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Mana Tohu Mātauranga o Aotearoa  
New Zealand Qualifications Authority

## Level 1 Commerce RAS 2023

**92030 Demonstrate understanding of how  
interdependent financial relationships are affected  
by an event**

# EXEMPLAR

**Excellence**

**TOTAL 08**

## Page 1 – Pilot Assessment

Read the case study scenario below and use it to answer the question that follows.

### Case study scenario – Rebuilding roads

The New Zealand Government is going to invest money to help rebuild roads into Gisborne that were damaged by Cyclone Gabrielle.

The following participants are all located in the same area:

- the Government
- a local roading contractor that has a contract with the Government to build roads
- a whānau – one parent works for the roading contractor, the other parent works at the local petrol station, and two teenagers are looking for employment
- local banks that most of the families and businesses in the area bank with
- other local businesses such as supermarkets, restaurants, and tourism businesses.

Road access is important for transporting supplies in and out of Gisborne and for tourists visiting the area.

### QUESTION

(a) (i) Describe the financial interdependence between the whānau and the roading contractor.

B I U | | | | |

The whānau and the roading contractor are financially interdependent. This means there is a two-way mutual reliance between the two in which one can not survive without the other. The roading contractor relies on the whānau for the labour they need to make roads, by making these roads the roading contractor is able to gain a source of income and stay financially viable. In return the whānau relies on the roading contractor for the source of income that they need in order to afford the basic necessities in life.

(ii) Describe the financial interdependence between the bank and the roading contractor.

B I U | | | | |

The bank and the roading contractor are financially interdependent. This means there is a two-way mutual reliance between the two in which one can not survive without the other. The roading contractor relies on the bank for the loans necessary to expand their business that way they can take on more of a work load, and make a higher income which secures their financial viability. In return the bank relies on the roading contractor for interest, that way the bank is able to secure its own financial viability and make a profit from its investments (loans).

Describe the financial interdependence between the other local businesses and the whānau.

B I U | | | | |

The whānau and other local businesses such as the local petrol station, are financially interdependent. This means there is a two-way mutual reliance between the two in which one can not survive without the other. The local businesses rely on the whānau for the labour needed to provide their good and/or service and a source of income. The source of income comes from the whānau purchasing items such as groceries, or spending their disposable income. By having the whānau as a source of income the local businesses are able to stay financially viable. In return the whānau relies on the local business for a source of income from their labour, and for the goods and/or services that they need in order to survive.

(b) Describe a direct effect the Government's investment in road building will have on the roading contractor.

<b>B</b> <i>I</i> <u>U</u>
<p>A direct effect that the Government's investment in road building will have on the roading contractor is an increase in demand. Due to the Government deciding to invest money in rebuilding Gisborne's road due to Cyclone Gabrielle the roading contractors will see an increase in demand for their service. This means that they will be in more demand to repair the roads in Gisborne and they may not be able to keep up with demand due to not having enough staff and from usually being less in demand. This means that the roading contractors may have to look into hiring more staff so that they are able to keep up with the Government's demand due to their investment.</p>





(c) (i) Explain ONE flow-on effect of the Government investing in road building for each of the whānau and the roading contractor.

<b>B</b> <i>I</i> <u>U</u>
<p>One flow-on effect that would happen due to the Government investing in road building for the roading contractor would be having a larger income that they can spend on enlarging their business. Due to the Government's investment the roading contractors would have more money that they can spend on growing their business. For the roading contractors this would result in hiring on more staff, that way they can take on bigger workloads and therefore raising their income higher. By doing this also the roading contractors would be able to keep up with the demand of the Government as they invest for even more roads to be fixed around the Gisborne area due to the destruction caused by Cyclone Gabrielle.</p> <p>One flow-on effect that would happen due to the Government investing in road building for the whānau is that their two teenagers would be given a work opportunity. Because of the roading contractor wanting to take on more staff so that they can grow their business the two teenagers would be given a work opportunity. This means that the two teenagers would be able to do part time work for the roading contractors and be able to earn their own income that they would be able to spend. Further more by joining the roading contractor they would also be able to support a local business restoring their city after it was destroyed by Cyclone Gabrielle.</p>

(ii) Using the flow-on effect for the whānau, explain ONE impact on the interdependent financial relationship between the local businesses and the whānau.

<b>B</b> <i>I</i> <u>U</u>
<p>The impact that would happen to the interdependent financial relationship between the local business and the whānau due to the flow-on effects of the Government's decision to invest money into the rebuilding of the roads of Gisborne after Cyclone Gabriel would go as followed:</p> <p>Due to the two teenagers now having employment and a source of income, that would mean that the whānau overall would have a greater level of disposable income. This would mean that the two teenagers would go shopping at the local business more often and they would be spending a greater amount of money, resulting in a higher level of income for the local businesses. The local businesses would then have a higher income source meaning that there is a possibility that they would not have to worry about their financial viability and they may be able to increase the wages of their workers due to having a higher income. The two teenagers in turn would be able to help Gisborne's economy.</p> <p>Their new financial interdependence statement would look like this:</p> <p>The whānau and local businesses are financially interdependent. This means that there is a two-way mutual reliance in which one can not survive without the other. The local businesses rely on the whānau to spend any disposable income they may have at their stores as well as purchase all of the items that they need to survive from them. In return the whānau relies on the local businesses for not only goods and services but also a source of income. This would mean that if consumer spending were to increase that the whānau would also expect the amount of income they receive to also increase.</p>





- (d) (i) Explain ONE flow-on effect of the Government investing in road building for each of the local tourism industry and the local bank.

B I U    

One flow-on effect that the Government investing in road building would have on the local tourism industry is an increase in tourists. Due to the Government investing in better roads for Gisborne it would make it so it would be easier for tourists to commute around the city, as due to the damage done by Cyclone Gabrielle, tourists were not able to get into the city easily nor were they able to easily travel around the city. Due to the rebuilding of the roads in Gisborne tourists would feel more comfortable travelling around the city knowing that it would be simple and they would not have to worry about driving in dangerous conditions. This would see an increase in tourists shopping at local shops and taking part in other local tourists activities hence boosting Gisborne's local tourism industry.

One flow-on effect that the Government investing in road building would have on the local bank would be a increase in loans due to the revival of the local tourism industry. Due to more tourists wanting to explore Gisborne again and shopping at local businesses, many local businesses would look into expanding their business. This would mean that they would have to get a loan from their local bank. Knowing that they can make more money based off of the interest from these loans the banks would grant them. hence increasing the amount of money that they make.

- (ii) Using the flow-on effect for the local tourism industry, explain ONE impact on the interdependent financial relationship between the local tourism industry and the Government.

B I U    

One impact that would effect the interdependent financial relationship between the local tourism industry and the Government is the amount of GST (Goods and Services Tax) that the Gisborne tourism industry would pay to the Government. Due to more tourists being in Gisborne and spending money at their local businesses and tourists attractions the local tourism industry would see a rise in the amount of goods and services being provided. This would mean that they would need to pay more GST (Goods and Services Tax) to the Government. In turn the Government would increase the amount of subsidies (Government spending) in the Gisborne area. This would further boost the tourism industry in Gisborne and would allow them to build more attractions in the area as well.

Their new financial interdependence statement would go as followed:

The Government and local tourism industry in Gisborne are financially interdependent. This means that there is a two-way mutual reliance between the two in which one can not survive without the other. The Government relies on Gisborne's local tourism industry to pay them increased amounts of GST (Goods and Services Tax), as the tourism industry grows in Gisborne and more goods and services are being used. That way the Government is able to afford their subsidies (Government spending) and stay financially viable. In return the local tourism industry in Gisborne relies on the Government to increase the amount of subsidies (Government spending) in the Gisborne area so that they can continue to expand their tourism industry and community. This will allow them to increase their income and stay financially viable.

There are other local businesses affected by the road rebuilding, including tourism businesses such as skydiving and whale watching. A large increase in tourism spending is expected in the local economy when the roads are rebuilt. This will lead to further decisions being made by the Gisborne tourism industry and the Government.

- (e) Using the resource information above and the flow-on effects from part (d), analyse a decision that a Gisborne tourism business could make.

- (i) State a decision a Gisborne tourism business could make:

A decision that a Gisborne tourism business could make is to increase advertising.



(ii) Evaluate positive consequences of the decision on at least TWO of the case study participants.

B I U    

The positive consequences of the decision for a Gisborne tourism business (e.g skydiving and whale watching) to increase the amount of advertising would effect the whānau and the Government.

The positive consequence that would effect the whānau is that the two teenagers could possibly have another job opportunity. Due to the increase in advertising of the Gisborne tourism business the amount of tourists going to that activity (e.g skydiving, whale watching) would increase, hence increasing demand. This would mean that in order to keep up with demand the Gisborne tourism business would have to increase their staff. This would offer another work opportunity to the two teenagers or to any one in the Gisborne area that is looking for a job. This would in turn help increase the Gisborne economy as more money would be circulating in the Gisborne region.

The positive consequence that would affect the Government is that they would be receiving more GST (Goods and Services Tax) from the Gisborne tourism business due to the increase in consumer spending. Because of the advertising drawing in more tourists to the Gisborne tourism business this would increase the amount of consumer spending on that attraction (e.g skydiving, whale watching). This would result in an increase of GST that the Gisborne tourism business would have to pay to the Government. This would result in the Government being able to afford more subsidies (Government spending) for the Gisborne area.

(iii) Evaluate negative consequences of the decision on at least TWO of the case study participants.

B I U    

The negative consequences of the decision for a Gisborne tourism business such as skydiving and whale watching to increase the amount of advertising would effect the Government and other local businesses.

The negative consequence that would effect the other local businesses is that due to the Gisborne tourism business increasing their amount of advertising, before the increase in tourists numbers they were able to secure majority of the consumer spending. With this happening it lead to the other local businesses to secure less of a profit due to more time and spending being at the Gisborne tourism business and not at their stores. This could cause the other local businesses to struggle to stay financially viable and may cause some small business to close their doors for good.

The negative consequence that would effect the Government is that they would receive less GST (Goods and Services Tax) and possibly even Company Tax from Gisborne as a whole. Due to more consumer spending at the Gisborne tourism business and less at other local businesses this has caused less goods and services being sold. This has resulted in some stores shutting down resulting in the Government receiving less company tax and because of the less goods and services being sold, a reduction in the amount of GST they receive from Gisborne as a whole is also seen. Meaning that the Government may not be able to pay off some of their debt gathered from the clean up of Cyclone Gabrielle. This is unless they put something in place to stop this from happening.

(f) Using the resource information above and the flow-on effects from part (d), analyse a decision that the Government could make.

(i) State a decision the Government could make:

A decision that the Government could make is to reduce the amount of GST (Goods and Services Tax) and

(ii) Evaluate positive consequences of the decision on at least TWO of the case study participants.

**B I U**    

The positive consequences of the Government decision to reduce the amount of GST (Goods and Services Tax) and Company Tax paid by Gisborne businesses effects the local businesses and the whānau.

The positive consequence that would effect the local businesses due to the Government's decision is that the small business will not have to worry about the major tourist companies making them go out of business or stay financially viable. It also means that the Government would not have to suffer the negative consequence convered in e.iii), which involved losing complete sources of tax income but instead now they will only have smaller amounts of tax payments. Overall this decision will help the local economy to stay alive and would support small local businesses not falling to the larger tourist companies.

The positive consequence that would effect the whānau due to the Government's decision is that the businesses that they work for would have excess revenue that they could use to increase the wages of their employees. Because of the Government decision to reduce the amount of GST (Goods and Services Tax) and Company Tax means that the companies that the whānau works for will have excess revenue that will need to be spent. These companies would be very much inclined to spend the excess revenue on increasing the wages of their employees, therefore feeding the money back into the Gisborne economy.

(iii) Evaluate negative consequences of the decision on at least TWO of the case study participants.

**B I U**    

The negative consequences of the Government decision to reduce the amount of GST (Goods and Services Tax) and Company Tax paid by Gisborne businesses, negatively effects the local bank and the Government itself.

The negative consequences that would effect the local bank is that, due to the businesses in Gisborne not having to pay as much GST (Goods and Services Tax) and Company Tax is that most of the larger business who have secured financial viability will have excess revenue that they can use to pay off loans, and to save up for expantions of their businesses. This would mean that the bank would recieve less interest and the Gisborne businesses will be requesting less loans, or asking for them in smaller amounts. This means that the bank could have issues with staying financially viable.

The negative consequences that would effect the Government due to it's own decision is that it will see a reduction in the amount of GST (Goods and Services Tax) and Company Tax that it will recieve. This could effect the Government as it gets the money for their subsidies (Government spending) from taxes such as GST and Company Tax. This would mean that they would have to increase another tax, for example petrol, so that they can still afford their spending. This could make them fall out of favour with households throughout New Zealand.



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## Excellence

**Subject:** Commerce

**Standard:** 92030

**Total score:** 08

Q	Grade score	Marker commentary
One	E8	<p>The candidate described at least two interdependence scenarios, described a direct effect on the roading company, explained some flow on effects correctly and explained how at least one of the flow on effects affected an interdependent financial relationship.</p> <p>The candidate then stated an appropriate decision and evaluated positive and negative consequences on specific participants in the case study.</p>