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NZQA

Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 2 Business Studies 2024

90843 Demonstrate understanding of the internal operations of a large business

Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of the internal operations of a large business.	Demonstrate in-depth understanding of the internal operations of a large business.	Demonstrate comprehensive understanding of the internal operations of a large business.

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

You should attempt ALL parts of the task in this booklet.

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–12 in the correct order and that none of these pages is blank.

Do not write in the margins (////). This area will be cut off when the booklet is marked.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

Excellence

TOTAL 07

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TASK

This task has four parts, (a) to (d). Use the background information below, the supplementary information in the boxes on the following pages, and your business knowledge to complete this task. You may integrate any relevant Māori business concepts into your answers.

You should read the resource information in ALL of the boxes before beginning the task.

Background information

CeeGee's is a clothing store located in a city in the North Island that caters for 30- to 50-year-old professionals who work in the central business district. *CeeGee's* stocks a range of men's and women's business suits, shirts, and ties which are made overseas and imported into New Zealand by sea freight. The suits are a common international design that can be found in many other countries.

The retail clothing industry is a competitive market, with businesses experiencing declining sales, increasing rents, and increasing overseas resource costs, such as materials.

CeeGee's currently purchases large quantities of the same design at a low cost. Increased fuel prices have resulted in an increase in freight charges, which have been passed on to *CeeGee's*.

You may choose EITHER *CeeGee's* OR a large business (more than 20 employees and/or with a national or regional significance) operating in New Zealand that you have studied in depth.

(a) (i) Explain why an increase in freight charges may impact the economies of scale of a business.

Economies of scale is when the input costs are divided onto each product produced, so the greater amount of product produced with the relatively same inputs costs the lower of the price per unit or product. The increase in freight charges will impact CeeGee's economies of scale as it will increase their average cost per unit due to the higher input costs which means the profitability of each clothing item sold by CeeGee will decrease resulting in a overall decrease in sales revenue and therefore CeeGee's profits.

(ii) Explain how a business may respond to increases in freight charges while remaining profitable.

Cee Gee's could increase there prices in porportion to the average increase in cost per unit clothing due to the higher freight charges. This allows Cee Gee to make the same amount of profit as they did before the rise in freight charges as the rise in costs is combated by an equal rise in sales revenue. By only increasing their prices by the minimum amount required to remain profitable it is less likely they will lose sales due to higher clothing prices as customers will be less impacted than a high increase in prices resulting in them shopping at CeeGee's competitors which would decrease CeeGee's sales revenue and business profitability.

Customers are requesting suit designs that are more customised (tailored) than those *CeeGee's* currently offers, which is having an impact on sales. Management are considering using a local manufacturer that offers a batch and job production process that allows its customers to pick certain fabrics, sizing, design, and accessories, using a design application.

You may choose EITHER *CeeGee's* OR a large business (more than 20 employees and/or with a national or regional significance) operating in New Zealand that you have studied in depth.

(b) (i) Identify a suitable production process, and explain why it could be an advantage for a business.

Job production would best suit CeeGee's problem as the suits will be of high quality and completely customisable to the customer which would increase CeeGee's sales as customers will be highly satisfied with the suit quality and ability to be tailored to ~~suit~~ fit each individual customer. Which can further increase sales as it will improve CeeGee's reputation through word of mouth of satisfied customers.

(ii) Why could this production process be a disadvantage for a business, and how might this have a negative impact on employees?

Job production could be a disadvantage to CeeGee's as it entails higher costs per suit due to the greater time and effort put into each one to make them tailored to customers. This would increase CeeGee's overall costs so they may have to cut their expenses in other areas of the business until the added costs of producing the tailored suits is met by an increase in sales. This would impact employees as they may have less hours or are being overworked by CeeGee's to keep expenses such as the employees wages low to compensate of the added expense of tailoring suits to remain profitable. This may prompt employees to find work elsewhere so they can have more hours or a less demanding job.

(iii) With reference to brand loyalty and economic sustainability, justify, with TWO reasons, why this production process would be more appropriate than another production process for a business.

By making the suits through job production customers will have a higher satisfaction with their suit than if they were made in a batch production process as they will be of higher quality and will better suit the customer. This higher customer satisfaction will increase customers brand loyalty to CeeGee's as each suit will perfectly match the customers requests resulting in the only reason for customers to ~~by~~ buy from CeeGee's competitors could be the price if CeeGee's suits are more expensive. However customers may ignore this as CeeGee's suits are such high Quality. Therefore CeeGee's economic sustainability will increase as they will have a greater loyal fan base causing an increase in repeat sales allowing for CeeGee to remain profitable in the future if they maintain their loyal customer base as it will provide them with constant sales and hence profits.

~~Job production would be more appropriate~~ 4+6

DEFINITION

Rangatiratanga refers to the exercise of leadership, authority, guardianship, and ownership rights – particularly focused on resource production, utilisation, and management for current and future requirements. This includes strategic development and oversight, relationship development and maintenance, problem-solving, conflict resolution and peace-making, adaptation, risk analysis, and management.

Carl, the store owner, receives from his accountant a monthly revenue and cost report for the store. He finds the information gathered helps determine the decisions he makes for the store.

In the box below, enter the details of a large business (more than 20 employees and/or having a national or regional significance) operating in New Zealand that you have studied in depth. **Do not use *CeeGee's*.**

Name of the large business: Air New Zealand

Good(s) sold or service(s) provided: Airplane travel (transportation)

(c) (i) Why is preparing monthly revenue and cost reports an advantage to the business in a competitive market?

It is an advantage for Air New Zealand to prepare a monthly revenue and cost report as it allows them to see if they need to increase revenue or decrease their costs. Then Air new Zealand can compare their air fare prices with their competitors and can adjust their prices accordingly by referencing the report to see if they are making enough sales to lower their prices ~~without~~ and remain profitable or if they need to cut their costs to lower their prices. This way Air New Zealand can make calculated decisions to remain competitive but remain profitable at the same time due to referencing their costs and sales on the report

(ii) Explain how leaders (rangatira) may choose to change the direction of the business after analysing its monthly revenue and cost reports.

leaders may choose to change the direction of the business after analysing it's monthly revenue and cost reports as it may no longer be profitable to keep operating the business how it is currently run. For example Air New Zealand may ~~change the flights it does~~ stop doing less popular flights where planes are being underutilised as it only has a few passengers as the ~~cost~~ sales from the passengers plane tickets don't cover the expenses of the flight. So, Therefore they would instead use the extra planes for trips that have high demand as the planes would usualy be full. By doing this air New Zealand would become profitable as it will increase there sales as the extra planes are being used where they can be use for max effeciency as it will be transporting more passengers.

CeeGee's operates a shamrock organisational structure that uses permanent staff within the store throughout the week; outsources its finance, human resource, and marketing functions to contractors; and employs part-time workers during the weekend and at peak times.

You may choose EITHER *CeeGee's* OR a large business (more than 20 employees and/or with a national or regional significance) operating in New Zealand that you have studied in depth.

(d) (i) Explain why using a shamrock organisational structure could be an advantage to a business.

A shamrock organisational structure could be an advantage to CeeGee's as it is highly cost effecient as it minimizes the expenses of employees wages. This allows CeeGee's to spend the extra time and money in developing other areas within the business such as a marketing campaign to further develop their brand and increase sales. By doing this CeeGee's will have a greater economic sustainability as it ~~results~~ maximises business growth allowing for higher profitability in the future.

(ii) Explain why using a shamrock organisational structure could be a disadvantage to a business, and how it could impact the ability of a business to maintain high levels of customer service.

It could be a disadvantage as part time employees feel they have little job security due to only working when it is needed therefore causing them to feel of minimal value to CeeGee's. Therefore they will be less motivated to work hard resulting in lower levels of customer service and production.

(iii) Justify, with TWO reasons, whether using a shamrock organisational structure would be more effective than another organisational structure.

A shamrock organisational structure would be more effective as it is more cost effecient than a tall structure as there are less employees and no extra offices are required for finance or marketing divisions as it is outsourced to contractors. This allow Leechee's to spend more time and money on other aspects of the business than employees wages and salaries such as expanding their store so they can stock and therefore sell more clothing. This will result in a greater amount of business growth making it more likely Leechee's will remain profitable in the future.

A shamrock organisational structure would also be more effective as it is more flexible than a tall structure because if one of the permanent staff are unable to show up or want to take leave they will be able to as part time employees can take their place opposed to not being able to take leave or significantly impacting the functionality of the business as when they are unable to show up as there is no one to replace them in a tall structure. This increases employees morale as they can spend more

Extra space if required.
Write the question number(s) if applicable.

QUESTION NUMBER

time with their famalies and don't have to come into work sick. Therefore employees in the sham rock structure will have a higher productivity level allowing Cee Gee's to decrease there expenses as they are able to sell/produce more clothing for the same price which will increase Cee Gee's profitability. As sales increase due to the ~~higher~~ greater amount of clothing ~~made~~ available for sale.

Excellence

Subject: Business Studies

Standard: 90843

Total score: 07

Task	Grade score	Marker commentary	
One	E7	(a)	The candidate correctly explained that an increase in freight costs will decrease economies of scale. A business response has been well explained, in context. The candidate used business terms (e.g. profit margin) and explained the impact of the decision on the business (decrease in customer sales). The explanation explicitly linked back to the question of how the business could remain profitable.
		(b)	The response has justified, with two reasons, why batch production is better than flow production in the context of Cee Gees. The candidate has used business terminology and justified the decision to use batch production with the 'offsetting' idea, comparing the benefits over the short and long term. The response directly answered the question by explaining how batch production increases brand loyalty and economic sustainability, with business concepts integrated.
		(c)	In sub-part (i) the candidate explained why revenue and cost reports are an advantage to the Warehouse. Their response was linked to better decision-making and applied to a business the student had studied (the Warehouse).
		(d)	There was one justified reason for why a shamrock structure is more effective than a matrix structure in the response. The response was in context and offered a new advantage (outsourcing can reduce costs), which was new information (different from the advantage given in sub-part (i) (flexible workforce). The response could have been improved with a second justified response.