

90843



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Level 2 Business Studies, 2016

90843 Demonstrate understanding of the internal operations of a large business

2.00 p.m. Friday 25 November 2016
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 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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Background information for all questions

RAD Coffee, widely known as *RAD*, roasts and grinds coffee beans, and sells these to cafés and restaurants throughout New Zealand. Sally Johnson started the company in 2008. All decision-making takes place in the Dunedin head office. *RAD* operates three other coffee bean roasting and distribution centres, located in Blenheim, Nelson, and Invercargill. The managers of these centres report to Sally every three months.

As part of its commitment to corporate social responsibility, *RAD* donates a percentage of its profits to charities and local causes. The managers in Blenheim, Nelson, and Invercargill can decide on the level of donation in their respective communities. *RAD's* commitment to corporate social responsibility is an important way for the company to differentiate itself from other coffee producers. *RAD's* coffee beans are priced higher than those from their competitors.

QUESTION ONE: The costs and benefits of corporate social responsibility

- (a) Fully explain ONE benefit and ONE cost to *RAD* of giving a percentage of its profits to charities and local causes.

(b) Discuss how a large business (more than 20 employees and/or with a national or regional significance) you have studied shows corporate social responsibility in local communities, **other** than by making donations to local causes.

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In your answer:

- fully explain ONE way in which the large business undertakes corporate social responsibility, other than by making donations to local causes
- justify, with TWO reasons, whether undertaking corporate social responsibility in this way improves long-term economic sustainability for your chosen business.

Business name	
Good(s) sold or service(s) provided	

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

QUESTION TWO: Monthly revenue and cost reports to aid decision-making

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Donations to local causes have grown, and Sally is concerned that they are becoming harder to control. Profits are falling, despite rapid growth. She has asked all centre managers to prepare revenue and cost reports monthly instead of quarterly (every three months). The centre managers agree, but have indicated to Sally that because of the rapid growth of *RAD*, they are already overworked.

- (a) Fully explain how monthly revenue and cost reports, instead of quarterly reports, may improve decision-making **for Sally**. In your answer, include an explanation of the purpose of revenue and cost reports.

QUESTION THREE: Organisational structureASSESSOR'S
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After three months of looking at the monthly revenue and cost reports, Sally is convinced that controlling *RAD*'s operations is becoming too difficult. She feels that *RAD* needs a new organisational structure. She has arranged to meet with her managers at the three other centres to discuss alternative organisational structures and decide which would be the most appropriate, given that the current rapid growth is expected to continue for at least the next two years.

- (a) Explain which organisational structure is likely to currently operate at *RAD*, and fully explain why this structure may make *RAD*'s operations too difficult to control.

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

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