

90838



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Level 1 Business Studies, 2015

90838 Demonstrate an understanding of external factors influencing a small business

9.30 a.m. Friday 27 November 2015
Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate an understanding of external factors influencing a small business.	Demonstrate a detailed understanding of external factors influencing a small business.	Demonstrate a comprehensive understanding of external factors influencing a small 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 the questions in this booklet.

Refer to relevant business knowledge and/or Māori business concepts in your answers.

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.

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

TOTAL

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QUESTION ONE: LEGAL INFLUENCES – FAIR TRADING ACT 1986ASSESSOR'S
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Joe Green owns a small egg farm in the Waikato region called *The Egg Range Ltd*. He has been in the area for many years and is a well-known and well-regarded businessman. He promotes the production and sale of all his eggs as free range eggs. Free range eggs are defined as eggs produced from hens that roam freely outdoors. However, not all of Joe's hens are free range. Some of them are raised inside a barn and do not spend time outdoors. A member of the public has raised concerns about Joe's free range products.

- (a) Fully explain how the Fair Trading Act 1986 applies to *The Egg Range Ltd*'s promotion of its products.

In your answer:

- describe the main objective or purpose of the Fair Trading Act 1986
- fully explain, with an example, what *The Egg Range Ltd* might have to do to comply with the Fair Trading Act 1986.

- (b) Using a named small business (maximum of 20 workers and/or with a local or community significance), discuss how the Fair Trading Act 1986 could affect the named business.

Name of the small business	
Good(s) sold or service(s) provided	

In your answer:

- describe an example of what the business should do to comply with the Fair Trading Act 1986
- fully explain ONE positive consequence for the customer, of the named business complying with the Fair Trading Act 1986
- fully explain TWO negative consequences for the named business of not complying with the Fair Trading Act 1986.

**More space for this answer is
available on the next page.**

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Joe has heard rumours that a larger egg farm is moving into the area, with the intention of raising free range hens and selling organic free range eggs. Even though organic eggs are more expensive, this will still create some competition for *The Egg Range Ltd*, as there is already speculation amongst consumers that Joe's eggs are not all free range, and also because Joe does not give his birds organic bird feed, which is growing more popular with consumers. However, it is still a relatively new market.

(b) Discuss how the potential competition will affect *The Egg Range Ltd* and identify solutions for *The Egg Range Ltd* to deal with the new competitor.

In your answer:

- fully explain TWO negative effects the new competitor might have on *The Egg Range Ltd*
- describe TWO solutions for *The Egg Range Ltd* to deal with the new competitor
- select the better solution, and fully explain why it would be more effective than the other solution.

The objectives of different stakeholders may conflict, and the business needs to work at meeting the expectations of all stakeholders.

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(b) Discuss how customer objectives and local government objectives for *The Egg Range Ltd* may conflict.

In your answer:

- describe how stakeholder objectives can conflict
- fully explain a situation where the objectives of *The Egg Range Ltd's* customers may conflict with the objectives of local government, and how these may affect the business
- fully explain how *The Egg Range Ltd* may meet the conflicting expectations of these two stakeholders, in the short term and the long term.

More space for this answer is available on the next page.

