivity and quality of work, while also leading to higher job satisfaction, lower absence, and lower employee turnover.

- b) Social / economic implication of allowing flexible hours:

Social implications:

- Increased quality of life for staff due to more job satisfaction and motivation.
- Reduction in the transient workforce will lead to greater community connection.

Economic implications:

- Increased earnings may result in economic growth in the local area due to increased spending in the local community.
- Certainty of employment may boost the confidence in investing in the community.

- c) Possible reasons for difficulty in acquiring and retaining casual staff:

- Lack of opportunities/training/education and on-the-job training.
- Overwork / too many tasks.
- Negative business culture or lack of connection to the business, not feeling empowered or part of the team.
- Wrong people employed (poor acquisition processes due to no job analysis / ineffective job design).
- Poor induction processes.
- Little in the way of performance appraisal processes and few / no promotion pathways.
- Lack of flexible working hours.
- Poor monetary and/or non-monetary benefits.
- Attraction of competitors businesses offering better pay and conditions.

- d) Impacts on performance if TWA prioritise diversity in employment processes (NB: answers could be both from a positive and a negative perspective).

Should focus on cultural, gender, age/ethnicity. E.g. Diversity leads to a more productive work environment and can lead to increased revenue.

Relevant Legislation – Complying with various employment awards; Complying with National Employment Standards (NES) e.g. casual conversion; Complying with the *Fair Work Act 2009*; Complying with Equal Employment Opportunity and Anti-Discrimination legislation; Dismissal laws.

Criterion 4 Suggested Answers

- e) **Maintenance** tools include monetary and non-monetary rewards/benefits, training and development of staff. A wide range of answers that clearly focussed on developing and retaining effective staff were accepted.

- f) **Acquisition** strategies may include:

- Review and refine the selection and recruitment process to ensure that the appropriate staff are hired, instead of just being hired on the basis of being a friend or a local

- Engage in job analysis to refine job descriptions and/or job specifications to assist in hiring the appropriate staff.
 - Engage in job design (job enlargement, job enrichment, job rotation) to ensure that positions advertised provide job satisfaction.
 - Engage an external recruitment agency, with greater expertise in recruitment and no longer relying on family friends/locals.
 - Recruit from universities and schools to hire employees who are the best fit possible.
 - Selection of new recruits taking into account organisation fit.
 - Skills testing as part of the recruitment process.
 - Bigger interview panels could help prevent implicit bias and assist in hiring a more diverse workforce, which could lead to improved business culture and decreased staff turnover.
- g) Answers may vary, depending on responses in (f). Needed to link to business performance – e.g. relevant to financial aspects and efficiency.
- Increased motivation, productivity leading to loyal staff, reduced absenteeism and positive business culture.
 - Increased customer satisfaction due to improved quality and/or improved customer service.
 - Improved job satisfaction supporting continual improvement, innovation.
 - Increased productivity, increased revenue leading to increased profits, due to reduction in recruitment/training and development expenses.
- h) Employment options: Casual, part-time permanent, full time permanent, contracts. Answers needed to discuss the seasonal nature of the work and the issues with this. It will be hard to retain ongoing and loyal staff if TWA doesn't offer permanency.
- Casual is not appropriate as this leads to insecurity of employment and will increase staff turnover.
 - Part-time could be an option – answers would need to identify how this could benefit TWA AND the employee.
 - Full time permanent – answers would need to identify how this could benefit TWA AND the employee.

Question 11: Financial Management

Q11 was the least attempted question in Section B.

Criterion 3 General Feedback

Students are reminded that Criterion 3 is about analysing current business practices/performances. It is NOT for providing recommendations for improvement (that's in Criterion 4 questions).

Stronger responses were able to unpack the various aspects of the questions and link their analysis to the stimulus information. Students are encouraged to develop their understanding of risks of debt and equity finance to a business, rather than to an owner. Many answers incorrectly discussed the advantages and disadvantages of finance. Many students mixed up liquidity (short-term) with gearing (longer-term).

Students are encouraged to develop their understanding of **economic implications**. Many students discussed the *financial* implications on the business.

Criterion 4 General Feedback

Many candidates did not understand that the questions for Criterion 4 referred to aspects of improving financial performance (profitability, stability and cash flow) and incorrectly provided general recommendations that usually focused on making more sales to get more profit. Many

students incorrectly used the term 'profit' rather than 'revenue'. Many incorrectly discussed how decreasing expenses will mean longer-term stability without identifying anything about the need to decrease liabilities.

Stronger responses had detailed, clear and specific recommendations that linked how the strategies would improve TWA's performance.

Criterion 3 Suggested Answers

a) **Risk to a business** of relying on equity finance:

- Requires sufficient profits to be made in the first place so that the business can retain and use them for operations/expansion/growth.
- Seeking additional equity (from current or new owners) may be a long, expensive process. If equity finance is limited or can't be accessed quickly, the business might miss growth/improved operational opportunities.

Risk to a business of relying on debt finance:

- Interest expenses, bank and government charges cuts into profits and puts pressure on the business to increase revenues if they want to keep profits at the same level.
- Interest rate hikes can cause business insecurity, especially if there is an economic downturn.
- Security is required to be given by the business which might limit their stability or ability to access additional finance down the track.
- Regular repayments need to be made, and lenders have first claim on money if the business ends in bankruptcy, debt can be expensive, e.g. interest must be paid.
- If a business has high debt, it may reduce potential investor confidence in the business, and they might not lend to them which restricts access to funds.

b) Impacts on performance when the gearing ratio is over 100%:

- Means that TWA are relying on more debt (external) than equity (internal) finance. At 140%, this means TWA has \$1.40 of total liabilities (owed to external parties) for every \$1.00 they have received from the owners (internal parties). This means they are less solvent than a business with a gearing ratio of less than 100%. It has a high risk as it makes TWA very vulnerable to interest rate rises and economic fluctuations / downturns that reduce consumer spending.
- An inability to pay loans on time could severely impact their operational processes which could affect the quality of their products. They may need to make employees redundant to reduce their expenses: a short term 'fix' that has longer-term repercussions as it means the owners have to work harder, or jobs in the business won't be getting done as they have fewer staff to do them.
- TWA risk not being able to pay suppliers on time, deteriorating their relationships in terms of contractual obligations. This restricts operations as big interest expenses will eat into revenue and reduce profits. They may not be able to undertake new projects or expand as their financial capacity is restricted.
- TWA might be tempted to increase sale prices to cover the costs of the debt finance which could discourage consumers and reduce overall sales, making the situation even worse.

c) Impacts of poor cash flow:

- TWA are not able to pay local suppliers for produce within the interest free period which then costs more. It strains relationships between TWA and their suppliers which may be detrimental in the future.
- Difficulty for TWA to pay for outflows on time (eg: creditors (accounts payables) wages, utilities, expenses and tax) which can affect their operations and business performance, and limit business options for expansion/new projects (e.g.: employees might leave).

- Quality of product might be affected if cleaning and maintenance cannot be paid for and they cut corners, leading to poor reviews/bad publicity/negative word of mouth advertising and less sales.
- Poor accounts receivables management means customers are not paying on time which has led to TWA not getting a regular cash inflow and an inability to pay expenses like wages, rents, putting a strain on operations. It has also led to the owners of TWA spending far too much time on chasing the accounts receivables when they should be focussed on growing their business and looking after their customers.
- May need to take out additional loans – but using a short-term fix will create a longer-term problem.

d) **Economic:** Answers needed to link to the broader community and impact on other businesses.

- Local electricians may rely on servicing cottages as a source of income. With a move to solar, there may be less (or more) work, affecting their income and ability to spend more in the local economy. This may have a negative (or positive) impact on the owners as local community members view them negatively (or positively).
- The owners are no longer paying for electricity on 6 cottages so this could reduce the economic activity of suppliers in Tasmania – would the owners care about that, though?
- Owners provide employment for local solar panel installers and manufactures and stimulate the local economy through production and spending – they feel a sense of pride in their assistance with this.
- Customers might look favourably on a business who supports other local businesses and choose to use TWA rather than a competitor.

Environmental: Answers needed to link to the local natural environment and impact on surrounding areas.

- Could mean TWA's owners get kudos for being environmentally friendly in the local area. It could mean they use this as a marketing tool which increases sales.
- Customers might be inclined to choose TWA cottages over alternative options due to the environmentally friendly aspect of the solar panels.
- Weather is seasonal so the solar panels may not have a strong benefit in autumn/winter months and be a waste of money, depending on the location of the cottages.

Criterion 4 Suggested Answers

e) This question was all about **financial objectives** (PEGLS): maximising a business's Profitability, Efficiency, Growth, Liquidity and Solvency. Long-term financial objectives are determined for a set period, generally more than five years. A business will use short-term goals (one to two years) and operational (day-to-day) plans to achieve their objectives. A clear identification of why it was a suitable objective for TWA was also needed. Stronger answers used sub-headings of any 2 of the PEGLS and identified a clear SMART goal to frame their answer. For example:

- Profitability – to increase sales revenues in each cottage by 10% by the end of 2026;
- Solvency – to decrease gearing ratio to under 100% by the end of 2027;
- Efficiency – to improve debtors' turnover to 7 days by end of financial year 2025).

f) **Profitability management strategies** in the short-term:

- Profitability management involves both the business's costs and its revenue.
 - Cost controls involve:
 - understanding and monitoring the levels of both fixed and variable costs
 - accounting for and identifying the source and amount of costs through the use of cost centres and ensuring that expenses are minimised.
 - Revenue controls involve exploring how to increase revenues relative to the cost of providing them.

g) **Financial stability strategies** in the long term:

- To have less debt (liabilities) and increase their equity. E.g. to reduce debt, TWA could sell non-essential non-current assets to pay off their debts. They could lease assets rather than purchasing them.
- To increase equity: retain more profits, invite new owners to invest to increase equity contributions from owners that don't have a trailing cost (no interest expense).

h) Recommendation to address the current cash flow issues:

- To deal with temporary shortfalls of cash TWA could use overdrafts to cover these shortages. Currently, the receipt of cash into a business does not coincide with payments of cash coming out. Management must implement strategies to ensure that cash is available to make payments when they are due – for example, to the Australian Taxation Office, suppliers for accounts payable, employees for wages, owners and shareholders for profits and dividends, banks and financial institutions for interest on loans or overdrafts, and leasing payments. They could do this by:
 - Distribution of payments – stagger payments so that large expenses do not occur at the same time and cash shortfalls do not occur. Distributing payments throughout the year means there is a more equal cash outflow each month rather than large outflows in particular months. Implementing a cash flow forecast can assist in identifying periods of potential shortfalls and surpluses.
 - Discounts for early payment – Offer debtors a discount for early payment. An early payment discount occurs when a business offers customers a percentage reduction on the total invoice value when it's settled before the payment deadline; for example, a 2 per cent discount for invoices paid within 10 days.
 - *Factoring – the selling of accounts receivable for a discounted price to a finance or specialist factoring company. The business saves on the costs involved in following up on unpaid accounts and debt collection. ***NB: this is not really an option for TWA given their relatively small number of outstanding debtors which can be easily fixed with better debtors collection strategies.**

Section C

Criterion 2

Item A - SWOT Analysis

Stronger answers explained the strength, weakness, opportunity or threat and linked it to the case study directly. Weaker answers only wrote one statement such as 'economic downturn' with no explanation of impact or why it was a threat (for example). Some students created answers that were not listed in the case study and therefore these were not awarded marks as they did not link to the information given.

Suggested Answers

Student answers may vary but must relate to the stimulus.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none">• Experienced Owner – Operating for 7 years demonstrating a strong customer base. Billie’s hands-on approach to managing workshops and passion for animals contribute to customer trust and engagement.• Strong Brand Recognition – Established reputation statewide through participation in events like AgFest and Taste of the Huon.• Loyal Customer Base – Regular customers, including vets, boarding kennels, and hobby farms, supported by a line of credit.• Unique Offerings – Educational workshops attract repeat customers and differentiate the business from competitors. One of only a few dedicated pet centres in Tasmania. Organic homemade pet food and grooming services cater to niche markets.• Growth Potential – Strong customer interest in educational workshops demonstrates an opportunity to expand offerings including online and additional products.• Broad/diverse range of products and services which has expanded since they started.• The proposed Cash Budget for the upcoming 6 months of sales of expanded product offerings looks very promising, if SP have calculated correctly and their assumptions are valid. Relatively low non-current liabilities so may have capacity to increase external debt if they choose.	<ul style="list-style-type: none">• Decreasing Profit Margins – Competition from large retailers like Petbarn and Bunnings is squeezing profitability. Squeezed profit margins / Net profit has been deteriorating over the past 3 years which is a huge concern.• Limited Operational Capacity – Current workshops only run on weekends, restricting revenue potential.• No Online Presence – Lack of an e-commerce platform limits reach and accessibility for a broader customer base.• High Operating Costs – Employing additional staff for workshops and expanding services will increase fixed and variable costs. Operating expenses have increased rapidly over the past 3 years. Large increase in wage costs over the past 3 years.• Financial Constraints – Expansion plans require external financing of approximately \$95,000, adding financial risk. Current liabilities are steadily increasing which could indicate a high number of outstanding accounts payables owing, putting pressure on the business.

OPPORTUNITIES

- **Product Expansion** – Tasmanians continue to love their pets / consumer interest shifts into other types of pets so expansion into exotic pets could be advantageous to tap into this market.
- **Online Sales and Marketing** – Online presence could dramatically increase sales opportunities and increase revenues (and profits!)
- **Upturn in economy** – increased disposable income could increase spending on pets/pet products.
- **Expansion of Educational Workshops** – Increasing frequency and diversity of workshops (e.g., adding fish, birds, chickens, and rabbits) can attract more families and boost in-store visits.
Onsite Coffee Bar – Creating a coffee bar can encourage longer customer visits, increasing purchases and overall experience.
- **Adjacent Space Availability** – The vacant shop next door provides immediate opportunities to expand floor space for workshops and retail.
- **Holiday and Event Opportunities** – Leveraging the pre-Christmas and school holiday season to maximise sales from expanded offerings.

THREATS

- Saturated online market might make it difficult for SP to break into and steal market share.
- Bank refuses to grant loans.
- **Changing consumer tastes** – reduced interest in pets/pet products/pet workshops.
- **Intense Competition** – Increasing number of other pet stores as competitors in the market. Large retailers like Petbarn and Bunnings offer competitive pricing and a broader range of products – steal the market share.
- **High Initial Costs of Expansion** – The financial burden of \$95,000 for expansion could strain cash flow and require significant borrowing.
Economic Uncertainty – Downturn in economic conditions (eg: high unemployment, increased interest rates, high inflation) might decrease the number of customers who are willing and able to spend money on 'luxury' items like pet products/workshops.
- **Labour Market Challenges** – Difficulty in finding and retaining skilled staff for workshops and the coffee bar could delay or reduce the effectiveness of the expansion.
- **Operational Risks** – Delays in construction or website development could miss key revenue opportunities during busy seasons.

Marking Guide: One mark for each. ½ a mark only for 1- or 2-word answers. E.g. Competition.
Total of 6 marks.

Item B

Suggested Answers

a) **Ratios** – Some students did not include their working out, which is essential for full marks.

Required	Ratio calculation – 2024
Net profit ratio	$NPR = \left(\frac{15000}{502500} \right) \times 100 = 2.99\% (2dp)$
Current ratio	$CR = \left(\frac{85000}{50000} \right) = 1.70 : 1 (2dp)$
Debt to Equity (Gearing)	$DtoE = \left(\frac{130000}{155000} \right) \times 100 = 83.87\% (2dp)$
Debtors Collection period	$DCP = \left(\frac{22000}{200000} \right) \times 365 = 40.15 \text{ days}$ <p>Must round up to 41 days.</p>

1.5 marks each = 6 marks in total

- Answer only = 1 mark total, ½ mark for including correct working.
- Students may be deducted ½ mark for any of the following but can only be deducted a max of one ½ mark per ratio: incorrect rounding (not to 2dp); no % sign; no ratio to 1 (for current ratio); no 'days' (for debtors collection period).

b) Profitability

- GP is fluctuating. While having a small increase in gross profit of \$205,750 in 2023, it has decreased to \$202,500 in 2024. (Students are not expected to calculate the GP ratio but may refer to the figures in the income statement.)
- Cost of Sales has been steadily increasing by \$25K each year.
- The operating costs/costs of running the business in the Income Statement indicate it is costing more to run SP year on year – all 'below the line' costs are increasing steadily each year, despite increased sales revenue/money coming into the business.
- SP's net profit was higher than industry average in 2022 and similar to it in 2023; however, overall profitability has been deteriorating rapidly over the past 3 years to a Net Profit ratio of under 3% in 2024, compared to all other similar businesses whose NP ratio is a 7.50%. This is very concerning.

Marking Guide: 4 marks in total: 1 mark for each component above, showing an understanding of profitability.

c) Liquidity

- A firm is said to be liquid if it can meet payments of its debts when they fall due. Industry average (and general rule of thumb) for WCR is 2:1, that is, for every \$1 of current liabilities /short-term financial obligations owed to external parties, there is \$2 of accessible liquid assets to cover these debts.
- Over the 3 years, SP has a deteriorating WCR. In 2022, at 2.75 to 1, it was above the industry average which might indicate some inefficiencies as there were too many quite liquid assets held that were potentially not being used to generate revenues. In 2023 at 2.17 to 1, it was closer to industry average. In 2024 it was 1.70 to 1, indicating a downward trend and is below the industry average. The downward trend is likely caused as a result of increasing current liabilities.

- SP will find paying their short-term debts challenging as they do not have sufficient funds to access quickly probably due to high accounts payables amount (amounts owed to suppliers due to buying stock on credit). While it's great cash flow management to buy supplies on credit wherever possible, SP is struggling to hold enough liquid assets to be able to pay off the amounts in the time frame (usually short-term, probably 30 – 90 days) which will cause suppliers to potentially cease offering credit to them and require cash purchases only.

Marking Guide: 4 marks in total 1 mark for each component above, showing an understanding of liquidity.

d) Financial Stability

Note: A gearing ratio of 100% indicates the business is financed **equally** by internal and external funds. A gearing ratio **over** 100% indicates the business is financed more by external funds. A gearing ratio under 100% indicates the business is financed more by internal funds.

- SP's solvency is just under 84% or 0.83:1 in 2024. This gearing ratio indicates that for every dollar of equity invested in the business (owner/s contribution), the company has 83 cents of debt (funds from external parties like banks). This is a positive indicator of SP's solvency.
- This indicates that the business is financed more by internal equity (Billie's investments and retained profits over time) than by external equity (loans, obligations to other parties outside the business).
- SP has had a reasonably steady gearing ratio over the 3 years, dipping slightly in 2023. The ratio has increased from 80% in 2022, 75.86% in 2023 to 83.87% in 2024, reflecting higher reliance on debt (e.g., the \$95,000 loan for expansion). This rise indicates a slight shift toward higher financial risk, though it remains well within reasonable limits compared to the industry average. While not excessively high, the upward trend suggests that SP is becoming more leveraged. If profitability does not improve or revenues from the expansion fall short, the business may face challenges in servicing its debt.
- Given the industry average is 100%, and SP's gearing is just under 84%, this means SP have less external debt than other similar businesses and SP are less reliant on debt finance compared to them; therefore, SP have a lower financial risk relative to the industry. Given NCLs have remained steady for the past 3 years at \$80K, there might be potential for SP to take out additional loans. Careful consideration should be given to the cash flow implications of additional debt.
- **Impact of Expansion on Solvency:** The planned expansion (e.g., coffee bar, workshops, and website) could improve cash flow and reduce reliance on debt over time. However, this depends on the success of these ventures in generating consistent revenues.

Marking Guide: 4 marks in total 1 mark for each component above, showing an understanding of solvency/gearing. Students should draw conclusions and refer to the industry average.

This analysis was poorly done. Many students incorrectly concluded that the business's financial stability was poor because the ratio was below the industry average, assuming it indicated a higher reliance on external debt. In fact, a lower ratio suggests the opposite – **less reliance on external debt**, which implies greater financial stability. This demonstrates a lack of understanding of what the ratio measures, highlighting the need for better comprehension of its purpose and implications.

e) Cash Budget Projection

Students need to demonstrate an understanding that the **cash budget** is a **forecast** of expected cash inflows and outflows, not a reflection of profit or loss. A **negative cash balance** in the budget indicates that the business's **cash at bank is projected to be overdrawn (a negative bank balance)**, requiring action to meet financial obligations during that period.

Many students misunderstood the distinction between cash flow and profitability, frequently mentioning "making a profit" in their answers. However, the cash budget **reflects cash flow, not profitability**, and does not determine whether the business is running at a loss.

ONE potential short-term implication

- SP will need to organise a bank overdraft for the expected negative bank balance in Sept/Oct, due to the large cash payments expected to be made when the building works and website setup are done during that period.
- They need to service the shortfall, but they will not have access for further funds if extra funding is required.
- SP could improve cash flow by tightening up the collection of money owed by debtors. It is taking longer to chase up money owed.

ONE potential longer-term implication:

- SP is expected to generate a large increase in cash sales and service fees once the coffee shop and new workshops are up and running in November/December. They are expecting to have positive cash flows in Nov/Dec with the ability to pay \$1200 off the interest and \$2000 of the principal loan amount.

Answers must show an understanding of a Cash Budget being a FORECAST, rather than a historical document. The language needs to identify future focus, rather than 'it's already happened'.

Marking Guide: 2 marks for short-term, 2 marks for longer-term = 4 marks in total.

Item C

Suggested Answers

a) Contribution Margin

Many students were unable to calculate the **contribution margin**, highlighting the need for more practice and reinforcement of this fundamental concept in financial analysis.

CM = Selling price per unit – variable cost per unit

CM = 70 – 20 = \$50. This means the contribution margin each participant contributes towards covering annual costs is \$50.

Marking Guide: 1 mark. Deduct ½ a mark if the \$ sign is left off.

b) **Break-even**

$$\text{Breakeven point} = \frac{\text{Total Fixed Costs}}{(\text{Selling price per unit} - \text{Variable cost per unit})}$$

$$\text{BE} = \frac{\text{TFC}}{(\text{CM})} \quad \text{based on the TFCs as: } 75+35+30+(2 \times 40) = 220$$

$$\text{BE} = \frac{220}{50}$$

BE = 4.4 participants, rounded up to **5 participants per workshop** (must be rounded up).

At \$70 per participant, this equates to **\$350 in sales dollars** [70 x 5 = 350]

Marking Guide:

- 3 marks in total
- ½ a mark deduction for not rounding up
- ½ a mark deduction for leaving out units / people/ participants
- If an error with fixed or variable costs, e.g. wages as variable instead of fixed, carry through their errors if their working for the rest of the questions is correct.

c) **Break-even + profit**

$$\text{BE} = \frac{\text{TFC} + \text{profit}}{(\text{CM})} \quad \text{so,} \quad \text{BE} = \frac{220+150}{50}$$

BE = 7.4 participants, rounded up to **8 participants per workshop** to make a profit of \$150 (must be rounded up).

Marking Guide:

- ½ a mark deduction for not rounding up
- ½ a mark deduction for leaving out units / people/ participants
- If an answer incorrectly allocated wages as a variable cost in a), then that error will not be carried through to marks in this question. Marker to write ECF (error carried forward) in the margin so that if reviewed, the markers allocation of marks is clear. This can be carried forward to the next part.

d) **New Selling price, including profit**

Students either used algebra or used the formula as outlined in the Formula Sheet with the exam paper.

$$\text{Selling Price} = \frac{\text{Total Fixed Costs} + \text{Profit} + (\text{variable costs} \times \text{units sold})}{\text{Units Sold}}$$

If Super Paws can get 10 students per workshop:

$$\text{SP} = \frac{75 + 35 + 30 + (75 \times 2) + 150 + (20 \times 10)}{10}$$

$$\text{SP} = 640 / 10$$

$$\text{SP} = \$64 \text{ per participant}$$

Super Paws could charge a selling price of \$64 per participant to make a \$150 profit if they are able to get 10 students in a workshop.

Using algebra:

Fixed costs = \$75 + 35 + 30 + 75 + 75 = \$290. Add profit of \$150.

$$BE = \frac{\text{total fixed costs} + \text{profit}}{\text{Selling price per unit} - \text{variable cost per unit}}$$

$$10 = \frac{290 + 150}{S - 20}$$

$$10 (S - 20) = 440$$

Multiply 10 by the inside of the brackets

$$10 S - 200 = 440$$

$$10 S = 440 + 200$$

$$10 S = 640$$

$$S = 640/10$$

$$S = \$64$$

Alternative method:

Selling Price = [(FC + Profit)/participants] + VC

$$SP = 440 / 10 = \$44 + 20 = \$64$$

Marking Guide:

- 3 marks in total.
- Carry mistakes from part b through if algebra and rest of the calculation is correct. ½ a mark deducted for no \$ sign.

e) Break-even benefits

Breakeven analysis is a financial tool that helps determine the point at which total revenue equals total costs, meaning no profit or loss is made. It would be particularly beneficial for Billie in managing and planning the **workshops** by providing insights into costs, pricing, and profitability. Areas of specific benefit include:

- **Determining Viability:** Help Billie calculate the minimum number of participants required per workshop to cover costs (e.g., wages for staff, craft supplies, marketing, and utilities). Pricing Strategy: Help Billie set appropriate pricing for workshop fees to ensure breakeven or profitability.
- **Cost Control:** Identifies high fixed and variable costs (e.g., wages, materials), enabling Billie to look for ways to reduce expenses and lower the breakeven point. For example, using less expensive materials or optimising staff schedules could reduce costs.

- **Evaluating Expansion:** As Billie considers running workshops daily and including more animal types (e.g., fish, birds), break-even analysis can provide clarity on whether the expansion is financially feasible.
- **Risk Assessment:** Allows Billie to evaluate the risk associated with running workshops under different scenarios, such as low attendance or unexpected costs.
- **Profitability Planning:** Beyond breaking even, the analysis helps Billie estimate how many participants are needed to achieve desired profit margins.
- **Competitive analysis:** Good for 'what if' type calculations when they vary prices and costs, especially when they compare to competitors selling prices.

Marking Guide: 1.5 marks per reasons for 3 marks total.

Criterion 4

Item D

Suggested Answers

a) **STRENGTH**

Example: Loyal customer base – vets, boarding kennels and hobby farms.

Action to take advantage of this: Investigate ways to strengthen these customers' loyalty by offering special deals/discounts, providing bespoke services if they spend over a certain amount each month.

Marking Guide: 2 marks for how ONE strength identified might be taken advantage of.

b) **WEAKNESS**

Example: No online presence, so a reduced capacity for revenues.

Action to address this: create and heavily market the online website in the first few months of having it (and the month prior) to ensure it gains visibility and traction in the minds of current and potential customers.

Marking Guide: 2 marks for how ONE weakness might be addressed.

c) **THREATS**

Example: Increasing number of pet businesses offering workshops – competitors stealing market share.

Action to overcome this: Offer the new workshops and promote them heavily using a range of promotional strategies that are appropriate to the target market.

Example: Downturn in economic conditions (eg: high unemployment, increased interest rates) might decrease the number of customers willing and able to spend money on pets/pet products.

Action to address threat: Ensure the business doesn't stockpile too much inventory (just just-in-time ordering) and have a range of cheaper items and market these as 'affordable options'.

Marking Guide: 2 marks for how the threat might be overcome.

- d) While students were able to discuss the impact of outsourcing on Billie and the employees of Super Paws, they did not address the **economic or environmental implications** as required by the question. This oversight indicates a need for students to carefully analyse and structure their responses to align with the specific aspects outlined in the question prompt.

Analysis of the Impact of Outsourcing on Super Paws

i. Impact on Billie, the Owner

- **Oversight and Quality Control:** Billie must closely monitor the outsourced manufacturer to maintain quality standards, ensuring no drop in product quality.
- **Cost Savings:** Outsourcing could reduce production costs by removing the need to purchase inputs and pay for the transformation process. This could improve profits, alleviating some of the financial pressures Billie is facing.
- **Customer Complaints:** Outsourcing may lead to dissatisfaction among customers if quality decreases or the product changes, increasing Billie's workload as they address complaints.
- **Economic Certainty and Risks:** Contracts with the outsourcing business may provide cost certainty, allowing for better financial forecasting, but long-term contracts could reduce flexibility.

ii. Impact on Super Paws' Employees

- **Job Reductions:** Some employees may lose their jobs or have reduced hours, which could lower morale and impact workplace satisfaction.
- **Training for New Roles:** Employees formerly involved in production may need retraining for other roles, which could lead to either increased job satisfaction or dissatisfaction.
- **Employee Retention Concerns:** Some employees might leave due to reduced hours or dissatisfaction with outsourcing to non-local providers.

Economic Implications

- **Cost Savings:** Outsourcing could enable economies of scale, with the external provider producing pet food at a lower cost than Super Paws, improving profitability.
- **Budget Certainty:** Fixed contracts with the outsourcing business could provide cost predictability, helping with long-term financial planning.
- **Flexibility Risks:** Long-term contracts may limit Super Paws' ability to adapt to changing circumstances.

Environmental Implications

- **Loss of Organic Standards:** If the outsourcing partner does not use organic inputs, it could harm Super Paws' reputation for quality and integrity, leading to reduced customer trust, decreased sales, and lower profits.

Marking Guide: 3 marks each = 6 marks in total

e) Ethical Considerations for Outsourcing

- A risk of outsourcing might be SP's reputation may be tainted if the outsourcer doesn't look after their workers and this hits the media – guilty by association.
- A risk of outsourcing might be SP's reputation may be tainted if the outsourcer doesn't use organic inputs or doesn't manufacture the pet foods in an environmentally sustainable way. SP would need to be upfront about this in all advertising, packaging labels and ingredients.
- Outsourcing might lead to decreased quality control/oversight in production and SP would need to be transparent about this with customers who complain, making it challenging to have an ongoing professional relationship with the supplier.

f) When discussing ways to improve profitability, students predominantly focused on marketing techniques to enhance product awareness and sales. While this is important, profitability improvements should also include broader measures such as Reducing Costs, Improving Sales, Increasing Profit Margins and Enhancing Efficiency.

TWO strategies for **increasing profitability**:

- Finding new/cheaper suppliers to reduce the COGS/cost of sales.
- Implementing quality management to reduce wastage of inputs.
- Use of inventory management like JIT to reduce the storage costs of the supplies and reduce risk of shrinkage (having to throw away consumable items that have passed the use by date).
- Increasing price of pet products, workshops and grooming services to increase profit margins.
- Establish an overdraft with the bank to ensure payments can be made to suppliers on time and interest isn't charged on overdue payments to accounts payables.
- Buy all supplies on credit and arrange for long payment periods.
- Look at ways to reduce operating costs.

Marking Guide: 2 marks for each strategy = 4 marks total.

g) **Improving Debtor's Collection Period:**

- **Implementing stricter credit policies**
- **Offering early payment discounts** or bonuses or charging interest on overdue accounts.
- **Sending regular reminders** to debtors about upcoming or overdue payments and/or setting up an automatic email reminder on any overdue account and look at ways to set up direct payments and make it an easy process for debtors to pay on time.
- **Reducing credit terms** from 30 days to a shorter period (eg: 7 or 14 days).
- Stop selling on credit to any customer that has an overdue account (although this won't fix the current problem of overdue accounts).

Marking Guide: 2 marks for each strategy = 4 marks total.

h) **Recommendation on borrowing \$95K**

- Super Paws **should borrow the \$95K** because it will add an **additional revenue stream** to their current operations. They have low NCLs and capacity to take on the additional debt IF the figures in the Cash Budget are accurate and can be counted on. They would need to **ensure the interest payments on this large loan can be managed** – given the expected increase in revenues from the expansion plans, this shouldn't be a problem.

Marking Guide: 3 marks for recommendation with a clear justification.

- i) Accepted answers for recommendations for **promotion strategies** were varied. They needed to be appropriate for the new products being promoted.

PROMOTION STRATEGIES for a new product line:

- **Advertising** – Create broad awareness of the new product line (e.g., in the workshops, coffee bar, online).
 - Social Media: Facebook and Instagram to showcase new offerings through targeted ads, posts, and videos.

- Local Media: Advertise in local newspapers, radio stations, or community magazines to reach the regional customer base.
- Digital Ads: Use Google Ads to target searches for pet care, workshops, or pet supplies.
- **In-Store Promotions:** Offer free samples or discounts. Create point-of-sale displays to highlight the new product line. Use signage and run discounted workshops for exotic pets.
- **Public Relations (PR):** Issue a press release about the expansion and its benefits to the community. Partner with local media to feature Super Paws in articles or news segments. Host a grand opening event for the expanded offerings, inviting local influencers or media.
- **Social media and Content Marketing:** Create video demonstrations of the new lines. Post behind-the-scenes content. Share educational posts about exotic pet care.
- **Loyalty Programs:** Introduce a rewards system for purchases (e.g., “Attend 5 workshops, get 1 free”). Offer exclusive discounts or bonuses to loyal customers.
- **Email Marketing:** Send an announcement email highlighting the new offerings and their benefits. Provide special introductory offers for subscribers.
- **Collaboration and Partnerships:** Collaborate with local vets or boarding kennels. Partner with schools to promote educational pet care sessions for children. Team up with pet influencers to share reviews and recommendations.
 - Tap into any groups/associations that have exotic pets – could be nationally or internationally.
 - Work with Bonorong, RSPCA and other Rescue or Wildlife groups to make them aware of new product lines.
- **Online Presence:** Launch a website to attract customers searching for pet care products and workshops. Encourage online reviews on platforms like Google and Facebook to build trust and credibility. YouTube videos.
- **Limited-Time Offers:** Offer introductory discounts items for a limited time. Provide bundled deals.
- **Community Engagement:** Participate in local events (e.g., AgFest) to promote the new offerings. Host free mini-workshops or demos to attract families.