

**Year 9 Commerce End-of-Year Exam 2017
Marking Criteria**

Section 1 Multiple Choice

1	a		6	a		11	d		16	c
2	d		7	a		12	a		17	d
3	a		8	c		13	d		18	a
4	b		9	b		14	b		19	c
5	b		10	c		15	d		20	b

Section 2 Short Answer

Question 21

10 Marks

- (a) List and explain 3 techniques retailers use to tempt consumers into impulse buying. **3**

Explains 3 techniques retailers use to tempt consumers into impulse buying	3
Explains 2 techniques retailers use to tempt consumers into impulse buying	2
Explains 1 techniques retailers use to tempt consumers into impulse buying	1

Answers could include:

Store layout – eg milk and eggs at the back of the store

'the checkout line' e.g. Putting confectionary at the eye height of children near cash registers

Hiding 'high commodity' items like socks among high-ticket items

Placing the costliest items at eye level

'Sales' that aren't necessarily cheap.

- (b) Using course information briefly outline three (3) ways that a product such as a cup of coffee could be differentiated in Milsons Point. **3**

Outlines 3 ways that a product could be differentiated in Milsons Point	3
Outlines 2 ways that a product could be differentiated in Milsons Point OR Clearly identifies 3 ways that a product could be differentiated in Milsons Point	2
Outlines 1 ways that a product could be differentiated in Milsons Point OR Clearly identifies 2 ways that a product could be differentiated in Milsons Point	1

Answers could include:

Create a signature drink or dish – e.g. Coconut milk in coffee

Create a community – eg Bachino Aloys boys and Loreto girls in the morning.

Develop a coffee philosophy


- (c) Explain the term ethical consumerism. **2**

Fully explains the term ethical consumerism. May use examples	2
Partially explains the term ethical consumerism. May use examples	1

Answers could include:

Buying products that are not harmful to the environment, animals and society.

- (d) Below is the symbol used in Fair Trade Certification System. What does this system seek to achieve? 2

	Explains what 'Fairtrade' seeks to achieve	2
	Partially explains what 'Fairtrade' seeks to achieve	1

Answers could include:

Fairtrade means fairer trading conditions and opportunities for producers in developing countries to invest in their businesses and communities for a sustainable future.

Question 22 (9 Marks)

The following diagram is from the NRMA Insurance website.

- (a) With reference to FOUR (4) types of insurance explain why taking out insurance is a good financial strategy. 4

Comprehensively explains the advantages of taking out insurance with reference to 4 types.	4
Explains the advantages of taking out insurance with reference to 4 types.	3
Partially explains the advantages of taking out insurance with reference to 4 types. OR Describes 4 types of insurance.	2
Makes reference to 4 types of insurance.	1

Answers could include:

Insurance is a system of protection that works by spreading risks.
Types: Life, Health, Car, Travel, Income Protection, Home.

- (b) What is Life Insurance and how does it work? 2

Clearly defines Life Insurance. May use an example.	2
Partially describes Life Insurance. May use an example.	1

Answers could include:

After paying a regular premium the insuring company will pay out a sum of money either on the death of the insured person or after a set period.

- (c) Explain how paying for insurance can be a good financial management strategy for consumers. 3

Clearly explains how paying for insurance can be a good financial management strategy for consumers. May make reference to the financial risks of not having insurance cover.	3
Partially explains how paying for insurance can be a good financial management strategy	2

for consumers. May make reference to the financial risks of not having insurance cover.	
Refers to different types of insurance	1

Answers could include:

Paying premiums in the process of minimizing the risk of a major financial loss.

Question 23

(10 Marks)

View the Advertisements on the Stimulus Sheet.

10

For each advertisement:

- i. (i) Identify a target market for this promotion. (use more than one characteristic)
- ii. (ii) Outline how this advertisement may work with this target market.

For each advertisement:

Identifies at least 2 characteristics of to identify a target market AND outlines a way that the advertisement may attract buyers from the target market.	2
Identifies at least 2 characteristics of each a market OR Outlines a way that the advertisement may attract buyers from the target market. OR Identifies only 1 characteristic of a target market and outlines a way that the advertisement may attract buyers from the target market.	1

Answers could include:

Market segmentation according to age, gender, income level, educational background, geographical location, lifestyle, family structure.

Ad	Target Market e.g.'s	
1	Middle age, Middle income	Appeals to values of hard work. Has a relationship with the family doctor.
2	Male, Middle income, Married with children	Can buy a car that is nice to drive and can carry the family.
3	Parents, 20 – 50 year old	Makes the person feel guilty about smoking.
4	Middle to upper income, 30 – 50 year old.	Expensive furniture in a really nice location
5	15 -20 year old. Male	Hard tough image may appeal. Also using the appeal of the brand.

Question 24

(8 Marks)

(a) What is a share?

1

Correctly defines a share.	1
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Answers could include:

A part ownership in a public company

(b) How is the price of company shares determined on the ASX?

1

Correctly describes how the price of company shares determined on the ASX	1
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Answers could include:

The price of shares is determined by the demand and supply of a particular share. For example, if the profits of a company looked as though they may increase, the share price, the price at which trades are made on the ASX, would most likely increase with the likelihood that dividends will increase.

(c) Name one sector where there was a decline in share prices and one sector where there was an increase in share prices.

2

Correctly identifies each sector	2
Correctly identifies one sector	1

Answers could include:

Declined	Banking
Increased	Mining, Energy

(d) What is the 'ASX 200' and what does it measure?

2

Clearly defines the ASX 200 and the company share prices it measures.	2
Partially defines the ASX 200 and the company share prices it measures.	1

Answers could include:

The **ASX 200** index is a [market-capitalization weighted](#) and float-adjusted [stock market index](#) of Australian stocks listed on the [Australian Securities Exchange](#) from [Standard & Poor's](#).

The ASX 200 measures changes in the traded price of the largest 200 companies according to market capitalisation.

(e) From the article name a company that had a declining share price on the day and give a reason for the share price fall.

2

Identifies a company with a declining share price and identifies the reason for the share price decline.	2
Identifies a company with a declining share price OR identifies the reason for the share price decline.	1

Answers could include:

Declined	Reason
NAB	Whilst it posted a slight increase in net profit it also reveals that it intends to cut 6000 jobs and invest \$1.5 billion in digital transformation.
Telstra	Expecting earnings to decline by \$3 billion due to the NBN rollout.
CBA	
ANZ	
Westpac	

Question 25

10 Marks

- (a) What is ethical investing? **2**

Clearly defines ethical investing	2
Partially defines ethical investing	1

Answers could include:

Investing in certain companies or organisations whose products, policies and practices are in line with a person's own beliefs and values.

- (b) Distinguish between positive and negative screening. **2**

Defines both positive and negative screening	2
Defines both positive OR negative screening	1

Answers could include:

Negative screening – avoiding investing in some types of firms such – e.g. cigarette companies, or firms that make alcohol

Positive screening – investing in those firms that are involved in activities which are deemed desirable such as renewable energy or healthcare.

- (c) Name three businesses that behave in an ethical manner and outline the ethical behaviour of each. **6**

For each business

Identifies a business that behaves in an ethical manner and outline the ethical behaviour.	2
Identifies a business that behaves in an ethical manner and some small aspect of their ethical behaviour.	1

Answers could include:

Business	Ethical Behaviour
Tassal	Environmental fish farming in Tasmania (although they have been criticised by some)
Bendigo Bank	Maintaining bank branches in small rural and urban locations including communities opening and operating banks.

PART C. EXTENDED RESPONSE SECTION (20 marks)

26. With reference to Mr Burrough's personal circumstances and the stimulus material determine an investment strategy for Mr Burroughs.

Xx

24

Criteria	Marks
<ul style="list-style-type: none"> • Demonstrates comprehensive knowledge and understanding related to the question and stimulus, using relevant commercial terminology, concepts relating to managing and investing money. • Clearly identifies key issues relating to investment in current financial environments. • Comprehensively describes the nature of an investment portfolio and its purposes making evident four investment alternatives explaining the advantages and disadvantages. • Clearly recommends and justifies an investment portfolio and identifies possible changes to an investment strategy as Mr Burroughs reaches 50 years of age. • Presents a sustained, logical and cohesive response to the question. 	17 -20
<ul style="list-style-type: none"> • Demonstrates detailed knowledge and understanding related to the question and stimulus, using relevant commercial terminology, concepts relating to managing and investing money. • Identifies key issues relating to investment in current financial environments. • Describes the nature of an investment portfolio and its purposes making evident four investment alternatives giving some explanation of the advantages and disadvantages. • Justifies an investment portfolio and identifies possible changes to an investment strategy as Mr Burroughs reaches 50 years of age. • Presents a cohesive response to the question 	13-16
<ul style="list-style-type: none"> • Demonstrates some knowledge and understanding related to the question and stimulus, using relevant commercial terminology, concepts relating to managing and investing money. • Identifies some key issues relating to investment in current financial environments. • Outlines three or four investment alternatives with some reference to advantages and disadvantages. • Outlines an investment portfolio and identifies some possible changes to an investment strategy as Mr Burroughs reaches 50 years of age. • Presents a response with some structure. 	9-12
<ul style="list-style-type: none"> • Demonstrates limited knowledge and understanding related to the question and stimulus, using limited commercial terminology and concepts which may relate to managing and investing money. • Makes reference to some issues relating to investment in current financial environments. • Indicates limited features of an investment portfolio and its purposes making evident investment alternatives with some reference to advantages and disadvantages. • In general terms suggests an investment portfolio and makes reference to possible changes to an investment strategy as Mr Burroughs reaches 50 years of age. • Presents a response with limited structure. 	5-8
<ul style="list-style-type: none"> • Uses basic knowledge and commercial terminology and concepts relating to managing and investing money • May refer to an investment portfolio and its purposes making evident one investment alternative or suggests rationale for changes to portfolio over time 	1-4

Essay Plan:

Answer may be presented using the following headings:

Introduction, Current financial environment, Investment Alternatives, Recommended Investment Portfolio (growth/balanced – focused on capital gain), Possible rebalancing of portfolio in later years (balanced / defensive – focus on income), Conclusions

Answers could include:

Introduction

Mr Burrough's as a 30 year-old is likely to be working in the healthcare sector for a further 30-40 years before retiring at the age of 65-70 years. Given Mr Burroughs's age, Mr Burrough's has an opportunity to invest to increase his net wealth, aggressively seeking growth opportunities/capital gain in the domestic and international stock markets as well as in the property market.

This focus on growth/capital gain will enable Mr Burroughs to maximise his returns over his initial 15-20 year investment horizon. Allocating a proportion of his funds invested in the equities/stock market to a managed fund would reduce Mr Burrough's risk while maximising his returns.

As Mr Burroughs enters his 50s it would be appropriate for his portfolio to be re-balanced away from a growth focus to a more balanced/defensive asset allocation, enabling Mr Burroughs to reduce the risk of the portfolio to ensure he preserves his capital and secures income to live on when he retires.

Current investment environment

The Australian economy has seen average annual growth rates of about 3%, though growth in recent times has been a little slower at 2% which has resulted in higher unemployment. An acceleration of economic growth in the future is likely to be beneficial for companies as they generate more profits as consumers and businesses demand more goods and services

The stock charts highlight that US stock markets have risen significantly over the past couple of years significantly outperforming the Australian stock index (ASX) and the average all World Index.

Home prices in Australia have risen by about 10% per annum over the last five years, suggesting that future growth may be a bit slower. While House prices have consistently increased, and while not likely to increase at the same rate are likely to be a good investment option in the medium to long term.

Deposit rates are at an historic low with yields of 2-3% and are likely to remain low over the next couple of years. Deposits, while safe in terms of protecting capital/initial investment, they offer relatively low returns in comparison to other asset classes notably stocks and property

Four Investment Alternatives and the Advantages and Disadvantages of each:

Four of the following may be discussed:

Superannuation, Shares (Australian and Overseas), Investment Accounts, Managed Funds, Debentures and Unsecured Notes, and Real Estate (Property).

Note: Mr Burroughs goal is to invest to maximize his windfall gain over the next 15-20 years – focus on capital growth rather than income (until he reaches his 50s), when he is likely to be more focused on preserving his wealth and deriving a steady income.

Superannuation: a managed fund designed to produce benefits for individuals when they retire from work.

Advantage: Employers contribute and employees have the option of making voluntary contributions.

Disadvantage: Individuals may not have extra disposable income to contribute

Shares: shares are bought and sold on the Stock Exchange and shareholders have ownership of the public company. Shareholders receive a dividend as part of the firm's profit.

Advantage: Blue Chip shares are low risk but provide low return, Speculative shares are high risk but provide a high return. A share portfolio may be made up of a variety of shares thereby spreading risk and maximizing return.

Disadvantage: Too many speculative shares may be purchased. Company profits subject to variety of factors e.g. Overseas events

Investment Accounts: Building societies, credit unions, and banks all offer a variety of investment accounts e.g. Cash management accounts, term deposits, Internet accounts.

Advantage: e.g. Internet accounts offer high rates of interest, low bank fees, and few statements

Disadvantage: e.g. Internet accounts can only be accessed through the Internet

Managed Funds: made up of a pool of money from individuals who have similar investment goals. A fund manager invests these funds in such assets as shares and property.

Advantage: e.g. allows a small investor to be part of the property market and share market

Disadvantage: e.g. directly managed by third party and individual investor not directly involved in decision making.

Debentures and Unsecured Notes: a firm issues Debentures when a sum of money is lent. Unsecured notes are similar to debentures.

Advantage: e.g. Debentures are a relatively safe investment as holders are first to be repaid

Disadvantage: e.g. Unsecured notes not as safe as debenture and holders last to be repaid if company is liquidated.

Property: investing in property involves an individual purchasing an apartment or house.

Advantage: e.g. Steady income, possible capital gain, negative gearing.

Disadvantage: e.g. Value of property may decrease in the short term, unreliable tenants, and unexpected maintenance charges. Land tax may need to be paid.

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Recommended Investment Portfolio:

An Investment Portfolio is a collection of all the investments owned by an individual. It is wise to invest in a variety of investments to spread risk. Investment products include government securities, property, and overseas and Australian shares, term deposits. A key factor in determining the spread of investments is risk relating to return. The aim is to lower risk but maximize return. Mr Burroughs, given an investment horizon of 15-20 years before he reaches the age of 50 has an appetite for risk and therefore higher returns

Investment Options for Mr Burroughs

Initial portfolio: Mr Burroughs windfall gain of \$100,000 and investment objectives

Mr Burroughs could maximize his returns by using the windfall gain of \$100,000 and investing those funds in more risky and therefore higher returning assets.

Mr Burroughs's portfolio should be orientated towards capital growth taking on more risk to maximise returns over the next 15-20 years (i.e. when he approaches 50 years). In maximising returns (and minimising risks). Mr Burroughs portfolio should be skewed toward stocks and property via a managed fund. While a managed fund will incur fees (and therefore reduce returns) it will enable Mr Burroughs to have his investments professional managed by an expert. As a busy registered nurse Mr Burroughs does not have the time or expertise in stock/property market investment.

Noting the performance of Australian, Global and US stock markets Mr Burroughs should invest in all three with a bias towards the Australian and Global markets as their most recent performance has lagged the US stock market, suggesting more potential for capital gain. It is suggested that 60% or \$60,000 of his funds are invested in equities split 40% Australia (\$24,000), 40% World (\$24,000) and 20% US stocks (\$12,000).

The stocks purchased would be growth stocks to increase the chance of capital gain rather than income stocks that would deliver safer though lower returns. These stocks would be in both Australia and overseas and likely to be in technology and commodities

While property prices in Australia have increased by about 10% over the last 3-4 years, it appears to be a good investment and Mr Burrough's should invest about 40% of his funds in property (\$40,000).

While \$40,000 may not be enough to buy a house Mr Burroughs could put the money in a dedicated managed fund that specialises in property or alternatively a dedicated property fund.

Alternatively, Mr Burroughs could use the \$40,000 as a deposit in a small apartment as an investment using the rent from the property to pay the mortgage repayments

Rate While savings deposits are low risk (as the initial capital invested is protected) the return/interest of only 2-3% per annum Mr Burroughs is very low given Mr Burrough's investment goals, Consequently Mr Burrough's best advised not to invest in this asset class.

Adjusted portfolio

As Mr Burrough's reaches the age of 50 and over the following 10 years before he reaches 60 it is suggested that his portfolio is rebalanced to one which is more balanced between defensive stocks and growth stocks. This more balanced portfolio with a more defensive or income bias would enable Mr Burroughs to protect capital while focusing on stocks that would deliver dividend returns and therefore income on which Mr Burroughs could live on when he retires.

At this point Mr Burroughs may choose to increasingly switch his investments to his superannuation account which may give him additional tax advantages while being able to have some of his investments in a managed stock/profit fund.

Conclusion

By investing in growth stocks initially Mr Burroughs during his 30s and 40s should see his wealth increase by 8-10% per annum, if past experience is a guide to future performance. By sticking with the strategy, Mr Burroughs will benefit from compounded returns and will be able to markedly grow his original windfall gain. By having a long term view, Mr Burroughs will benefit from long term gains, being able to withstand periods where the market falls as he does not require his windfall gain until he retires at 65+ years. That said it is important that Mr Burroughs, in tandem with his financial advisor continue to review his portfolio mix periodically to ensure that his return expectations are being met relative to his risk tolerance.