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90843



NEW ZEALAND QUALIFICATIONS AUTHORITY  
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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.**

**Achievement**

**TOTAL**

**9**

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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.

A benefit of *RAD* giving a percentage of their profit to local charities is that the community would be grateful for their contribution. By *RAD* having a good name in the community people are more likely to splash out on a more expensive product as they know their money is going to a good cause.

A cost of *RAD's* CSR (corporate social responsibility) is that profit is going elsewhere as opposed to being re-invested in the business.

The pros outweigh the cons in this situation as having a good name or reputation in the community is important as it sets them apart from other coffee producers and draws positive attention too them.

- 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	<del>Brumblings</del> New World //
Good(s) sold or service(s) provided	<del>Brumblings</del> Supermarket //

~~unpleasant~~ ~~phenomena~~ ~~unpleasant~~  
~~respectively~~ ~~by~~ ~~following~~ ~~the~~  
~~group~~ ~~the~~ //

New World demonstrates corporate social responsibility by disposing of waste in an environmental way.

They recycle everything they can and foodwaste caused by over-production is sent to a local pig farm as opposed to going to a landfill.4

Undertaking corporate social responsibility means that the waste that new world does produce is being effectively disposed of. This is a good example of the maori business concept kaitiakitanga. Kaitiakitanga is about sustaining the environment for future generations.

## Demonstrating Corporate social responsibility

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

in such a way aids in long-term economic sustainability by reducing the amount of waste New World produces in the first place and also helps them to help the environment. "

A3

## 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.

Revenue and cost reports <sup>will</sup> give RAD an idea on where they are spending majority of their money and will be able to act on this by minimising expenses in that area. When this is done ~~every~~ ~~three~~ quarterly there is less refining that can be done as Sally would have to wait three months to see ~~a report~~ revenue and cost reports. Whereas, if this is done monthly, Sally and the centre managers can act on the problems on where they have far too many ~~unnecessary~~ expenses and adjust those expenses monthly, rather than quarterly to where there is an improvement of ~~profit~~ income and minimal expenses. //

- (b) Fully explain ONE benefit and ONE cost to the managers of the three other centres of preparing monthly revenue and cost reports instead of quarterly reports, and justify, with TWO reasons, whether monthly reporting will ensure that centre managers remain motivated, despite the rapid growth of RAD.

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One benefit to the managers of the three other centres of preparing monthly revenue and cost reports instead of quarterly is that they will be able to justify how to increase profit more frequently than every three months. This will be done by ~~now~~ analysing the expenses and minimising them in order to save money, however they will need to ensure ~~the~~ minimising certain expenses won't reduce income.

One cost to the managers of the three other centres of preparing monthly revenue and cost reports instead of quarterly is that they would need to pay for an accountant to work out the figures. This would cost them more than usual as before they only wanted one report every three months, and now they want three reports every three months.

A reason why monthly reporting will ensure that the centre managers remain motivated is because they will be able to see the positive affects of making changes monthly, and seeing how their business is going. This will motivate them to keep getting monthly reports to further positively affect their business.

However, monthly reporting may demotivate managers as they are spending more money. This can lead to them not fully analysing the reports as they have a negative mindset. Thus defeating the purpose of having the monthly reporting in the first place.

A3

### QUESTION THREE: Organisational structure

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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.

The current structure ~~currently~~ being used to operate RAD would be a tall structure, with a narrow span of control. Having this structure means that decision making is left mostly to the CEO and the managers. It also means that within RAD there are many subordinates, making communication within the business easy, but ~~that's~~ having a tall structure means that they aren't flexible to change and the growing environment of the business. Tall structure may make RAD's operations too difficult to control as since ~~was~~ RAD is seen to rapidly grow within the next couple of years, a tall structure may not be able to comprehend with this growth. //

- (b) Discuss ONE new organisational structure which may allow Sally to remain in control and also enable managers at the other centres to have greater input into decision-making.

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In your answer:

- identify and explain how this new organisational structure works
- fully explain ONE disadvantage to Sally of using this new organisational structure to improve decision-making
- justify, with TWO reasons, why this new organisational structure is more appropriate for Sally to improve decision-making at RAD, given that rapid growth is expected to continue.

A new organisational structure that Sally could use would be a flat structure, which has a very wide span of control. This is the type of structure Sally is looking for as the decision making of this structure is decentralised - meaning that managers and subordinates will have a greater say in the decision making of RAD, which is very important when considering the growth of RAD as Sally may feel she needs more help and input from the other managers and staff to make decisions. It will also help decision making as she will be given many different ideas and inputs then she would think of by herself. A disadvantage of Sally using this structure to make decisions is that decision making may take longer as 1

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



she will have many more points that she will need to consider before she makes the final decision due to the input of others ideas. //

Flat structure will be good for Sally because she will be able to very easily communicate with the subordinates knowing they will get the message quickly. //

A3

Achievement exemplar for 90843 – 2016		Total score: 9
Q	Grade score	Annotation
1	A3	<p>The candidate's grade would have been higher if better business language had been used in their explanation. For example, in part (a) the candidate has explained a benefit of giving a percentage of its profits to charities by stating "it gives RAD a good name and people will buy a more expensive product, as they know their money is going to a good cause". By using business terms such as "brand image", "customers" (restaurants and cafes), and "income" their response would be enhanced.</p> <p>In part (b) the candidate has correctly explained corporate social responsibility for their chosen business, without going into detail about the impacts on that business.</p>
2	A3	<p>In part (a), the candidate has not referred to revenue reports in their response.</p> <p>In part (b), the candidate has identified a benefit and a cost to managers of monthly revenue and cost reporting, but has not expanded further by explaining how these benefits and costs impact on the managers.</p>
3	A3	<p>In part (a), the candidate used the features of a tall organisational structure to correctly explain which organisational structure RAD is using, and why operations may be too difficult to control. Reasons were given throughout.</p> <p>Similarly, in part (b) the features of a flat organisational structure were included, and reasons given for statements.</p> <p>The candidate did not earn a Merit grade, as the impacts on Sally of using a flat organisational structure were not included.</p>