

2025 ASSESSMENT REPORT

BST315116 BUSINESS STUDIES

Section A

Criterion 1

Question 1

This was a popular and straightforward question. Quality answers clearly distinguished between primary and secondary industries. Some students neglected to mention semi-finished products. Half a mark (0.5) was deducted for this omission. Many answers did not explain the advantages or disadvantages in any depth and so did not receive a full two marks for each. Some students mistakenly gave advantages and disadvantages for incorporated structures.

a. **Primary industry:**

Includes business involved in the production and collection of natural resources. Examples include mining, fishing, farming/agriculture, grazing, forestry.

Secondary industry:

Includes businesses that take raw materials (the output of the primary industry) and processes it into a finished/semi-finished product. Examples include furniture manufacturers (from timber) or taking coal + limestone + iron ore and creating steel.

Marking Guide: 1 for each explanation of the industry sector, 1 for each example. $2 \times 2 = 4$ marks.

b. Students should specifically mention sole trader or partnerships.

Unincorporated compared to incorporated on a business owner:

- **Advantage 1:** Easier, quicker and cheaper to establish – low start-up costs
- **Advantage 2:** Owner/s have complete control over operations

OTHERS:

Owner/s keep all profits.

Less government regulation.

No taxes on profits, only on personal income.

If partnership, there is shared responsibility of workload and business operations.

- **Disadvantage (only 1):**

- Has no separate legal existence from its owner/s, so the business and its owner/s are one and the same. When the owner dies, so does the business.

OTHERS:

- Has no separate legal existence from its owner/s, so if the business incurs debt it can't pay back, the owner/s personal belongings must be used to settle the business debt. This is unlimited liability.
- Difficult to operate if an owner becomes ill.
- All losses must be carried by the owner/s.
- Owner/s must perform a wide range of operations within the business, even if it is not their skillset.
- Can be difficult to raise additional funds for expansion purposes.

Marking Guide: 2 x 2 + 2 = 6 marks.

Question 2

This question was straightforward for part (a) and more challenging for part (b).

Maximum of two marks allocated to each stakeholder for a total of four marks. Marks were allocated for the correct identification of stakeholders including owners, shareholders, customers, employees, members of the community, environment and managers. Quality responses clearly explained the effect of the stakeholder on business performance. Many responses did not clearly present a factor that would directly impact performance.

Many responses did not explicitly mention business goals but chose to focus on satisfying the goals of stakeholders such as consumers or employees. These responses were often awarded some marks for the identification of stakeholders with potentially competing interests but did not fully satisfy the requirements of the question. Some responses did not mention the idea of competing/conflicting goals or interests.

a. Stakeholder 1

- OWNERS/SHAREHOLDERS – have a direct influence on business operations and performance because they have voting rights on major business decisions that will affect how the business is run, and therefore the direction on potential expansion, change in business focus and cost/debt structures, including how profits might be distributed through dividends (if shareholders).

Stakeholder 2

- EMPLOYEES – will influence the quality of a business's product (good/service) and whether the customer is satisfied or not with what they are buying.
- OTHERS: Members of the public/community, environment, management, customers.

b. Competing goals, depending on stakeholder interest aiming to be satisfied.

Example

- A Fast-Fashion Retail Company.

Stakeholder 1: Shareholders

Shareholder's Interest: Maximise profits and return on investment.

Business Goal: reduce production costs, increase sales volume, and expand market share quickly.

Stakeholder 2: Employees

Employee Interest: Job security, fair wages, and safe working conditions.

Business Goal: Ensure ethical labour practices and invest in employee wellbeing.

Stakeholder 3: Customers

Customer's Interest: Affordable, trendy clothing with fast delivery.

Business Goal: Keep prices low and release new styles frequently.

Stakeholder 4: Environmental Groups / Community

Enviro Group/Community Interest: Sustainable production and reduced environmental impact.

Business Goal: Minimise waste, use eco-friendly materials, and reduce carbon footprint.

Competing Goals in Action:

To satisfy shareholders and customers, the business might:

- outsource production to countries with cheaper labour
- use synthetic materials that are less expensive but harmful to the environment
- prioritise speed over sustainability.

However, to satisfy employees and environmental groups, the business would need to:

- invest in fair labour practices and better working conditions (increased costs)
- use sustainable materials and slower, more ethical production methods (increased costs, lower profit margins potentially).

Marking Guide: Use a clearly explained example, 1 for each competing goal explained; 1 each for identifying the stakeholders (minimum of 2) and 1 each for explaining their interest = 6 marks.

Question 3

Maximum of two marks allocated to each internal factor (influence) for a total of four marks.

Preferred internal factors (influences) were organisational/business culture, management style, location, product, and resources. However, other options were accepted if the student demonstrated that they were within the control or influence of the business. Points were allocated for a clear explanation of the factor (influence) as well as one other salient point (e.g., relevant example, impact on business, additional information). Quality answers demonstrated the business's ability to make decisions which impact the internal business environment.

Preferred external factors (influences) from the external business environment included political, economic, social trends, technological, legal, and environmental. However, other options were accepted, if the student demonstrated that the business has little to no control over.

Points were allocated for a clear explanation of the factor (influence), a clear explanation of how the factor can impact a business, and one other salient point (e.g. a relevant example, or additional information). Quality answers demonstrated the need for businesses to continuously scan the external environment and adapt their business practices to meet the changing environment. Many answers focused on the negative impacts of the external factors (influences) on business, rather than recognising that external factors can have positive and/or negative effects on the business.

a. **Internal Factor Example 1: Organisational/business culture**

This refers to the shared values, beliefs, and norms within a business. It shapes how employees interact, make decisions, and approach their work. A positive culture can boost morale, productivity, and innovation. A toxic culture may lead to high turnover, poor performance, and reputational damage.

Internal Factor Example 2. Management style

This includes how leaders in the business make decisions, communicate, and engage with the staff. It affects motivation, efficiency, and adaptability. Autocratic styles may lead to fast decisions but lower employee engagement. Participative styles can improve morale and innovation but may slow decision-making.

OTHERS

- Location of business.
- Product influences.
- Resources (Human (employees), Financial, Physical).

The availability and quality of a business's resources directly affect its operations and strategic decisions. Examples:

- Limited financial resources may restrict growth or innovation.
- Skilled employees can drive productivity and competitiveness.
- A business with outdated machinery may struggle to meet production targets, while one with a highly skilled workforce can adapt quickly to market changes.

Marking Guide: 2 for each explanation of the internal factors influencing the business environment. $2 \times 2 = 4$ marks.

b. **Any two EXTERNAL factors (a framework often used is PESTLE):**

Economic Conditions

This includes inflation rates, interest rates, unemployment levels, and overall economic growth.

- **Impact:** In a strong economy, consumers have more disposable income, which can boost sales. In a downturn, spending drops, and businesses may face reduced revenue and increased financial pressure.

Example: During high inflation, a retail business may struggle with rising supplier costs and reduced consumer spending, forcing it to adjust pricing or cut costs.

Legal and Regulatory Environment

Businesses must comply with laws related to employment, safety, consumer protection, and environmental standards.

- **Impact:** New regulations can increase operating costs or require changes in business practices. Non-compliance can lead to fines or reputational damage.

Example: An Australian food manufacturer must comply with strict food safety standards. If regulations change, the company may need to invest in new equipment or training, affecting its budget and operations.

Technological Change

Advancements in technology can disrupt industries, create new opportunities, or render existing products and services obsolete.

- Impact: Businesses must adapt to stay competitive. This might involve investing in new systems, retraining staff, or changing how products are delivered.

Example: A Tasmanian tourism operator might adopt virtual reality tours or online booking platforms to attract tech-savvy customers and compete globally.

Social / Cultural Trends

Changes in consumer values, lifestyles, and demographics can influence demand and brand perception.

- Impact: Businesses may need to adjust their marketing, product offerings, or workplace policies to align with evolving expectations.

Example: A Tasmanian food producer may respond to growing demand for plant-based or organic products by reformulating recipes or sourcing sustainable ingredients.

Political

- Impact: Increased government regulation of industry (for example, aquaculture) affects shareholders by increasing the cost of production, lowering profits or causing business to either pass on a price rise or lower quality; less efficient operations for shareholders means a reduced return on investment

Environmental

- Impact: a change in climate or weather can affect owners with an increase or decrease in revenue. Climate change, natural disasters such as tropical cyclones and floods can affect crops, causing loss of income for suppliers and increased prices for customers due to less supply and increased demand. Costs for business owners could increase and price for consumers which could affect revenue and profitability.

Marking Guide: 1 mark for identifying any 2 external factors, 2 for each explanation of how the factor impacts a business. $2 \times 3 = 6$ marks.

Question 4

This question was less popular, and students found it challenging to answer. Better answers provided a specific definition of Corporate Social Responsibility (CSR) and additional relevant points relating to CSR.

Assess involves making a judgement on one cost and two benefits of CSR. Better answers were able to link the cost and benefits to financial goals, such as maximising profit, maximising growth and increasing market share.

- a. The business concept of Corporate Social Responsibility (CSR) refers to a business's commitment to operate in an ethical and sustainable way, considering its impact on society, the environment, and the economy, beyond just making profits.

CSR refers to open and accountable business actions based on respect for people, community/society and the broader environment. It involves businesses doing more than just complying with the laws and regulations.

Key elements include:

- **Environmental Responsibility**
 - Reducing carbon footprint
 - Sustainable sourcing and waste management.
- **Social Responsibility**
 - Supporting local communities
 - Ensuring fair labour practices and diversity.
- **Ethical Business Practices**
 - Transparency and accountability
 - Fair trade.
- **Economic Responsibility**
 - Contributing to economic development
 - Creating jobs and supporting local suppliers.

Marking Guide: 2 marks for an explanation of the CSR, 2 marks for explaining some of the features of CSR's application in a business. $2 \times 2 = 4$ marks.

b. **Any one cost of focusing on CSR to achieve financial goals.**

COST 1 – Increased Operational Expenses

Implementing CSR initiatives often requires significant upfront investment – e.g.: switching to sustainable materials, improving labour conditions, or reducing emissions.

- **Impact on Financial Goals:** These costs can reduce short-term profitability and strain budgets, especially for small or medium-sized businesses.

Example: A Tasmanian food producer investing in biodegradable packaging may face higher production costs compared to using conventional plastic.

OTHER COSTS

Reduced Short-Term Profitability

CSR initiatives may require businesses to prioritise long-term impact over immediate financial returns. For example, choosing ethical suppliers or reducing environmental impact may mean higher costs and slower processes.

- **Impact on Financial Goals:** This can reduce short-term profits, especially if competitors are not making similar investments and can offer lower prices.

Example: A Tasmanian retailer that sources only fair-trade products may lose price-sensitive customers to cheaper alternatives.

ANY TWO BENEFITS:

Benefit 1: Enhanced Brand Reputation and Customer Loyalty

Consumers increasingly prefer businesses that act ethically and sustainably. CSR can build trust and loyalty, leading to repeat business and premium pricing.

- **Impact on Financial Goals:** Strong brand reputation can drive long-term revenue growth and market share.

Example: A Tasmanian tourism operator promoting eco-friendly practices may attract environmentally conscious travellers willing to pay more.

Benefit 2: Attraction and Retention of Talent

Employees are more likely to work for companies that align with their values. CSR can improve employee morale, engagement, and retention, reducing recruitment and training costs.

- **Impact on Financial Goals:** A stable, motivated workforce contributes to productivity and reduces turnover-related expenses.

Example: A Hobart-based tech company with strong CSR policies may retain skilled staff longer, improving operational efficiency.

Marking Guide: 2 marks for an assessment of one cost, 2 marks each for an assessment of any two benefits of CSR in relation to a business achieving its financial goals = 6 marks.

Question 5

This was a popular and straightforward question.

Better answers were able to distinguish, clearly show the difference between operational and strategic decisions, with the use of examples. Not many students mentioned that strategic decisions are long term broad aims, affecting all key business functions.

Students were mostly able to explain two risks and one benefit of leading-edge technology. Better answers incorporated a thorough understanding of leading-edge technology with the use of examples to supplement.

a. Operational and strategic decisions in OM:

Operational decisions are short-term, day-to-day decisions focused on the efficient running of business activities. Operational decisions include purchasing, dispatching, inventory control, scheduling, maintenance, quality control and the use of established and leading-edge technology. They should relate to the operations function.

Strategic decisions are long-term, broad aims affecting all key business areas. They are high-level decisions that shape the overall direction and competitiveness of the business. These decisions seek to align business operations with business vision and goals, market trends, and future growth. These decisions are much broader in scope and often include how a business might be more innovative in operations. Usually undertaken by senior executives/Board of Directors.

Examples: Choosing a new location for a manufacturing plant; investing in automation or new technology; deciding to outsource production.

b. Two Risks

Leading edge technology is the most advanced or innovative at any point in time.

Examples include AI decision making systems used in healthcare, finance and human resources, autonomous robots, warehouse automation, delivery drones used by logistics companies.

Risk 1: High Initial Investment

Leading edge technology often requires substantial upfront costs for equipment or software, staff training and system integration.

These costs can strain budgets and delay return on investment, especially for small or medium-sized businesses.

Risk 2: Uncertainty and Reliability Issues

New technologies may not be fully tested or widely adopted yet, which can lead to technical failures, compatibility issues with current technologies and lack of support or expertise.

This can disrupt operations and lead to unexpected costs or delays, affecting financial performance.

OTHER EXAMPLES OF RISKS:

Employee Resistance or Skill Gaps

New technology often requires changes in workflows or skillsets. Employees may resist change or lack the training needed to use the technology effectively. This can lead to lower productivity, morale issues, or increased training costs.

Example: A Tasmanian manufacturing firm introducing robotics may face pushback from staff worried about job security or needing extensive retraining.

Rapid Obsolescence

Leading edge technology evolves quickly. What's cutting-edge today may become outdated within a short time. Businesses may need to reinvest frequently, increasing long-term costs and complicating planning.

Example: A retail business investing in a new AI-powered inventory system may find it outdated within a few years, requiring another upgrade.

ONE BENEFIT

Competitive Advantage and Efficiency

Leading edge technology can improve productivity, quality and customer experience.

These improvements can lead to cost savings, increased revenue, and market differentiation, helping the business achieve its financial goals more effectively.

Example: A Tasmanian agricultural business using drone technology for crop monitoring may reduce labour costs and improve yield forecasting, boosting profitability.

OTHER BENEFITS:

Improved Data and Decision-Making

Advanced technology often includes powerful data analytics tools that help businesses make smarter, faster decisions. Better insights can lead to more accurate forecasting, targeted marketing, and efficient resource allocation—supporting financial goals.

Market Differentiation and Innovation

Being an early adopter of new technology can position a business as an industry leader or innovator. This can attract new customers, investors, and partnerships, boosting revenue and brand value.

Marking Guide: 2 marks each for an explanation of two risks of adopting leading edge technology. 2 marks for an explanation of one benefit. Total = 6 marks.

Question 6

This was a popular question; however, it was more challenging for students to answer than previous ones relating to this topic.

Better responses explained cost leadership and product differentiation, linking it to gaining a competitive advantage. The question specified operations management, so marketing strategies were not relevant.

Part (b) was challenging. Better responses demonstrated a clear understanding of cost leadership or product differentiation and linked that to competitive advantage and how they can be used to achieve business goals, such as those relating to profitability, growth, market share, etc.

a. **Two ways competitive advantage can be gained:**

Cost leadership – Improving Efficiency and Reducing Costs

Cost leadership involves having the lowest costs or to be the most price competitive yet still being profitable.

By streamlining processes, reducing waste, and optimising resource use, a business can lower its operating costs. Lower costs allow the business to offer competitive pricing or improve profit margins.

- Example: A Tasmanian chocolate manufacturing company using lean production techniques can produce goods faster and cheaper than their competitors, making its products more attractive in price-sensitive markets.

Product Differentiation – Enhancing Product or Service Quality

Product differentiation – distinguishing products (goods and services) in some ways from competitors.

Operations management can focus on quality control, continuous improvement, and customer satisfaction. High-quality products or services build customer loyalty, reduce returns or complaints, and strengthen brand reputation.

- Example: A local Tasmanian restaurant using strict quality standards and locally grown fresh ingredients may gain a reputation for excellence, allowing it to charge premium prices.

Marking Guide: 1 mark for identifying cost leadership, 1 mark for explaining it, 1 mark for identifying product differentiation, 1 mark for explaining it. Total = 4 marks.

b. **Example: MONA (Museum of Old and New Art), Tasmania**

Competitive Advantage:

MONA has a unique and provocative approach to art, combining cutting-edge technology, immersive experiences, and bold curation. This sets it apart from traditional museums.

How It Helps Achieve Business Goals

1. Increased Visitor Numbers

- MONA's distinctive brand and experience attract both local and international tourists.
- This supports the goal of growing market share and boosting revenue through ticket sales, events, and hospitality.

2. Strong Brand Recognition

- Its reputation as a world-class, unconventional museum helps MONA secure partnerships, sponsorships, and media attention.
- This aligns with goals like long-term sustainability, cultural impact, and economic contribution to Tasmania.

By leveraging its competitive advantage – **innovation and uniqueness** – MONA achieves financial goals (revenue growth), strategic goals (brand leadership), and community goals (tourism and cultural development).

ANOTHER EXAMPLE: Harvest Market Launceston

Competitive Advantage:

Harvest Market is a vibrant, community-focused farmers' market that showcases fresh, locally grown Tasmanian produce. Its competitive edge lies in:

- direct relationships with local producers
- high-quality, seasonal food
- a strong focus on sustainability and community engagement.

How It Helps Achieve Business Goals

1. Supporting Local Economy

By prioritising Tasmanian growers and producers, Harvest Market strengthens its brand as a local-first business, helping achieve goals related to economic sustainability and community impact.

2. Attracting Tourists and Locals

Its reputation for quality and authenticity draws both locals and visitors, supporting goals like increased foot traffic, sales growth, and regional tourism development.

3. Building Customer Loyalty

The market's emphasis on freshness, transparency, and ethical sourcing builds trust and repeat business, helping achieve long-term financial stability.

Marking Guide: The answer needs to identify a clear example of a business using competitive advantage. 2 marks for identifying one or two business goals, 2 marks each for an explanation of how competitive advantage can achieve the goal. Total = 6 marks.

Question 7

This was a popular and straightforward question.

Better responses were able to accurately define JIT processing and provide additional points to enable 4 marks to be awarded.

Advantages and disadvantages were straightforward.

- a. Just-in-time (JIT) processing is an operations management strategy where materials, components, and products are produced, ordered or acquired only as needed, rather than being stockpiled in advance. Key features are that it minimises inventory on hand which reduces storage costs and waste; and it improves efficiency through streamlining production by aligning supply with demand.

Industries that benefit most from Just-in-Time (JIT) processing are typically those where inventory costs are high, products have short life cycles, demand is relatively predictable, quality and efficiency are critical.

Examples:

Automotive Industry – Toyota pioneered JIT in manufacturing. Car manufacturers use thousands of parts from various suppliers. JIT helps reduce inventory costs and ensures parts arrive exactly when needed for assembly.

Retail Industry – Fast fashion brands like Zara. JIT allows retailers to respond quickly to changing consumer trends, reducing overstock and markdowns.

Food and Beverage businesses – Restaurants and food delivery services. Perishable goods require tight inventory control. JIT ensures fresh ingredients are available without overstocking.

Marking Guide: 2 marks for an explanation of JIT processing, 2 marks for applying JIT to an example of OM. Total = 4 marks.

b.

Advantages	Disadvantages
Avoids overstocking due to lower than planned sales levels.	Requires accurate planning.
Reduces costs as the business does not need to spend money on storing raw materials.	Issues in meeting unanticipated surges in demand.
There is a lower chance of obsolescence and damage to inventory.	Ordering systems must be capable of task.
It enables flexibility in that there can be quick response to changing circumstance when there is no substantial stock to be dealt with.	Reliance on an efficient inventory ordering and dispatch system.
Less investment in the raw materials as they order the quantity that they need to meet current production process.	Capacity of suppliers to meet orders as they flow through.

Speeds up the manufacturing as the business has the raw materials ready.	If inputs are not available exactly when needed, then the process fails.
Eliminates lead time and, at the same time, deliveries.	Risk of running out of stock/materials.
Ordering stock as and when it's needed helps to maintain a healthy cash flow.	Lack of control over time frame.

Question 8

This was a popular and straightforward question.

Better answers provided accurate definitions of outsourcing, including onshore and offshore and explained one reason why a business might choose to outsource.

To be awarded 6 marks for part (b), students needed to provide enough points for each issue, 3 marks for ethical and 3 for environmental, so sufficient detail was necessary. Better answers used specific examples, rather than generalising unethical work conditions for instance.

- a. Outsourcing refers to the practice of contracting out certain business functions or processes to external suppliers or service providers, rather than performing them in-house. Common OM operations that are outsourced include manufacturing, IT support, logistics.

This allows the business to focus on its core competencies while leveraging the expertise or cost advantages of the external provider.

Outsourcing can significantly lower operational costs. For example, hiring a third-party manufacturer in a country with lower labour costs can reduce production expenses. Similarly, outsourcing IT support or customer service to specialised firms can be more economical than maintaining those departments internally.

Marking Guide: 2 marks for explaining outsourcing in OM, 2 marks for an explanation of a reason why a business might choose to outsource. Total = 4 marks.

- b. **EXAMPLE – Ethical Issue:**

Labour Standards and Worker Exploitation

Outsourcing to offshore businesses – especially in developing countries – can sometimes involve working with suppliers who do not uphold fair labour practices. This may include low wages, unsafe working conditions, excessive staff working hours, lack of workers' rights or union representation. Businesses that fail to monitor these conditions risk reputational damage and may be seen as complicit in unethical practices.

OTHER EXAMPLE – Ethical Issue:

Loss of Local Jobs

Outsourcing can lead to job losses in the home country, especially in manufacturing, customer service, or IT roles. This can harm local economies and increase unemployment. It can also create public backlash against the business for prioritising cost savings over community welfare.

EXAMPLE – Environmental Issues:

Lower Environmental Regulations

Some offshore locations may have less stringent environmental laws, leading to pollution from manufacturing processes or improper waste disposal. Many offshore locations also do not restrict the overuse of natural resources. This can contribute to environmental degradation and climate change, especially if the outsourced operations are energy-intensive or involve hazardous materials.

Increased Carbon Footprint

Outsourcing often involves long-distance transportation of goods and materials. This contributes to higher greenhouse gas emissions, a greater reliance on fossil fuels, and the environmental impact from shipping, especially air and sea freight.

Marking Guide: 1 mark for identifying an ethical issue, 2 marks for an explanation of how it applies if outsourcing to an offshore business. 1 mark for identifying an environmental issue, 2 marks for an explanation of how it applies if outsourcing to an offshore business. Total = 6 marks.

Criterion 5

Common issues in this section were students providing unstructured responses with no examples.

- Stronger answers clearly structured their response.
- Stronger responses clearly explained complex ideas using rich business terminology, in contrast to poorer responses, which used informal terms.
- Stronger responses incorporated more detail—key points, explained well, which provided sufficient detail, depending on what the questions were asking.
- Stronger responses used bullet points by explaining them fully, as opposed to weaker responses that simply used bullet points, without clearly explaining their relevance.
- Students should practice writing bullet points that include the main point and then discussion to ensure a sufficient level of detail.
- Stronger responses underlined key business terminology.
- Headings and paragraphs were useful particularly when questions required Two Concepts. e.g.

Concept 1

Start with an explanation of the first concept (This is the What), explain how the concept links to the question (This is the How). Provide an example and link the example to the question (This is the Why/Impact).

Concept 2

Start with an explanation of the second concept (This is the What), explain how the concept links to the question (This is the How). Provide an example and link the example to the question (This is the Why/Impact).

Section B

Question 9 – Operations Management

Criterion 3

- a. Explain two (2) ways business performance might be affected if *Bear All Designs* decide to source its product from an overseas supplier, rather than the Australian supplier they are currently using. (4 marks)
- They might lose access to a quality product as it would be difficult to maintain quality oversight with a supplier located in a different country, particularly if there are cultural and/or language barriers.
 - They might have issues with delivery, given it is now coming from somewhere outside of Australia. The potential for delays due to shipping/airfreight issues increase.
 - It might take a long time to source a new supplier and also mean it takes a lot of effort to research, locate and then create a working relationship with them.

All these issues will have a negative impact on efficiency in operations, might lead to increased customer complaints if the product isn't as good as the previous supplier, and decreased sales and/or interest in *Bear All Designs*.

Marking Guide: 2 marks for each explanation, clearly explaining how business performance will be affected. Total = 4 marks.

- b. Evaluate the impact that sourcing from an overseas supplier will have on two (2) of *Bear All Designs*' stakeholders. Clearly identify each stakeholder you have chosen. (4 marks)

Examples could include, but are not limited to:

Employees

Impact could be negative and positive:

- **Negative:** Employees may face job insecurity or redundancies if production or services are moved offshore. This can lead to lower morale, reduced loyalty, and potential industrial action.
- **Positive:** In some cases, employees may shift to higher-skilled roles (e.g., managing supplier relationships or quality control), depending on how outsourcing is implemented.

Customers

Impact could be negative and positive:

- **Positive:** Customers may benefit from lower prices due to reduced production costs, or from improved product availability if the overseas supplier is more efficient. Given students don't have a lot of money, this might be a really big positive.
- **Negative:** Quality issues or delays in delivery can arise if the overseas supplier does not meet expectations, potentially damaging customer satisfaction and brand reputation. And students like using social media to complain, so the word would spread quickly and ruin BAD's reputation.

Marking Guide: 2 marks for each stakeholder, 2 marks for explanation of how they will be impacted (either positive or negative), clearly explained. Total = 4 marks.

- c. BAD are considering expanding its operations. Analyse one (1) issue that could arise in relation to each of the following: (6 marks)
- i. Scheduling
 - ii. Inventory control

Scheduling Issue: Increased Complexity in Coordinating Staff and Resources

As BAD grows, coordinating production schedules, staff shifts, and equipment usage becomes more complex. Without effective scheduling systems they might not be maximising efficiency in production, which could result in:

- overlaps or gaps in staffing
- production timelines being missed
- customer orders being delayed, leading to customer dissatisfaction in the short term. Long-term, it may affect the business's reputation and ability to scale effectively.

They might consider ways to overcome these issues, which might include:

- Gantt charts to help map out the steps in making the hoodies
- critical path analysis so it can be determined what parts might be done at the same time to reduce the overall production time.

Inventory Control Issue: Risk of Overstocking or Stockouts

Expansion often means handling more products, suppliers, and storage locations. Without robust inventory control, cash flow and customer service could be affected. In the long term, poor inventory control can lead to waste, lost revenue, and reduced competitiveness.

- The business may overstock, tying up capital and increasing storage costs.
- The business may understock – if they aren't checking stock levels of sizes/colours, they might run out of what is needed and can't fulfil the orders on time, leading to missed sales and production delays.
- If the hoodies are not stored properly, they could be damaged prior to being printed.

Marking Guide: 3 marks for each, clearly explaining the issue that might arise. Total = 6 marks.

- d. Critically analyse how an increased scale of production might enable BAD to gain a competitive advantage while still ensuring a quality product. (6 marks)

An increased scale of production can offer BAD several strategic advantages, but it must be managed carefully to maintain product quality.

1. Economies of Scale
 - Producing in larger volumes reduces the cost per unit, as fixed costs (e.g., rent, printing machinery and maintenance) are spread over more items.
 - Bulk purchasing of materials like hoodies can lead to supplier discounts, further lowering costs.
2. Improved Market Reach and Brand Visibility
 - Higher output allows the business to meet growing demand, enter new markets (e.g., clubs and associations, sporting teams), and compete with larger brands.
 - Greater availability can lead to stronger brand presence and customer loyalty.

3. Investment in Technology and Processes

- Scaling up may justify investing in automation, better equipment, or software systems that improve efficiency and consistency.
- These upgrades can enhance both productivity and product quality.

Marking Guide: 3 marks for clearly explaining how to get a comp adv through increased scale. Total = 6 marks.

Criterion 4

- e. Recommend one (1) strategy the business might use to ensure quality assurance in the expanded business. Explain how this will affect business performance in the short-term and long-term. (6 marks)

Quality Assurance is a proactive process focused on preventing defects in products or services. It involves planning, systematic activities, and process improvements to ensure quality standards are met throughout production. It involves staff training, documentation, audits, and continuous improvement and aims to build quality into the process from the start.

STRATEGY TO ENSURE QA:

Implement robust quality assurance systems, staff training, and regular inspections to maintain consistent quality across all items. BAD might choose to follow the ACCC regulations for types of inks used for the printing, and the materials used in the hoodie fabric is safe for people.

Total Quality Management (TQM) system might be considered by BAD. This is where the whole business has a focussed approach on continuous improvement, customer satisfaction, and employee involvement. It integrates quality into every aspect of operations—from sourcing materials to final product delivery.

Other relevant quality management strategies could be accepted.

Impact on Business Performance

Short-Term Effects:

- **Increased Costs and Training Needs:** Implementing TQM requires investment in staff training, process redesign, and quality monitoring systems.
- **Operational Disruption:** Adjusting workflows and instilling a quality-focused culture may temporarily slow production or create resistance among staff.

Long-Term Effects:

- **Improved Product Quality and Consistency:** Leads to fewer defects, returns, and complaints.
- **Enhanced Reputation and Customer Loyalty:** High-quality products build trust and brand value.
- **Greater Efficiency and Cost Savings:** Continuous improvement reduces waste and streamlines operations.
- **Employee Engagement:** Involving staff in quality initiatives boosts morale and accountability.

Marking Guide: 2 marks for explaining understanding of QA, 2 marks for identifying effect on short term, 2 marks on long term. Total = 6 marks.

- f. Explain how corporate social responsibility (CSR) should be considered in the expanded operations of *Bear All Designs*. (3 marks)
- Corporate Social Responsibility (CSR) is the idea that a business has ethical, social and environmental obligations that go beyond simply making a profit.
 - CSR means a business should:
 - do the right thing for people (employees, customers, community)
 - do the right thing for the planet (reduce waste, minimise pollution, use resources responsibly)
 - make profit ethically (fair practices, honest marketing, responsible sourcing).
 - CSR is about a business operating in a way that is good for society, good for the environment, and still financially sustainable.

BAD should focus on being sustainable in their operations, reducing wastage and finding effective ways to deal with the by-products of operations (e.g., inks/chemicals and cleaning fluids). Reduce waste through efficient production, recycling packaging and minimising rework.

- Adopt energy-efficient equipment and comply with environmental regulations in the new premises.

BAD should source hoodies and materials from ethical suppliers.

Marking Guide: 1 mark for showing an understanding of what CSR is, 2 marks for application of its use at BAD. Total = 3 marks.

If *Bear All Designs* proceed with the expansion plans, Summer will be the Operations Manager.

- g. Explain one operational decision Summer will need to make to ensure efficient and effective conversion of inputs into quality outputs. (3 marks)
- **Operational decisions**
Summer will need to make decisions about inventory control – such as when to purchase plain hoodies, inks and packaging materials, and how these inputs will be stored and organised in the new warehouse, who is in charge of scheduling and what tools might be used to help (e.g. Gantt charts), regularity of maintenance of the printing equipment, and quality control of finished products.
 - **How this ensures efficient and effective conversion of inputs into quality outputs**
Effective inventory control ensures that high-quality materials are always available when production begins, preventing delays or rushed work caused by shortages. Storing inputs in an organised and accessible way also prevents damage to stock, mislabelling, or using incorrect materials. This leads to smoother workflow, consistent printing processes and reduced rework, which together help produce accurate, durable and professionally finished hoodies.

Marking Guide: 1 mark for showing an understanding of what operational decision is, 1 mark for example of a decision, 1 mark for how it will lead to quality output at BAD. Total = 3 marks.

- h. Explain one strategic decision Summer will need to make to ensure efficient and effective conversion of inputs into quality outputs. (3 marks)
- **Strategic decisions**
A key strategic decision Summer must make is whether to invest in leading-edge technology, such as upgrading to new industrial printing machinery or adopting advanced design-to-print software. This requires long-term planning, researching what other successful apparel businesses are using, and determining whether the technology will improve production capability as the business grows.
 - **How this leads to efficient and quality outputs**
Choosing the right leading-edge technology improves the speed, accuracy and consistency of the printing process. Advanced machinery reduces human error, ensures even ink application, and maintains consistent print quality across large batches. Over time, this results in higher-quality hoodies, fewer defects, and a more reliable production line – supporting *Bear All Designs'* reputation for affordable, top-quality products.

Marking Guide: 1 mark for showing an understanding of what strategic decision is, 1 mark for example of a decision, 1 mark for how it will lead to quality output at BAD. Total = 3 marks.

Question 10 – Human Resources Management

Criterion 3

In order to build the expanded business, *Bear All Designs* will need to acquire, develop and maintain new staff.

- a. Explain **two (2)** aspects of the acquisition stage that *Bear All Designs* will need to consider prior to employing any new staff. (4 marks)

Identifying staffing requirements – which they have started to do already / how many people are needed, what skills do they have to have, what skills can be taught in house, part-time or full-time.

Creating a job design/statement of duties that outlines the exact role, start date and length of contract/employment, hours to work, location, pay and benefits.

Identifying options for advertising, selecting and recruiting the staff – advertisements in SEEK, newspapers, word of mouth. Looking at how people apply – via the website, dropping in a CV, shortlisting if lots of applicants, interviewing and selection.

Marking Guide: 2 marks each for acquisition stage identification, showing an understanding of what BAD will need to consider in this area. Total = 4 marks.

- b. Analyse **two (2)** likely impacts on *Bear All Designs'* business performance if they do not attract the right staff. (4 marks).

Reduced quality of outputs

- If inexperienced or poorly skilled staff are hired, they may make mistakes in printing, sizing, packaging or using the industrial machinery. This can lead to defects, reprints and inconsistent hoodie quality, which has already been an issue in the case study

when unsupervised friends made errors. Lower quality damages the business's reputation with schools and may result in lost future orders.

- If the staff do not perform the tasks correctly, this will lead to inefficiencies in production. For example, if they make mistakes, those items will need to be re-done, increasing wastage, especially if the hoodies are no longer able to be used. This will affect expenses of BAD, leading to reduced profit margins.
 - Lower productivity and missed deadlines.
- Unqualified staff may work more slowly, require constant supervision, or be unable to manage peak production pressures in April–June. This increases production times and the risk of missing strict delivery deadlines, which are essential for Year 12 students wanting their hoodies earlier in the school year. Missed deadlines lead to dissatisfied customers and reduced repeat business.
- If the staff do not work efficiently or it takes a long time for them to be trained, this will lead to inefficiencies in production. For example, if it takes them a long time to complete the production steps, this will slow down other aspects of the production process. It might mean other staff need to be paid overtime rates to complete orders by the due date. This raises wage expenses, leading to reduced profit margins.

Other impacts could include higher costs of production, damage to brand reputation and long-term sales.

Marking Guide: 2 marks each likely impact on business performance, showing an understanding of what BAD will need to consider in this area. Total = 4 marks.

Any answer needed to clearly link the IMPACT on business performance (regarding reduced revenue and/or increased expenses, negatively affecting profits) if the right staff are not attracted to the business.

- c. Explain three (3) costs the business will incur when employing staff. (6 marks)
- Wages and salaries are costs of employing staff.
 - Superannuation contributions.
 - Leave benefits.
 - Training and development costs.
 - Dealing with workplace disputes (lost production time and paying for conciliation).
 - Ensuring a safe workplace environment (costs associated with WH&S and staff wellbeing).
 - Costs associated with the following:
 - flexible working arrangements, travel allowances, health insurance, subsidised gym membership, housing and company car (probably not very valid for BAD though)
 - Creating positive workplace culture – offering after work drinks, organising parties (e.g. festive season luncheon).

Marking Guide: 2 marks for each cost, clearly explained. Total = 6 marks.

Note: Do not accept 'Wages' and 'Salaries' as two separate costs.

- d. The owners of BAD need to determine whether they should use agreements or an existing award when employing new staff. Analyse two disadvantages of choosing an agreement rather than an award. Identify and explain how one relevant piece of legislation might impact BAD's choice.

An **award** is a legally binding document that sets the minimum pay and working conditions for an entire industry or occupation. Awards are created and maintained by the Fair Work Commission. An **enterprise agreement** is a negotiated agreement between an employer and a group of employees (usually represented by a union).

It applies only to that specific workplace or organisation.

Disadvantage 1: Complexity and Time-Consuming Process

Creating an enterprise agreement involves negotiation, employee voting, and approval by the Fair Work Commission (FWC). This process can be legally complex and administratively burdensome, time-consuming, especially for small businesses without dedicated HR/legal teams like BAD, and costly, due to the need for legal advice or union involvement.

Disadvantage 2: Risk of Non-Compliance

Enterprise agreements must pass the Better Off Overall Test (BOOT), ensuring employees are better off than under the relevant award. If the agreement fails this test or includes unlawful terms, it will be rejected by the FWC. This creates a risk of delays in implementation, legal challenges or disputes, and reputational damage if employees feel disadvantaged and complain.

Relevant Legislation: Fair Work Act 2009

The *Fair Work Act 2009* governs both awards and enterprise agreements. [\[fwc.gov.au\]](http://fwc.gov.au) Enterprise agreements meet minimum standards (e.g., National Employment Standards). Agreements must be approved by the FWC and pass the BOOT. Agreements cannot include unlawful or discriminatory terms.

Marking Guide: Higher scoring responses should identify what agreements are, as well as explain that because agreements are negotiated between the employer and the employees (or their union), the process is time consuming and may result in disputes. It also may take the owners away from core business (that is, producing hoodies!). Students might identify that agreements are not legally binding (this is INCORRECT). 2 marks for each disadvantage, 1 mark for identifying relevant legislation, 1 mark for how it will impact BAD. Total = 6 marks.

Criterion 4

- e. Recommend two (2) development tools that *Bear All Designs* should use to ensure new staff have confidence to perform their role. Clearly identify how each tool would be used. In your answer, explain how this will affect business performance in the short-term and long-term. (6 marks)

EXAMPLE ONE:

Induction – like a Structured Onboarding Program

- This tool provides new employees with a clear introduction to the business, their role, expectations, and workplace culture. It typically includes orientation sessions, role-specific training and mentoring or buddy systems.

Impact on Business Performance:

- **Short-Term:**
 - reduces confusion and anxiety for new staff
 - speeds up the time it takes for employees to become productive
 - minimises early mistakes or misunderstandings.
- **Long-Term:**
 - improves employee retention and engagement
 - builds a strong foundation for performance and growth
 - enhances business reputation as a supportive employer.

EXAMPLE TWO:

Ongoing Professional Development (PD) and Training

- This includes workshops, online courses, certifications, or coaching tailored to the employee's role and career goals. It helps staff stay current with industry trends and skills.

Impact on Business Performance:

- **Short-Term:**
 - boosts employee confidence and competence
 - improves quality and consistency of work
 - encourages initiative and problem-solving.
- **Long-Term:**
 - builds a skilled and adaptable workforce
 - supports innovation and continuous improvement
 - strengthens succession planning and leadership development.

Marking Guide: 2 marks for each development tool, clearly explained, 1 mark for short term effect, 1 mark for long-term effect. Total = 6 marks.

- f. Imagine *Bear All Designs* grows to a point where they employ ten staff in various areas of the business. Recommend one strategy that *Bear All Designs* could use to ensure diversity and cross-cultural awareness amongst their staff. (3 marks)

ONE STRATEGY:

Cultural Competency Training

This training helps employees understand, respect, and work effectively with people from different cultural backgrounds. It can include workshops on cultural norms, communication styles, and unconscious bias. It might also include role-playing scenarios to practice inclusive behaviour, and posters around the working area or resources and discussions that celebrate diversity.

This will improve team communication and reduces misunderstandings as well as builds a more inclusive and respectful workplace culture, and boosts morale and employee engagement. It enhances collaboration and innovation through diverse perspectives and strengthens the company's reputation as an inclusive employer.

OTHER STRATEGY OPTION:

Inclusive Hiring and Recruitment Practices

BAD can actively design recruitment processes to attract candidates from diverse cultural, ethnic, and social backgrounds. This includes advertising roles through diverse channels (e.g., multicultural job boards, community networks) and using inclusive language in job descriptions. It could include training Summer (the hiring manager) to recognise and reduce unconscious bias.

It will bring in fresh perspectives and ideas, along with enhance team dynamics and problem-solving to builds a more inclusive and welcoming workplace culture.

Marking Guide: 1 mark for listing a strategy, 2 marks for clearly explaining how it will ensure diversity and cross-cultural awareness amongst staff. Total = 3 marks.

- g. Recommend one (1) maintenance tool that *Bear All Designs* should use to ensure new staff are committed to their role, and to the business's success. In your answer, explain how this will affect business performance. (3 marks)

- Tools include training and development of skills, rewards (monetary / non-monetary benefits), performance appraisals.
- It is essential that staff have continual focus on high quality outputs and best practices in production which can be done through on-the-job training and performance appraisals.
- Monetary benefits might include bonuses if big orders are met on time, piece rates for motivating faster production, profit sharing.
- Non-monetary benefits relate to the job and the environment, such as recognition through employee of the month awards, performance feedback, educational/training opportunities, career security.

All of these benefits should increase productivity and motivation and business performance.

Marking Guide: 1 mark for listing a maintenance tool, 2 marks to explain how it affects business performance. Total = 3 marks.

h. If *Bear All Designs* expands production to a large scale, they will purchase industrial sized machinery and store bulk inks and chemicals. The workplace will be more hazardous than when it was on a smaller scale and will require additional legal obligations regarding workplace health and safety (WH&S).

- Make a recommendation about one (1) WH&S measure *Bear All Designs* should take. (3 marks). Identify any legislation or additional legal obligations regarding WH&S that will need to be followed.

WH&S legislation applies to all business, and BAD is required to ensure their employees are provided with a safe and healthy environment at work.

One WH&S measure *Bear All Designs* should take is to introduce strict hazardous-chemical controls, such as storing inks and chemicals in approved containers, using spill-containment trays, and ensuring staff wear appropriate PPE (gloves, masks, eye protection).

- Other suitable measures could include:
 - improving ventilation in production areas
 - implementing machine-safety guards and lock-out systems
 - providing regular WH&S training
 - formal risk assessments
 - identifying KPIs for WH&S
 - appointing a WH&S officer
 - have a formal incident/injury notification policy and procedure in place which is clearly communicated to all employees
 - creating clear emergency and evacuation procedures.

Bear All Designs must comply with the *Work Health and Safety Act 2012 (Tas)* and the *Work Health and Safety Regulations 2012*, along with *Safe Work Australia's Codes of Practice* for hazardous chemicals and machinery safety.

Marking Guide: 1 mark for a WH&S measure BAD should use, 1 mark for explaining how BAD should implement it, 1 mark for listing a relevant legislation/legal obligations. Total = 3 marks.

Question 11 – Marketing Management

Criterion 3

- a. Analyse two (2) impacts on *Bear All Designs*' marketing planning process if they have not established clear marketing objectives. (4 marks)

Examples could include but are not limited to:

Impact 1. Lack of Direction and Focus

Without clear objectives, the marketing team may struggle to identify target audiences, choose appropriate marketing channels, or allocate resources effectively. This can lead to scattered efforts, wasted budget, and campaigns that fail to connect with customers. The business may also find it difficult to measure success or adjust strategies based on performance.

Impact 2. Poor Decision-Making and Coordination

Marketing decisions – such as pricing, promotion, and product positioning – depend on having specific goals (e.g., increasing brand awareness, boosting sales, entering new markets). Any cross-functional coordination (e.g., between marketing and sales) becomes harder, and long-term strategic planning is weakened, resulting in inefficient operations and missed opportunities for growth.

Impact 3. Difficulty Measuring Success

Marketing objectives provide benchmarks for evaluating performance (e.g., increase in sales, website traffic, brand awareness). Without them it is hard for BAD to track progress or justify marketing decisions, and continuous improvement becomes challenging. The business may struggle to learn from past campaigns or make data-driven decisions.

Marking Guide: 2 marks for each impact on process if no marketing objectives. Total = 4 marks.

- b. Charlie is considering outsourcing designs to offshore designers but not conveying this to customers. Critically analyse one economic and one social impact on the business if BAD uses misleading advertising. (4 marks)

Economic Impact: Loss of jobs due to loss of Customer trust and reduction in revenue

If customers discover that the business misrepresented its design process, they may feel deceived and lose trust in the brand. This can lead to reduced repeat purchases, negative reviews and word-of-mouth, declining sales and market share, consequently impacting on staffing levels.

In the long term, the business may need to invest heavily in reputation repair, rebranding, or legal costs – affecting profitability and growth.

Social Impact: Damage to Brand Reputation and Ethical Standing

Misleading advertising can harm the business's reputation in the community and among stakeholders. Social impacts include public backlash for dishonesty or lack of transparency, loss of employee morale if staff feel the business is unethical, reduced appeal to socially conscious consumers who value authenticity and ethical sourcing. This can affect the business's ability to attract talent, form supplier partnerships, and maintain a loyal customer base.

Marking Guide: 2 marks for economic, 2 marks for social impact on BAD. Total = 4 marks.

- c. *Bear All Designs'* proposed expansion and restructure will require a new marketing strategy to increase the volume of sales. Explain one (1) issue they will need to consider in the following areas of their marketing strategy: (6 marks)
- Pricing
 - Product positioning

PRICING STRATEGIES: price skimming, penetration pricing, loss leader pricing and price points.

NB: Pricing methods are not a strategy and therefore no marks should be allocated if a student talks about break-even analysis/CVP or cost-based/market-based/competition-based pricing.

- Penetration pricing would be appropriate as it will increase sales volume because items are priced to 'beat' competitors and offer a competitive advantage through lower product price.
- Loss leader might be an option if hoodies are sold at a cheaper price for Year 6 students.
- Price points might also be an option to give larger schools a discounted price.
- The higher the price, the lower the volume of sales will be, so price skimming is probably not an appropriate strategy.

PRODUCT POSITIONING

Product positioning refers to the way a business designs, presents, and promotes a product so that customers see it in a particular way compared to competing products. It's how a business wants its product to be perceived in the mind of the target market.

Answers might include:

- How the BAD branding might be used to attract/inspire the teenage market:
- They might have eco-friendly packaging which the target market might feel is important.
- Good quality hoodies might be important because students will want to wear them for a long time if they are proud of the product (and their school). Or do they want a more budget-type hoodie because they only wear it for the year. If so, a cheaper supplier might be an option and more attractive for the target market (students) who don't have much money.

Marking Guide: 1 mark for pricing strategy mentioned, 2 marks for explanation of how it will play out in their marketing strategy. 1 mark for product positioning strategy mentioned, 2 marks for explanation of how it will play out in their marketing strategy. Total = 6 marks.

- d. Explain how BAD's marketing decisions will be impacted by: (6 marks)
- i. legislation
 - ii. ethical considerations.

Legislation: Australian Consumer Law (ACL)

Under the Australian Consumer Law, *Competition and Consumer Act 2010*, businesses must not engage in misleading or deceptive conduct in trade or commerce. This includes false claims about product origin, quality, or sourcing, and misrepresentation in advertising, packaging or promotional materials.

If BAD advertises designs as locally created but actually outsources them offshore without disclosure, it may breach the ACL. This could result in legal penalties or fines, forced retraction or correction of advertising, loss of consumer trust and brand damage.

The ACCC (Australian Competition and Consumer Commission) enforces these laws and has the authority to investigate and penalise businesses for non-compliance. [\[acc.gov.au\]](http://acc.gov.au)

Ethical Considerations: Transparency and Consumer Trust

Ethical marketing requires honesty, transparency, and respect for customers. If BAD misleads customers about the origin of its designs, it undermines consumer trust and loyalty, and risks backlash from ethically conscious consumers who value authenticity and fair practices. In the long term, unethical marketing can damage the brand's reputation, reduce customer retention, and limit growth opportunities.

Marking Guide: 1 mark for relevant legislation mentioned, 2 marks for explanation of how it will impact marketing decisions. 1 mark for relevant ethical consideration mentioned, 2 marks for explanation of how it will impact marketing decisions. Total = 6 marks.

Criterion 4

- a. Recommend two (2) market research methods that *Bear All Designs* might use that would help them refine their product. For each method, clearly identify: (6 marks)
- how the method would be used
 - any short-term or long-term impacts on business performance.

MARKET RESEARCH METHODS: Examples such as –

CUSTOMER SURVEYS

- i. **How it would be used:** BAD can create online or in-store surveys asking customers for feedback on design preferences, product quality, pricing, and brand perception. These can be distributed via email, social media, or after purchase.

- ii. **Impact on Business Performance:**

Short-Term:

- provides quick insights into customer needs and preferences
- helps identify immediate areas for improvement
- may increase customer engagement and loyalty.

Long-Term:

- builds a customer-focused product development strategy
- enhances brand reputation through responsiveness
- supports ongoing innovation and market relevance.

FOCUS GROUPS

- i. **How it would be used:** BAD can invite a small group of target customers to discuss product designs, materials, and branding in a guided session. This allows for deeper insights into customer attitudes and emotional responses.

- ii. **Impact on Business Performance:**

Short-Term:

- reveals detailed feedback that may not surface in surveys
- helps refine product features before launch
- may uncover unexpected customer needs or concerns.

Long-Term:

- strengthens product-market fit
- builds a loyal customer base through inclusion in the design process
- reduces risk of product failure or poor reception.

SALES DATA ANALYSIS

i. **How it would be used:** BAD can review past sales data to identify which products, styles, or designs are most popular. This includes tracking seasonal trends, comparing performance across different customer segments, and analysing returns or complaints for quality issues.

ii. **Impact on Business Performance:**

Short-Term:

- helps quickly identify bestsellers and underperforming items
- supports smarter inventory and production decisions.

Long-Term:

- builds a data-driven product strategy
- improves forecasting and reduces waste or overproduction.

SOCIAL MEDIA LISTENING

i. **How it would be used:** BAD can monitor social media platforms for customer comments, hashtags, and mentions related to their brand or competitors. This helps understand customer sentiment, emerging fashion trends, and gain feedback on product features or designs.

ii. **Impact on Business Performance:**

Short-Term:

- provides real-time feedback and trend insights
- enables quick adjustments to marketing or product messaging.

Long-Term:

- strengthens brand engagement and responsiveness
- helps build a loyal community around the brand.

Marking Guide: 1 mark for each relevant market research method identified, 1 mark for explanation of how it will be used, 1 mark for either short term OR long-term impact on business performance. Total = 6 marks.

b. Recommend one way market segmentation could be used by *Bear All Designs* to continue its growth. (3 marks)

Answers to focus on any 1 of demographics, geographics, psychographics and behavioural.

Divide the total market into smaller segments so it can target its product to them more effectively and increase sales. E.g., divide by demographics and tailor the product and price to a particular income level and social class (cheaper for Year 6 students, more expensive for

clubs and associations as they often have sponsorship from businesses and might be able to afford more).

BAD could also segment by psychographic characteristics and appeal to schools who have a strong art reputation and therefore want to use Charlie's designs for their leavers' hoodies.

Marking Guide: 1 mark for identifying a marketing segmentation type, 2 marks for explanation of how it could be used by BAD to help growth. Total = 3 marks.

- c. Recommend one promotion strategy that would help to improve sales at *Bear All Designs*. (3 marks)

Strategies include advertising, online, personal selling, sales promotions, direct marketing, public relations.

Answers should identify and explain an appropriate promotion strategy that will increase sales (revenue and/or volume). They should provide an appropriate example of that strategy.

- Social Media Marketing – use Instagram, TikTok, and Facebook to showcase Charlie's designs, behind-the-scenes printing, customer creations, and new product launches. Run short video content or reels to highlight the custom printing process.
- Google Ads / Social Ads – Use targeted paid advertising to reach specific audiences (e.g., sports clubs, schools). Retarget website visitors with ads reminding them to complete purchases.
- Personal selling might be Charlie speaking at a Year 6 or 11/12 assembly about his successful business and then getting the school to use BAD for their leavers' hoodies.
- Public relations – Ex-students who are well known/entrepreneurial/ won awards/done things that have highlighted them on social media might own a BAD hoodie and might be approached to promote the product.
- Email Marketing – Send newsletters showcasing promotions, new products, design ideas, event updates, or seasonal specials. Offer discount codes for subscribers.

NOTE: Advertising on billboards, TV commercials, in newspapers are NOT great examples of strategies that BAD would use as it's not where the target market will see them.

Marking Guide: 1 mark for relevant promotion strategy mentioned, 2 marks for explanation of how it will improve sales at BAD. Total = 3 marks.

- d. Formulate one strategy to overcome problems from negative social media from students who do not like the artwork designs on the hoodies. (3 marks)

Strategy: Launch a Student Co-Design Initiative

BAD can invite students to participate in the design process through online polls or surveys to vote on design elements, design competitions or workshops, feedback sessions via social media or school channels.

This gives students a sense of ownership and involvement, turning criticism into collaboration.

This should reduce backlash by showing responsiveness and might improve engagement and brand perception among students. This could help to build a loyal customer base,

ensures future designs better reflect student preferences and strengthens the brand's reputation for inclusivity and creativity.

Marking Guide: 1 mark for relevant strategy mentioned, 2 marks for explanation of how it will overcome problems at BAD. Total = 3 marks.

Section C

Criterion 2

Question 12

Item A – assesses criterion 2

- a. Using the information provided in the stimulus, complete a SWOT analysis for *Bear All Designs*. Explain two (2) strengths, two (2) weaknesses, two (2) opportunities, and two (2) threats. (8 marks)

Strengths	Weaknesses
<ul style="list-style-type: none">• Affordable, good quality product with options for eye catching artwork designs and lettering for the student's name.• Arty kind of guy who has eye catching designs that have been recognised in art competitions.• Good quality plain hoodie supplier.• Strong interest (locally and state) in the hoodie product.• Free positive social media.• Charlie has partners to support him.• Increased orders – strong demand for product.• Charlie's parents are willing to loan the business \$20K as an interest free loan for 5 years.• A cash budget has been completed which looks promising for future expansion plans.• The business has trend data (3 years of financial reports) which enables them to see the financial viability of the business.	<ul style="list-style-type: none">• Charlie and others are young and inexperienced in business.• Limited access to personal funds.• Can no longer operate from parent's garage – puts pressure on Charlie to locate an alternative premises.• Only navy blue hoodies – limited options for clients to choose from.• Inconsistent workload, with pressure in peak, but short times of year.• Tight timeframes to meet production, adds pressure to the workload.• Some orders need to be turned down with a potential for unhappy customers.• Net profits are not growing.• Prices of supplies (inputs) are increasing.• Finances are tight, and drawings will need to be reduced.

Opportunities	Threats
<ul style="list-style-type: none"> • Expand colours of hoodies and other clothing options that gain additional interest from new target markets. • Rising demand for customisation of products. • Expand to new and larger premises. • Use technology (an online ordering/payment system) to improve efficiencies. • Expand market to mainland (new target market with increased demand) to increase potential sales volume and revenues. • Move from unincorporated to incorporated business structure may allow them to access more finance for expansion purposes. • Increased economic activity and consumer confidence more generally might allow more demand of hoodies both locally and nationally. • Industrial-scale printing machinery to increase efficiency/reduce operational costs. • Economic upturn, increasing school budgets and consumer confidence. 	<ul style="list-style-type: none"> • Economic downturn affecting school budgets. • Economic downturn leading to less disposable income and consumer confidence. • The proposed new equipment purchase is very expensive and is expected to put the business in a deficit position in the upcoming period. Projected financials are forecasts, not definite, and there is no guarantee the expected receipts identified will result in actuals, especially if there is an economic downturn. • Electricity providers increasing costs. • Suppliers increasing prices. • Legislation increasing costs associated with having employees.

Item B – assesses criterion 2

- a. Using the grid provided in the Section C Answer Booklet, calculate the following for *Bear All Designs* for 2025. Show all workings. (NB: some calculations for 2023 and 2024 have been provided) (8 marks)
- i. Gross profit ratio: 31.11%
 - ii. Net profit ratio: 10.72%
 - iii. Rate of Return on Owner's Equity: 36.47%
 - iv. Debt to Equity / Gearing ratio: 13.75%

Marking Guide: students lose $\frac{1}{2}$ a mark each for incorrect rounding and not including a percentage sign.

- b. Based on your calculations in a) i), ii) and iii) and any relevant data in the financial statements provided, **analyse the profitability** of *Bear All Designs* at the end of financial year 2024/2025. Compare to the trend data and industry averages provided. (9 marks)

Note: Students should include data for the relevant ratios in their answers with discussion on whether the trends in the ratios and comparison to the industry average indicate improvement or not in profitability. Including the relevant data in answers is a way of providing evidence of their argument.

The relevant ratios are GP, NP and RROE.

GP ratio

- GP ratio has *declined/decreased* (0.5 mark) over the time period.
- GP ratio is well below the IA in 2024/2025. (0.5 mark).
- This is because of higher cost of goods sold (0.5 mark) and reduced selling prices (0.5 mark) compared to their competitors.

1 mark for either:

- Although Sales revenues have significantly increased (\$6,000 in 2022/23 and \$49,500 in 24/25), the COGS (buying and producing hoodies) is a large component of the trading of this business (\$34,100 in 24/25), so the GP doesn't increase relative to the increased sales volume or sales revenues.

OR

- The sales price did not increase between 22/23 and 23/24 (remained at \$40) even though the wholesale price from the supplier did increase, which meant reduced gross profits.

NP

- NP ratio is decreasing each year (0.5 mark).
- NP ratio is well above the IA (0.5 mark) This indicates the business can generate Net Profit for each dollar of sales more efficiently than industry peers (0.5 mark).
- However, first year or two are not very realistic from an expense's perspective, given BAD's small scale operations (0.5 mark), it is run from home garage with no rent expense (0.5 mark), no wages are being paid (0.5 mark).
- All operating costs (except for rego) have significantly increased each year (\$1,528 in 2022/23 up to \$10,094 in 2024/25) which would make sense given the increased production output, particularly in 2024/25 when there was a large wage payment (to friends) and a large increase in supplies costs and cleaning (1 mark for showing an understanding of cost increases from the financial statement [Income Statements]).

RROE

- RROE ratio is increasing each year (0.5 mark).
- RROE ratio is well above the IA (0.5 mark).
- The business is generating very solid returns on the owner's investment dollars and more efficiently than industry peers (0.5 mark).
- RROE are significantly improving each year when comparing the relatively low equity investment and comparatively high profits being made, despite a decreasing and deteriorating gross profitability and net profitability (0.5 mark).

Marking Guide: 3 marks for GP ratio, 4 marks for NP ratio, 2 marks for RROE. Total = 9 marks.

- c. Based on your calculations in a) iv. and any relevant data in the financial statements provided, analyse the financial stability of *Bear All Designs* at the end of financial year 2024/2025. Compare to the trend data and industry averages provided. (3 marks)

Note: Students should display a knowledge of what this ratio is measuring. Explaining and understanding of why a ratio above 60% may be too high and that a very low ratio may also not be in the best long-term interests of the business would be expected for high marks.

- BAD's debt to equity/gearing ratio is increasing year-on-year going from 0% in 2022/2023 to 13.75% in 2024/2025 (0.5 mark).
- Not concerning, given the business has only been operating for a short period. (0.5 mark)
- The business is very financially stable (0.5 mark).
- Gearing is well below the IA of 30% (0.5 mark).
- Gearing ratio figures are positive, indicating sound levels of solvency because it shows the business is not relying on/beholden to external parties (liabilities) to run (1 mark).

Marks might also be allocated for the following:

- Students may also discuss the benefits of not funding all operations with equity, as BAD has undertaken to this stage. For example, being reliant on new equity investors may create disputes/loss of "ownership", whereas expanding operations with external finance may create flexibility and enable quicker expansion.
- The business uses credit for supplies purchases which is a sensible cash flow management tool and there are no NCLs in the business and therefore no interest expenses, and very little pressure on needing to finance debt.

Marking Guide: 3 marks for discussion of BAD's gearing/stability. Total = 3 marks.

- d. Analyse one (1) way that ratio analysis is useful for decision-making purposes in *Bear All Designs*. (2 marks)

This question is theory based, but answers should be contextualized for BAD.

- Ratio analysis allows a business to compare **themselves with themselves** by viewing a percentage rather than numbers. They can see if areas are improving or deteriorating without getting distracted by dollar values.
- Ratio analysis allows businesses to compare **themselves with their competitors** (if the information is available) and ratio analysis allows a comparison to be made regardless of size of business and revenues/expenses for a year or values of assets/liabilities. A business would rather be in the top half of industry peers in relation to financial performance, rather than be in the bottom half.
- Ratio analysis allows BAD to see where they have been, observe any patterns, and makes decisions about what they will do in the future. It allows goal setting.
- Ratio analysis is able to display trends that BAD can link to financial goals that it may have previously set. For example, if a goal was to improve the GP ratio of BAD to be better than Industry Averages, this data set would indicate the goal has not been attained. Therefore, further analysis of operations is needed in order to identify and implement strategies to improve.
- For BAD, ratio analysis will provide data to assist them to make decisions about how to fund future business improvements. Questions of whether to use internal or external finance or save internally for business improvements can all be analysed alongside using the short and long term liquidity ratios.

Marking Guide: 2 marks for how ratio analysis helps decision-making at BAD. Total = 2 marks.

- e. Evaluate the data in the Cash Budget, making two (2) **observations** about relevant trends and patterns. Explain one (1) potential short-term and one (1) long-term consequence for *Bear All Designs'* business performance. (6 marks)

OBSERVATIONS

- There are forecasted negative cash balances in Jan/Feb 2025 and Sep/Oct 2026 (0.5 mark). Students could explain why this is occurring for another 0.5 mark.
- There are significant periods of time in the forecasted period with zero cash inflows which is concerning. (1 mark)
- In some months, the owners are going to be withdrawing amounts of cash that are more than the business is generating in expected cash receipts. (1 mark)
- The proceeds of the loans (parents and bank) will be paying for not only the new printing equipment and associated costs, but also the operating costs of the business. (1 mark)
- There is a significant increase in operating cash outflows compared to previous years e.g. labour, lease. (1 mark)

Short Term implication

- At the end of this period, the business will have a negative bank balance. Unless there are new sources of cash inflows (new customers, new revenue streams) there will be insufficient funds to operate the business.
- The business will need to arrange an overdraft facility with the bank to cover the periods of negative bank balances.
- The owners may need to source additional short-term finance (owners or loan) to avoid the negative cash balances and provide adequate surplus funds for the start of the next budget period.
- The owners may need to limit their drawings for the budget period.

Long Term implication

- Going forward, the business needs to be able to generate enough cash flow to fund its day-to-day operations (pay for expenses), meet loan repayments if applicable, fund drawings by owners, and ideally, create business savings to assist in funding future business improvements from within the business.
- This cash budget does indicate that the business will be able to remain solvent in the long term without significantly increasing sales from existing customers, winning new customers, creating new revenue streams, OR reducing operating cash outflows.

Marking Guide: 1 mark for each observation, for 2 marks. 2 marks for each clearly explained short-term implication and 2 marks for each clearly long-term implication. Total = 6 marks.

Item C – assesses Criterion 2

- a. Calculate the total fixed costs and the variable costs per unit.(1 mark).
- Fixed Costs = \$95810.
 - Variable Costs = \$32.30 (with the labour cost component being \$0.80/unit).
- b. Calculate the contribution margin of each unit if the selling price is \$55 per unit.
- Contribution Margin = \$55 - \$32.30 = \$22.70 (1 mark).

Marking Guide: 0.5 marks for one correct aspect. \$ sign was needed. Total = 1 mark.

- c. Calculate how many units need to be sold each year to break even if the selling price is \$55 per unit.

Break-even Analysis (2 marks).

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

$$BE = \frac{95\,810}{55 - 32.30}$$

$$BE = \frac{95\,810}{22.70}$$

$BE = 4\,220.705$ round UP to whole number 4221 units.

Marking Guide: 1 mark for working, 1 mark for correct answer. Must round up. Total = 2 marks.

- d. If *Bear All Designs* wants to make a profit of \$50,000 per year, calculate how many units will need to be sold.

To incorporate a profit, add the profit to the fixed costs.

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

$$BE = \frac{95\,810 + 50\,000}{55 - 32.30}$$

$BE = 6423.35$, round UP to the next whole number: 6 424 units

Marking Guide: 1 mark for showing working, 1 mark for correct answer. Must round up. Total = 2 marks.

- e. *Bear All Designs* want to sell 6000 units in the upcoming year in order to maximise the capacity of the new printing machinery. They believe they can achieve this if they hire a marketing specialist to bring in new orders. This will cost an additional \$30,000. With all other costs remaining the same as before, and the profit goal of \$50,000 still included, calculate the new selling price per unit. Show all workings. (4 marks)

Using algebra:

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

$$6\,000 = \frac{95\,810 + 30\,000 + 50\,000}{SP - 32.30}$$

$$6\,000 = \frac{175\,810}{SP - 32.30}$$

$$6000(SP - 32.30) = 175\,810$$

Multiply 6000 by the inside of the brackets

$$6000SP - 193\,800 = 175\,810$$

$$6000SP = 175\,810 + 193\,800$$

$$6000SP = 369\,610$$

$$SP = 369\,610 \text{ divided by } 6000$$

$$SP = \$61.60 \text{ (2 dp)}$$

Using a selling price formula, incorporating a profit goal:

$$S = \frac{(F + \text{PROFIT})}{N} + V$$

S = Selling price, F = Fixed costs, N = Number of units, V = Variable cost

$$S = \frac{(95\,810 + 30\,000 + 50\,000)}{6\,000} + 32.30$$

$$S = \frac{175\,810}{6\,000} + 32.30$$

$$S = \$61.60$$

Marking Guide: 1 mark for including the 30K in the amount. 2 marks for showing working. 1 mark for correct answer. Total = 4 marks.

- f. Analyse two (2) ways that breakeven analysis might benefit *Bear All Designs* as they make decisions about the expanded business. (4 marks)

Break even analysis (Cost-Volume-Profit or CVP) is a very powerful and flexible tool because it allows the variables (e.g., labour, packaging, cost of hoodie) to be changed, depending on the circumstances. It can be used to see IF the market would bear a higher selling price, or a different type of product that may have higher/lower variable costs. This needs to be considered in the context of:

- *Bear All Designs'* wider business goals, including social and personal goals
- *Bear All Designs'* marketing goals
- The type of market in which a product is being sold, e.g., are there lots of competitors?
- *Bear All Designs'* financial goals.

Marking Guide: 2 marks for each explanation, Total = 4 marks.

Criterion 4 – 20 marks

- a. Explain how *Bear All Designs* might address one (1) of the weaknesses that was identified in the SWOT table in Item A. (2 marks)

See SWOT table for relevant information. A specific strategy needed to be provided with an explanation of how it will address the weakness.

- b. Explain how *Bear All Designs* might overcome one (1) of the threats that was identified in the SWOT table in Item A. (2 marks)

See SWOT table for relevant information. A specific strategy needed to be provided with an explanation of how it will address the threat.

- c. Recommend two (2) strategies that would improve the profitability of *Bear All Designs*. Identify how each strategy will improve business performance. (4 marks)

- Increase sales price to give a bigger margin on cost price and sales price. This will increase GP ratio and provide more money for operating expenses to be covered.
- Decrease sales price with an expectation that more customers will be enticed to buy from BAD and therefore sales volume will increase more dramatically than the reduction in sales price.
- Find a cheaper supplier to reduce COGS of hoodies. Look at other ways to reduce the variable costs per hoodie made (reduce packaging or ways to increase production output with the same amount to labour input).
- Reduce operating expenses – look at each item and see what might be reduced. This will provide opportunity for increased profits.
- Promote online advertising/marketing to reach a broader audience, but ensure the amount generated from this additional expenditure is more than its cost.

NOTE:

- Only 1 mark was given for an answer that identified outsourcing to reduce production costs as the way to improve profitability. Students are reminded to carefully read the stimulus as BAD have a market that likes their designs, and their competitive advantage is the local story of the business. Changing this and outsourcing their production might reduce sales and therefore reduce profitability.
- Answers that outlined 'pay staff less' as an answer was only allocated 0.5 maximum as this is not a long-term strategy and could be illegal!
- Answers that identified reducing wages and delivery costs in order to improve profitability were only allocated 1 mark maximum because BAD might suffer from poor product quality and unsatisfied customers.

Marking Guide: 2 marks for each strategy to improve profitability. Total = 4 marks.

d. Given *Bear All Designs* is considering expansion into larger premises in Launceston, they could choose to lease or purchase the premises. Both have financial implications for *Bear All Designs*. Argue a reasoned recommendation for *Bear All Designs* from these two options. Consider both the short-term and long-term financial implications of your recommendation. (6 marks)

- A mortgage could be used to purchase a warehouse to set up the printing production line. BAD could use the site as security and it has the advantage that it owns the property once the mortgage is fully repaid. Disadvantage is the bank charges and interest expense have to be paid.
- The business might lease the premises which is similar to renting the property. It does not pay for maintenance, and the lease payments are tax deductible. This is less risk; however, BAD would not own the property at the end of the lease period, so they wouldn't have a substantial asset to use (as collateral for future loans) or to sell down the track. However, the investment is significantly reduced and doesn't put as much pressure on BAD to deal with a non-current asset at the present time as they are establishing their expanded business operation.
- Given BAD are still in the establishment stage of running the business, recommend leasing premises initially, looking for a 2-3 year leasing arrangement, with an option for extending the lease after that, or perhaps even purchasing the premises if the business is running successfully.
- Others:
 - Leasing means they don't have full control over the asset. They can't change the layout/make alterations as easily as if they purchased.
 - Purchasing means they can't be evicted/have to move out if the leaser wants them out.
 - Purchasing now might be too soon to invest in a large asset when they should be focussing on satisfying customers and innovation of their product/s.

Marking Guide: 0.5 mark for stating either the 'lease' or 'purchase' option, 1.5 marks for why this is the most appropriate option, 2 marks for explanation of short-term implication, 2 marks for explanation of long-term implication. Total = 6 marks.

e. Identify why *Bear All Designs* might focus on liquidity as an objective of financial management. Recommend two (2) strategies for improving a business's liquidity. (3 marks)

2 parts to the question:

Part 1 – an explanation of why liquidity might be a focus for BAD (1 mark)

Part 2 – 2 strategies to improve liquidity. (1 mark each)

- Liquidity is an objective because it indicates to the business their ability to pay its immediate debts (short term financial obligations) as they fall due and without financial strain. It allows the business to maintain a good credit rating and build a strong reputation as they grow. It allows them to avoid late fees and additional interest payments. This in turn allows the business to continue into the future and enable them to be around long enough to focus on other financial management strategies (like solvency or growth).

- For BAD, focusing on liquidity is important because it ensures smooth daily operations and avoids disruptions. It provides a financial buffer during slow sales periods or unexpected costs and it allows the business to seize growth opportunities (e.g., bulk buying materials or investing in marketing) without relying on emergency loans, or large overdraft limits.

Strategy 1: Improve Accounts Receivables Management

- Encourage faster customer payments by offering early payment discounts and/or tightening up credit terms by sending timely invoices and reminders and using automated invoicing systems (if BAD can afford the computer system/software). This boosts cash inflow and reduces waiting time for payments, and builds stronger cash flow and reduces reliance on credit.

Strategy 2: Optimise Inventory levels and manage inventory efficiently

- Use inventory management techniques (e.g., JIT) to avoid overstocking and free up cash tied up in unsold goods. This reduces storage costs and improves cash availability which then enhances operational efficiency.

Others:

- **Sell for cash** (and encourage larger deposits to be paid prior to hoodie delivery) and buy supplies on credit wherever possible to ensure cash is flowing into the business.
- **Delay accounts payables (without penalties)**: Negotiate longer payment terms with suppliers while maintaining good relationships.
- **Reduce Unnecessary expenditures** – Review operating costs and cut non-essential spending. Implement energy-saving measures or renegotiate service contracts.
- **Increase/implement new revenue streams** – If BAD can introduce new products and/or open up to the mainland market or non-school leaver markets, this will ensure an all-year-round cash flow.

Marking Guide: 1 mark for showing understanding of liquidity as a financial objective. 1 mark for appropriate strategy to improve liquidity. Total = 3 marks.

- f. Assuming the cash budget information is accurate, recommend one (1) source of finance that *Bear All Designs* will need to investigate to run the expanded business operations. Identify the reason the finance is required and the implications on the business's Income Statement and Balance Sheet. (3 marks)
- Arrange a bank overdraft to ensure financial commitments can be met/bills can be paid, especially when there are months with no cash receipts, but lots of cash payments. Particularly relevant in Jan/Feb and Sept/Oct when the cash balance is predicted to be negative/deficit. This will require an additional current liability (Balance Sheet item) to be arranged with the bank. It might require some security/collateral like the printing machine to set it up. Bank overdrafts have a high interest rate, so this will be an additional expense in the Income Statement.
 - Alternatively, see if Huey or Summer's parents would consider an interest-free loan. This would mean another Non-Current Liability in the Balance Sheet, but given it is interest-free, there would be no additional running cost in the Income Statement.

- Another option is to increase the amount of the bank loan from \$50,000 to a bigger amount. This would mean a larger non-current liability in the Balance Sheet, and an increased interest expense in the Income Statement.
- Other options are perhaps to look at getting more equity from the owners or invite additional equity partners to invest which puts more money in the bank, and higher Capital in the Balance Sheet with no effect on the Income Statement.

Marking Guide: 1 mark for stating one appropriate source of finance, 1 mark for reason finance is required, 1 mark for implication on financial reports. Total = 3 marks.