

92031R



Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 1 Commerce 2025

92031 Demonstrate understanding of the financial viability of an organisation

Credits: Five

RESOURCE BOOKLET

Refer to this booklet to answer the questions for Commerce 92031.

Check that this booklet has pages 2–4 in the correct order and that none of these pages is blank.

YOU MAY KEEP THIS BOOKLET AT THE END OF THE EXAMINATION.

CASE STUDY

Whare Hangariki Ltd

Whare Hangariki Ltd is a limited liability company based in Hamilton that produces small portable homes on wheels designed for first home buyers. The company is jointly owned by two siblings, Karl and Mia, who were concerned at the impact of rising property prices on young people entering the housing market. The portable homes have fully functioning kitchens and bathrooms, and are fully insulated so they are warm in the winter. The target market is mainly young couples aged between 20 and 39, but lately the company has had enquiries from retired people interested in downsizing.

Whare Hangariki Ltd's pūtake is to provide attractive tiny homes, using high quality, sustainable wood and steel, at affordable prices. Karl and Mia are also passionate about developing effective relationships with the community by offering apprenticeships to students from the local high school.

Whare Hangariki Ltd employs one manager and three builders to construct the homes in its factory before they are transported to their new locations. The homes sell for \$70 000 direct from the factory, which is considerably cheaper than buying a traditional first home. The production cost per unit is \$40 000, resulting in a gross profit of \$30 000 per unit. The company is funded from private savings and a 25-year bank loan. Recently, the company has started renting out five small houses at \$300 per week, which is proving to be popular.

Karl and Mia withdraw \$1 000 a week each as compensation for their time and skills.

FINANCIAL AND NON-FINANCIAL INFORMATION

SWOT analysis for *Whare Hangariki Ltd*

Strengths	Weaknesses
<ul style="list-style-type: none"> • First-to-market advantage • Relationship with the community • Loyal employees 	<ul style="list-style-type: none"> • Increasing building cost • Limited market size • Limited repeat business
Opportunities	Threats
<ul style="list-style-type: none"> • Expand rental market • Potential of technology / AI / laser printing • Active retired people wanting to downsize 	<ul style="list-style-type: none"> • New competitors including larger overseas companies • Current competitors • Changes in Government policies for housing

Whare Hangariki Ltd
Income Statement for the year ended 31 March 2025

	\$	\$	\$
Revenue			
Sales			1 400 000
Less cost of goods sold			<u>800 000</u>
Gross profit			600 000
Add other income			
Rent received			<u>78 000</u>
			678 000
Less expenses			
Distribution costs			
Advertising and marketing	4 500		
Employee wages	390 000		
Diesel for delivery trucks	10 000		
Repairs to building equipment	6 000		
Depreciation – building equipment and delivery trucks	<u>3 000</u>	413 500	
Administrative expenses			
Office expenses	94 000		
Depreciation – buildings and office equipment	10 500	104 500	
Finance costs			
Interest on loan		<u>26 200</u>	
Total expenses			<u>544 200</u>
Profit for the year			<u>133 800</u>
<p>Note: Karl and Mia are withdrawing \$1 000 a week each as compensation for their time and skills. This is not shown in the income statement.</p> <p>The 25-year bank loan rate is 6% per annum and the repayment (including interest) is \$600 per week.</p>			

Break-even point for *Whare Hangariki Ltd*
(cost-volume-profit analysis)

Karl and Mia have calculated that the break-even point is eight homes per year.

The break-even point is calculated using the formula:

$$\frac{\text{Fixed costs}}{(\text{Selling price per unit} - \text{variable costs per unit})}$$