



PAST SAMPLE QUESTIONS

Business Studies

Easy

Changing technology has led to which of the following impacts on a manager's job?

- a) Shifting organisational boundaries
- b) Empowered employees
- c) Virtual workforce
- d) All of the above

Answer: D

Changing technology has shifted organisational boundaries as it has allowed a move away from the traditional workplace in which everyone is in the same room – they now have to manage people working from home and from other countries. They also have to coordinate efforts with teams in other locations and may have additional responsibilities such as maintaining social network presence. It has also empowered employees as it is easier to move between jobs and connect with colleagues (LinkedIn). Technology has also allowed a virtual workforce as a person in America can maintain the website of an Australian company's website.

Medium

A market-skimming strategy refers to setting a _____ price for a/an _____ product in order to _____.

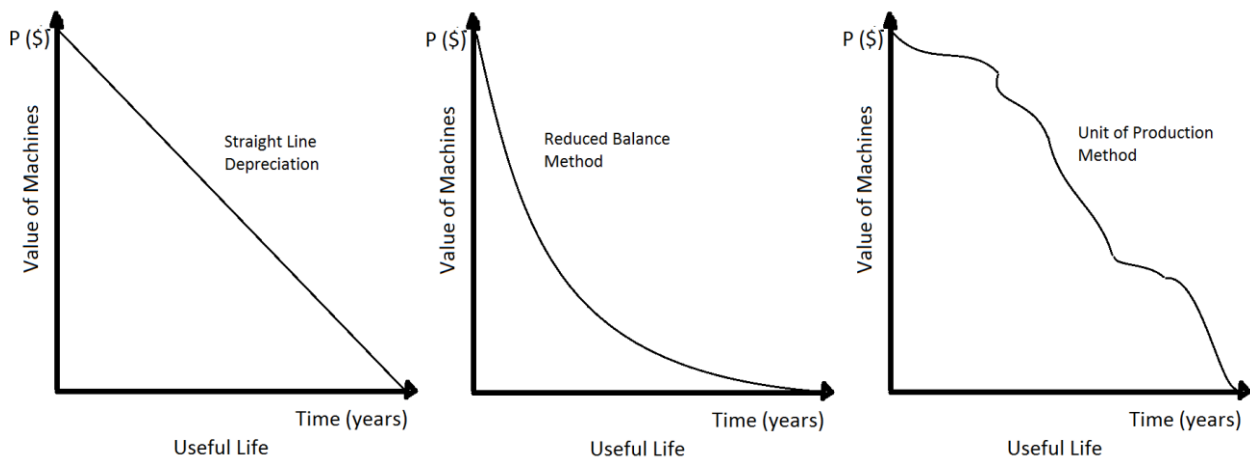
- a) high, new, obtain maximum revenue from the segments that are willing to pay
- b) low, existing, attract a large number of buyers and a large market share
- c) high, existing, maximum revenue from the segments that are willing to pay
- d) low, new, attract a large number of buyers and a large market share

Answer: A

Market-skimming is a pricing strategy in which the seller sets a relatively high price for a new product or service at first. In doing so, the seller aims to obtain maximum revenue from the market before substitute products appear. After this is accomplished, the seller is then able to lower the price to capture a larger share of the market and to combat any competitors.

Hard

Tesla produces its eco-friendly automobiles using machines that can be depreciated using a number of methods. The effect of the choice of depreciation methods is depicted below as functions of time and value:



If depreciation expense is used as a tax shield and 'money today is worth more than money in the future', which of the following depreciation methods would be most favorable towards Tesla's long term profitability?

- Straight Line Method
- Reduced Balance Method
- Unit of Production Method
- None of the above

Answer: B

If depreciation expenses are used as a tax shield, then it means we would pay less tax than we otherwise would without depreciation. If money today is worth more than money in the future, then we would desire a larger tax shield closer to the present – as depicted in the Reduced Balance Method. The value of the machines decreases exponentially – greater at first then slowing down gradually. The greater initial depreciation allows a larger tax shield sooner in time and thus is more favourable towards Tesla's long term profitability.

Economics

Easy

John has determined the price elasticity of the following items:

Item	Price Elasticity
A	0.1
B	1.0
C	2.5
D	3.0

If the price of each of these items fell by 5%, which of the items would have the greatest percentage increase in quantity demanded?

- a) A
- b) B
- c) C
- d) D

Answer: D

Price elasticity is a measure of the change in the quantity demanded of a particular good with respect to its change in price.

% change in quantity demanded = Price Elasticity of demand x % change in price

As such, a greater price elasticity represents a greater percentage change in the quantity demanded when the price changes a particular amount.

Medium

A depreciation in the AUD is unlikely to have which effect on the Australian economy?

- a) An increase in the number of tourists visiting Australia.
- b) A decrease in the price of fresh fruit grown in rural areas but sold in urban areas.
- c) An increase in the demand for labour in import-competing industries.
- d) An improvement in Australia's net exports.

Answer: B

As the AUD depreciates, this will increase the number of tourists visiting Australia as they will be lured by the low AUD (the lower the AUD depreciates, the more AUD they can get with their own currency). Imports become more expensive in AUD terms, and import-competing industries will become more competitive and will demand more labour. As imports become more expensive (in AUD) and exports become cheaper (in foreign currencies), net exports will improve (exports increase, imports fall). With regards to B, a depreciation in AUD will increase the cost of petrol, and therefore increase the cost of transporting fresh fruit to urban areas and consequently, its price – link is a bit tenuous though. (The depreciation also increases the price of imported fruits due to less price competition)

Hard

A nuclear plant resides near a small fishing community where its toxic waste has had detrimental effects on the water quality of nearby streams, and thus by extension, the fishing prospects of this small community. However, these effects can be curtailed through the use of waste filters at a greater cost to the nuclear plant. The relevant gains for these two parties, with or without filter, are shown below:

	With Filter	Without Filter
Gains for Fishermen	\$100	\$80
Gains for Nuclear Plant	\$100	\$140

In order to protect local community interests, the government has allowed the fishermen an option to impose these waste regulations on the nuclear plant. Assuming both parties are allowed to freely bargain one another with respect to Money and Regulatory Rights, what would be the outcome of this situation?

- a) A filter is used; fishermen make at least as much as they do without a filter
- b) A filter is not used; fishermen make at least as much as they do with a filter
- c) A filter is used; nuclear plant makes at most as much as they do without a filter
- d) A filter is not used; nuclear plant makes at most as much as they do with a filter

Answer: B

If both parties are free to bargain with each other, the outcome should be the one which maximises economic gains. Summing up the gains for both the fishermen and the nuclear plant, with the filter we have \$200 gain and without we have \$220. Thus they will choose to be without the filter as there is a greater economic gain. The fishermen however, will need to be compensated by the nuclear plant as they are worse off than with the filter. They will be compensated a minimum of \$20 so that they make at least as much as they do with a filter.

Example:

If Nuclear Plant offers Fishermen \$30 to not use filters

Gains for Fisherman = $80 + 30 = \$110$, Gains for Nuclear Plant = $140 - 30 = \$110$

And thus, both parties will be better off than in the scenario where the filter is used