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HSC **LIVE**

WESTERN SYDNEY
UNIVERSITY



Business Studies

**Module Exams &
Marking Criteria**

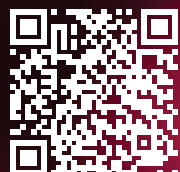


WESTERN SYDNEY
UNIVERSITY



STUDY AT
WESTERN

EXPLORE OUR *PROGRAMS*



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LOVE THESE SUBJECTS? SEE WHERE THEY CAN TAKE YOU! FIND YOUR PATH FROM HSC TO UNIVERSITY.

YOU LOVE ENGLISH? *WHY NOT STUDY:*

- B Communication
- B Screen Media (Arts and Production)
- B Education (Primary)
- B Education (Secondary)
- B Arts
- B Arts (Interpreting and Translation)
- B Laws
- B Performing Arts (Acting)
- B Music
- B Design (Visual Communication)
- B Music
- B International Studies

YOU LOVE STUDIES OF RELIGION? *WHY NOT STUDY:*

- B Arts
- B Social Science
- B Education (Primary)
- B Education (Secondary)

YOU LOVE HISTORY? *WHY NOT STUDY:*

- B Arts
- B International Studies
- B Social Science
- B Education (Primary)
- B Education (Secondary)
- B Tourism and Event Management
- B Planning (Pathway to M Urban Management and Planning)

YOU LOVE VISUAL ARTS? *WHY NOT STUDY:*

- B Architectural Design
- B of Design
- B of Design and Technology
- B of Industrial Design (Honours)

YOU LOVE BUSINESS STUDIES? *WHY NOT STUDY:*

- B Business
- B Accounting
- B Education (Primary)
- B Education (Secondary)
- B Tourism and Event Management
- B Construction Management (Honours)

YOU LOVE LEGAL STUDIES? *WHY NOT STUDY:*

- B Criminology
- B Criminal and Community Justice
- B Cyber Security and Behaviour
- B Policing
- B Laws
- B Social Science
- B Humanitarian and Development Studies
- B Education (Primary)
- B Education (Secondary)
- B Construction Management (Honours)
- B Social Work
- B Youth Work

YOU LOVE COMMUNITY AND FAMILY STUDIES STUDIES? *WHY NOT STUDY:*

- B Arts
- B Criminology
- B Nursing
- B Midwifery
- B Psychology (Honours)
- B Psychological and Social Sciences
- B Social Science
- B Youth Work
- B Social Work
- B Humanitarian and Development Studies
- B Education (Early Childhood)
- B Education (Primary)
- B Education (Secondary)

YOU LOVE PHYSICS? *WHY NOT STUDY:*

- B Science
- B Education (Primary)
- B Education (Secondary)
- B Engineering
- B Architectural Design
- B Industrial Design (Honours)
- B Design and Technology

YOU LOVE CHEMISTRY? *WHY NOT STUDY:*

- B Science
- B Medical Science
- B Education (Primary)
- B Education (Secondary)

YOU LOVE HEALTH AND MOVEMENT SCIENCE? *WHY NOT STUDY:*

- B Health Science
- B Health, Physical Education and Sport
- B Exercise Physiology
- B Exercise Science
- B Sport and Performance Science
- B Occupational Therapy
- B Paramedicine
- B Physiotherapy
- B Podiatric Medicine
- B Speech Pathology
- B Traditional Chinese Medicine
- B Nursing
- B Midwifery
- B Education (Primary)

YOU LOVE MATHEMATICS? *WHY NOT STUDY:*

- B Computer Science
- B Data Science
- B Information and Communication Technology
- B Information Systems
- B Mathematics
- B Engineering
- B Education (Primary)
- B Education (Secondary)
- B Planning (Pathway to M Urban Management and Planning)
- B Accounting

YOU LOVE BIOLOGY? *WHY NOT STUDY:*

- B Health Science
- B Health, Physical Education and Sport
- B Occupational Therapy
- B Paramedicine
- B Physiotherapy
- B Podiatric Medicine
- B Speech Pathology
- B Sport and Performance Science
- B Traditional Chinese Medicine
- B Science
- B Medical Science
- B Nursing
- B Midwifery
- B Education (Primary)
- B Education (Secondary)
- B Clinical Science/Doctor of Medicine

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- Counselling and mental health and wellbeing services
- Disability services

- Members of the ADF – Student Veteran Program
 - Elite athletes and performers support
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HSC SIMULATED EXAM

Business Studies

Operations

General Instructions:

- Reading time – 5 minutes
- Working time – 1 hour
- Write using a black pen
- Calculators approved by NESA may be used

Total Marks:
40

Section I - 20 Marks

- Attempt Questions 1-20
- Allow about 30 mins for this section

Section II - 20 Marks

- Attempt Questions 21-24
- Allow about 30 mins for this section

Section I

20 marks

Attempt Questions 1-20

Allow about 30 minutes for this section

Use the multiple-choice answer sheet for Questions 1-20

1. What is the strategic role of operations management?
 - (A) Cost leadership and good/service differentiation
 - (B) Good/service differentiation and customisation
 - (C) Customisation and profit maximisation
 - (D) Profit maximisation and solvency

2. Which of the following is an output of the operations process?
 - (A) Human resources
 - (B) Customer service
 - (C) Materials
 - (D) Facilities

3. A business tests the quality of a random sample of raw materials upon entry into the business.

Which approach to quality management is this an example of?

 - (A) Quality control
 - (B) Quality assurance
 - (C) Quality improvement
 - (D) Total quality management

4. Which of the following are both examples of transforming resources?
- (A) Information and facilities
 - (B) Facilities and human resources
 - (C) Human resources and materials
 - (D) Materials and customers
5. A business experienced a decrease in unit costs following an increase in production due to global expansion.

What is this an example of?

- (A) Research
 - (B) Global sourcing
 - (C) Economies of scale
 - (D) Scanning and learning
6. Which of the following is NOT a factor causing resistance to change?
- (A) Inertia
 - (B) Retraining
 - (C) Change agent
 - (D) Reorganising plant layout

7. Which of the following is a disadvantage of outsourcing?
- (A) Decreased focus on core business activities
 - (B) Reduced costs of operations
 - (C) Decrease in quality
 - (D) Lack of control
8. A cake store increased sales by slightly altering their product range based on customer feedback and reviews.

What influence is this an example of?

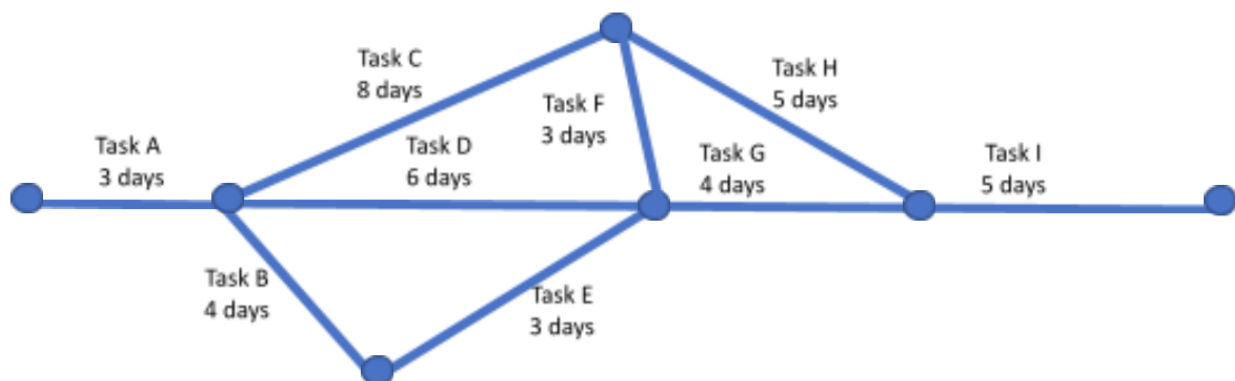
- (A) Variety
 - (B) Volume
 - (C) Visibility
 - (D) Variation in demand
9. What is a disadvantage of global sourcing?
- (A) Increased costs
 - (B) Longer lead time
 - (C) Poorer quality inputs
 - (D) Access to fewer suppliers

10. Which of the following is an example of a global business acting in an ethically responsible manner?
- (A) Providing training for staff on health and safety
 - (B) Ensuring that copyright and patents are not broken
 - (C) Providing staff with above award wages and working conditions
 - (D) Ensuring the business complies with foreign environmental laws
11. A soft drink manufacturer physically arranged all the equipment to ensure efficiency in the manufacturing process. They grouped all the equipment together according to the functions they perform.

What is this an example of?

- (A) Critical path analysis
- (B) Process layout
- (C) Task design
- (D) Logistics

Use the diagram below to answer Questions 12 and 13



12. What is the minimum number of days needed to complete the entire project?
- (A) 18 days
 - (B) 19 days
 - (C) 21 days
 - (D) 23 days
13. What is the above diagram an example of?
- (A) Task design
 - (B) A Gantt chart
 - (C) Process layout
 - (D) Critical path analysis
14. Which of the following are performance objectives of operations management?
- (A) Customisation, cost and profit
 - (B) Cost, profit and speed
 - (C) Profit, speed and dependability
 - (D) Speed, dependability and flexibility

15. A manufacturer made changes to their operations due to the passage of new legislation aimed at reducing carbon emissions and because they noticed that global consumers are demanding similar products.

Which two factors have influenced this business's operations?

- (A) Legal regulations and globalisation
- (B) Quality expectations and legal regulations
- (C) Technology and environmental sustainability
- (D) Environmental sustainability and quality expectations

Use the information below to answer Questions 16 and 17

This table shows tasks that need to be completed for a building project.

Task	January			February			March			April			May			June		
1																		
2																		
3																		
4																		
5																		

16. Which of the following statements is TRUE?
- (A) Task 3 is the fourth task to begin
 - (B) Task 3 starts and finishes in March
 - (C) Tasks 1, 2 and 5 begin in the same month
 - (D) Task 4 does not start until Task 3 has been completed

17. Which of the following statements about the above table is FALSE?
- (A) It is a sequencing and scheduling tool
 - (B) It is part of the transformation process
 - (C) It illustrates the order in which tasks should be performed
 - (D) It shows managers the shortest length of time it will take to complete all the whole project
18. In summer, the number of casual staff employed at an aquatic centre is increased.
- What has influenced the transformation process in this situation?
- (A) Variety
 - (B) Volume
 - (C) Variation in visibility
 - (D) Variation in demand
19. A business has had problems with their inventory valuation. In recent years the business has been overstating stock costs and understating their profits.
- Which inventory valuation method is this business using?
- (A) FIFO
 - (B) LIFO
 - (C) JIT
 - (D) Leading edge

- 20.** What is a disadvantage of holding stock?
- (A) The stock can become obsolete
 - (B) Harder to meet consumer demand
 - (C) Decreased costs associated with holding stock
 - (D) Increased lead time between order and delivery

End of Section I

Section II

20 marks

Attempt Questions 21-24

Allow about 30 minutes for this section

Question 21 (3 marks)

Outline the interdependence of operations and finance. Use an example to support your answer.

3

Question 22 (3 marks)

How can leading edge technology benefit businesses?

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Question 23 (4 marks)

Examine the impact of globalisation on operations strategy.

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Question 24 (10 marks)

An Australian clothing manufacturer makes and sells a wide variety of clothing targeting teenagers. In recent years, the business lost market share to cheaper imported products. To overcome this threat, they have identified cheaper production costs if they move their manufacturing facilities overseas.

(A) Analyse TWO global factors influencing operations this business should consider.

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(B) Discuss the balance between cost and quality in operations strategy.

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HSC SIMULATED EXAM

Business Studies

Finance

General Instructions:

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Total Marks:
40

Section I - 20 Marks

- Attempt Questions 1-20
- Allow about 30 mins for this section

Section II - 20 Marks

- Attempt Questions 21-26
- Allow about 30 mins for this section

Section I

20 marks

Attempt Questions 1-20

Allow about 30 minutes for this section

Use the multiple-choice answer sheet for Questions 1-20

1. Which ratio can be used to measure a business's efficiency?
 - (A) Net profit ratio
 - (B) Debt to equity ratio
 - (C) Return on equity ratio
 - (D) Accounts receivable turnover ratio

2. Which non-bank financial intermediary specialises in commercial finance and is also a major provider of lease finance to businesses?
 - (A) Unit trust
 - (B) Investment bank
 - (C) Finance company
 - (D) Australian Securities Exchange

3. Where can a public company raise new capital?
 - (A) Unit trust
 - (B) Finance company
 - (C) Australian Securities Exchange
 - (D) Australian Securities and Investments Commission

4. What is an advantage of factoring?
- (A) Improves solvency
 - (B) Improves efficiency
 - (C) Improves cash flow management
 - (D) Encourage debtors to pay on time
5. What is a disadvantage of debt finance?
- (A) Increases gearing
 - (B) Dividends must be paid
 - (C) Interest payments are tax deductible
 - (D) Funds can be acquired at short notice

Use the table below to answer Questions 6 and 7

The table below shows cash flow information for a business.

	<i>Jan</i>	<i>Feb</i>	<i>March</i>
<i>Opening balance (\$)</i>	8,000		
<i>Cash in (\$)</i>	24,000	23,000	22,000
<i>Cash out (\$)</i>	15,000	14,000	15,000

6. What is the opening cash balance for March?
- (A) \$7,000
 - (B) \$16,000
 - (C) \$26,000
 - (D) \$33,000

7. What is the net cash flow for February?
- (A) \$9,000
 - (B) \$17,000
 - (C) \$26,000
 - (D) \$37,000
8. Which of the following would be an effective profitability management strategy?
- (A) Factoring
 - (B) Cost centres
 - (C) Sale and lease back
 - (D) Distribution of payments
9. A business recently experienced an improvement in their debt to equity ratio.
- Which financial objective has been achieved?
- (A) Efficiency
 - (B) Liquidity
 - (C) Profitability
 - (D) Solvency
10. Which of the following are both examples of long-term borrowing?
- (A) Mortgage and commercial bills
 - (B) Commercial bills and debentures
 - (C) Debentures and leasing
 - (D) Leasing and factoring

11. Which of the following are important aspects of financial planning and implementing?

- (A) Financial risks and financial controls
- (B) Financial controls and staff management
- (C) Staff management and record systems
- (D) Record systems and Accounts management

12. Use the financial statement below to calculate the debt to equity ratio (total liabilities ÷ total equity) of this business.

<i>Current Assets</i>		<i>Current Liabilities</i>	
Cash	12,000	Creditors	9,000
Inventories	28,000		
<i>Non-Current Assets</i>		<i>Non-Current Liabilities</i>	
Equipment	30,000	Loan	51,000
Plant	20,000	<i>Owner's Equity</i>	?

- (A) 0.3:1
 - (B) 1.02:1
 - (C) 1.7:1
 - (D) 2:1
13. A business purchased a van for \$55,000. This cost has been recorded as an asset on the business's balance sheet.

Which limitation of financial reports is this an example of?

- (A) Timing issues
- (B) Valuing assets
- (C) Normalised earnings
- (D) Capitalising expenses

14. AG Ltd made an offer to its existing shareholders to purchase more shares in the company without brokerage fees.

What is this an example of?

- (A) Share purchase plan
 - (B) Placements
 - (C) Rights issue
 - (D) New issue
15. What is an advantage of hedging?
- (A) It increases a business's access to overseas markets
 - (B) It makes it easier for businesses to export their goods
 - (C) It provides a business with more funding for expansion
 - (D) It decreases the financial risk associated with currency exchanges

Use the following information to answer Questions 16 to 19

Financial Statement of AG Pty Ltd
for the year ended 30 June 2021

	\$	\$
Sales		350,000
Cost of Goods Sold	19,000	
Opening Stock	41,000	
Purchases	18,000	?
Closing Stock		
Gross Profit		?
Expenses		76,000
Net Profit		?

16. What financial statement is this an example of?
- (A) Budget
 - (B) Balance Sheet
 - (C) Income Statement
 - (D) Cash Flow Statement
17. Calculate the Gross Profit for this period.
- (A) \$22,000
 - (B) \$272,000
 - (C) \$308,000
 - (D) \$428,000
18. Calculate the net profit ratio (net profit ÷ sales) for AG Pty Ltd.
- (A) 56%
 - (B) 66.3%
 - (C) 78.3%
 - (D) 90.3%
19. Which of the following would lead to an improvement in the net profit ratio?
- (A) Decreasing sales
 - (B) Increasing expenses
 - (C) Increasing purchases
 - (D) Decreasing Cost of Goods Sold

20. Which method of payment exposes exporters to the most risk?

- (A) Letter of credit
- (B) Clean payment
- (C) Bill of exchange
- (D) Payment in advance

End of Section I

Section II

20 marks

Attempt Questions 21-26

Allow about 30 minutes for this section

Use the following Balance Sheet to answer questions 21 to 24

Balance Sheet as at 30 June 2021

<u>ASSETS</u>		<u>LIABILITIES</u>	
Current Assets		Current Liabilities	
- Cash	50 000	- Accounts payable	80 000
- Stock	250 000	- Overdraft	75 000
- Accounts receivable	45 000		
Non-Current Assets		Non-Current Liabilities	
- Vehicles	90 000	- Bank loan	300 000
- Equipment	650 000		
		<u>OWNER'S EQUITY</u>	
		- Capital	250 000
		- Re-invested Net Profit	380 000

Other information:

Sales: \$850,000

Industry average liquidity ratio: 2.5:1

Question 21 (1 mark)

Calculate the current ratio (current assets ÷ current liabilities).

1

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Question 22 (2 marks)

Outline the liquidity position for this business.

2

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Question 23 (2 marks)

Calculate the average number of days this business takes to collect their accounts receivable using the accounts receivable turnover ratio ($\text{sales} \div \text{accounts receivable}$). Show all working.

2

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Question 24 (4 marks)

Recommend ONE working capital management strategy for this business.

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Question 25 (3 marks)

Describe ONE potential conflict between a short-term and long-term financial objective.

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Question 26 (8 marks)

An Australian company is considering taking over and purchasing a company in New Zealand.

(A) Explain how ONE global market influence could impact on the planned acquisition.

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- (B) Discuss ONE long-term source of funds the business could use for the planned acquisition.

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HSC SIMULATED EXAM

Marking Criteria

Business Studies - Operations

Section I - Multiple Choice

Question	Answer
1	A
2	B
3	A
4	B
5	C
6	C
7	D
8	C
9	B
10	C
11	B
12	D
13	D
14	D
15	A
16	A
17	D
18	D
19	B
20	A

Section II - Short Answer

1. Outline the interdependence of operations and finance. Use an example to support your answer. (3 marks)

Criteria	Marks
• Sketches in general terms the interdependence of operations and finance with the use of an appropriate example depicting the interdependence of finance on operations AND operations on finance	3
• Sketches in general term the interdependence of operations and finance OR • Makes a general statement about the interdependence of operations and finance with the use of an example depicting the interdependence of finance on operations OR operations on finance	2
• Makes a general statement about interdependence	1

Sample answer:

- Finance relies on operations to produce goods and services that will sell and generate adequate revenue for the business. If operations can reduce their costs of productions and generate efficiencies, then this too will lead to higher profits.
- Operations relies on finance to allocate adequate funds to purchase inputs and carry out their transformation processes.

2. How can leading edge technology benefit businesses? (3 marks)

Criteria	Marks
• Provides how leading edge technology can benefit businesses	3
• Sketches in general terms how leading edge technology can benefit businesses	2
• Sketches in general terms leading edge technology	1

Sample answer:

Students are required to provide characteristics and features of ONE of the following:

- Cost savings
- Improved efficiency
- Increased productivity
- Improvements in quality
- Competitive advantage

3. Examine the impact of globalisation on operations strategy. (4 marks)

Criteria	Mark
• Inquires into the impact of globalisation on operations strategy	4
• Provides characteristics and features of the impact of globalisation on operations strategy	3
• Sketches in general terms the impact of globalisation on operations	2
• Sketches in general terms globalisation	1

Sample answer:

Globalisation refers to the removal of barriers of trade between nations. Globalisation could provide businesses with opportunities or else, it may act as a threat. Globalisation is a very significant influence on operations; due to the removal of barriers and improvements in technology, many businesses are increasingly orienting themselves towards the global market. This will have a big impact on operations as it will mean that businesses will need to increase their production capability and may need to restructure around a series of global production facilities.

Globalisation will influence product design and quality management since businesses that decide to go global will need to ensure that their products meet the needs and quality expectations of global consumers. Businesses will therefore need to determine whether they chose to standardise or customise their product offerings. Businesses that enter the global market will need to increase production, which means that they will be able to take advantage of economies of scale, therefore creating cost savings. Globalisation will also have a significant effect on a business's supply chain management. Businesses will be able to take advantage of cheaper suppliers overseas, but due to the larger scale, managing the supply chain on a global scale will become more complex.

4. (a) Analyse TWO global factors influencing operations this business should consider. (6 marks)

Criteria	Mark
• Draws out and relates the implications of TWO global factors influencing operations this business should consider	5-6
• Provides characteristics and features of TWO global factors influencing operations this business should consider OR • Draws out and relates the implications of ONE global factor influencing operations this business should consider	3-4
• Sketches in general terms ONE/TWO global factors influencing operations this business should consider	1-2

Sample answer:

Students are required to draw out and relate the implications of TWO global factors this business should consider.

Global factors that can be analysed include:

- global sourcing
- economies of scale
- scanning and learning
- research and development

4. (b) Discuss the balance between cost and quality in operations strategy. (4 marks)

Criteria	Mark
• Provides points for and/or against the balance between cost and quality in operations strategy	4
• Provides characteristics and features of the balance between cost and quality in operations strategy	3
• Sketches in general terms the balance between cost and quality in operations strategy	2
• Sketches in general terms cost and quality	1

Sample answer:

Students are required to identify issues and provide points for and/or against the balance between cost and quality in operations strategy. For example:

One of the strategic roles of operations management is cost leadership i.e. aiming to have the lowest costs in the market. Businesses that are able to produce similar products at a lower cost than their competitors will be rewarded with higher profits (as has been the case with this business). If businesses are too focused on reducing costs however, the quality of their products may be compromised. Products that are the best quality often cost more: inputs (materials), labour, equipment, quality management processes, etc will be more expensive. Often times cost minimisation strategies will affect the quality of products. Whilst businesses that focus solely on reducing costs may see an initial increase in sales due to meeting customer expectations regarding price, they may not meet the quality expectations of consumers and in the long-term, this may lead to a decrease in sales. Businesses therefore need to strike a balance between being cost efficient but still meeting customer expectations surrounding quality. Also, most consumers may perceive that products that are less expensive or cheap are actually of inferior quality. Therefore, it is crucial that businesses strike the right balance between minimising cost and maximising quality.



HSC SIMULATED EXAM

Marking Criteria

Business Studies - Finance

Section I - Multiple Choice

Question	Answer
1	D
2	C
3	C
4	C
5	A
6	C
7	A
8	B
9	D
10	C
11	A
12	D
13	D
14	A
15	D
16	C
17	C
18	B
19	D
20	B

Section II - Short Answer

1. Calculate the current ratio (current assets ÷ current liabilities). (1 mark)

Criteria	Mark
• Correctly determines from given information the current ratio	1

Sample answer:

- Current ratio = current assets ÷ current liabilities
- Current ratio = 345,000 ÷ 155,000
- Current ratio = 2.2:1

2. Outline the liquidity position for this business. (2 marks)

Criteria	Mark
• Sketches in general terms the liquidity position for this business	2
• Makes some reference to liquidity	1

Sample answer:

This business has \$2.20 of current assets for every \$1 of current liabilities which means they are below the industry average of 2.5:1. In comparison to the industry average, this business is therefore not in a very good position to repay their short-term debts as they fall due.

3. Calculate the average number of days this business takes to collect their accounts receivable using the accounts receivable turnover ratio (sales ÷ accounts receivable). Show all working. (2 marks)

Criteria	Mark
• Determine from given information the average number of days this business takes to collect their accounts receivable using the accounts receivable turnover ratio • Shows correct working	2
• Determine from given information the accounts receivable turnover ratio but shows no working OR • Shows all working but provides incorrect answer	1

Sample answer:

- Accounts receivable turnover ratio = sales ÷ accounts receivable
- Accounts receivable turnover ratio = \$850,000 ÷ \$45,000 = 18.9
- 365 ÷ 18.9 = 19.3 days
- Therefore, this business takes on average 19.3 days to collect their accounts receivable.

4. Recommend ONE working capital management strategy for this business. (4 marks)

Criteria	Mark
• Provides reasons in favour of ONE working capital management strategy for this business	4
• Provides characteristics and features of ONE working capital management strategy for this business	3
• Sketches in general terms ONE working capital management strategy for this business	2
• Recognises and names ONE working capital management strategy for this business	1

Sample answer:

Cash flow management strategies include:

- Control of current assets – cash, receivables, inventories
- Control of current liabilities – payables, loans, overdrafts
- Strategies – leasing and sale and lease back

5. Describe ONE potential conflict between a short-term and long-term financial objective. (3 marks)

Criteria	Mark
• Provides characteristics and features of ONE potential conflict between a short-term and long-term financial objective	3
• Sketches in general terms ONE potential conflict between a short-term and long-term financial objective	2
• Makes some reference to a short-term and/or a long-term financial objective	1

Sample answer:

An example of a potential conflict between a short-term and a long-term financial objective would be if a business decided to pursue the long-term objective of growth and increased profits by moving production overseas globally. This decision would have the support of managers as it should lead to decreased costs and increased profits in the long term. However, this relocation and expansion would be expensive and would lead to increased costs and gearing, which may lead to lower overall profits in the short term. This decision may therefore cause conflict with the business shareholders as well as investors.

Other relevant examples would be acceptable.

6. An Australian company is considering taking over and purchasing a company in New Zealand.
- a) Explain how ONE global market influence could impact on the planned acquisition. (4 marks)

Criteria	Mark
• Relates the cause and effect of how ONE global market influence could impact on the planned acquisition	4
• Provides characteristics and features of ONE global market influence that could impact on the planned acquisition	3
• Sketches in general terms ONE global market influence	2
• Recognises and names ONE global market influence	1

Sample answer:

Global market influences include:

- Economic outlook – refers to changes in the predicted levels of economic growth in the world economy. A poor economic outlook in Japan could impact the profitability of the business in Japan and as a result make the planned acquisition less attractive. Other logical cause and effect answers accepted.
- Availability of funds – refers to the ease of access the firm has to capital [debt or equity] in order to fund the purchase of the Japanese company. If there is a shortage of funds this will tend to drive the cost of funding the project up because the company will have to offer higher rates of interest to attract potential investors. Similar offers will need to be made to would be investors in regards to equity raising (selling shares at discounts or paying greater dividends).
- Interest rates – interest rates are the cost of borrowing and usually require firms to repay the lender in the form of interest payments. In situations where interest rates increase this will decrease the return for the shareholders of the Australian company and make the deal to purchase the Japanese company less attractive.

b) Discuss ONE long-term source of funds the business could use for the planned acquisition. (4 marks)

Criteria	Mark
• Provides points for and/or against ONE long-term source of funds the business could use for the planned acquisition	4
• Relates the cause and effect of ONE long-term source of funds the business could use for the planned acquisition	3
• Provides characteristics and features of ONE long-term source of funds	2
• Sketches in general terms ONE long-term source of funds	1

Sample answer:

Long-term sources of funds include:

- Mortgage
- Debenture
- Unsecured note
- Leasing