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91381



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD
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SUPERVISOR'S USE ONLY

Level 3 Business Studies, 2017

91381 Apply business knowledge to address a complex problem(s) in a given global business context

9.30 a.m. Friday 10 November 2017
Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Apply business knowledge to address a complex problem(s) in a given global business context.	Apply in-depth business knowledge to address a complex problem(s) in a given global business context.	Apply comprehensive business knowledge to address a complex problem(s) in a given global business context.

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

There is **ONE** task in this booklet. You should attempt **ALL FOUR** parts of the task.

Pull out Resource Booklet 91381R from the centre of 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.

Merit

TOTAL

M5

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Use the information from the resource booklet and the boxes in this booklet, in addition to your business knowledge, to complete this task.

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Kete Kai started in Auckland in 2011 with a simple idea – to supply a low-cost food box of natural ingredients and recipes for households, to allow them to home-cook and share great family meals.

The business founders placed a real focus on social sustainability, for their customers and for their employees. They worked hard to maintain good relationships.

Sales grew rapidly in the years up to 2016.

TASK

- (a) Using Resources A and B, fully explain TWO possible causes of *Kete Kai*'s rapid sales growth to 2016.

A possible cause of *Kete Kai*'s rapid sales growth in 2016 could be due an increase in consumer confidence which grew in 2016. This means consumers/households are more confident about the future and are therefore willing to spend more on goods and services. *Kete Kai* provides low cost food boxes for households, this increase in consumer confidence means that consumers are now wanting to spend more, therefore as the foodbox is a practical item for households this has motivated these consumers to purchase this box therefore in 2016 *Kete Kai* experienced a large increase in sales with very happy customers, as opposed to 2015 when consumer confidence was low and consumers didn't want to spend.

~~Another possible cause of the rapid sales growth~~
due to uncertainty of ^{the} future. //

Another possible cause of the rapid sales growth could be due to the falling unemployment in //

New Zealand. This means more New Zealanders are getting jobs ~~there~~ therefore have income to spend. As 'Kete Kai' provides essential food which is a basic necessity and ~~no method~~ recipes to cook it. This means these low cost boxes will spark an interest ~~these~~ ~~those~~ households especially these employed people as it will not cause a large dent in their income and is also simple and easy as the ^{recipes} ~~food~~ and ingredients ^{to cook} are all ready. When they arrive home from work. Therefore this fall in ~~unemp~~ unemployment could be another reason why the sales for 'Kete Kai's' food boxes experienced rapid sales in 2016 //

In 2016, *Kete Kai* made the decision to apply the same business model in Sydney, Australia. Investor interest was high, and *Kete Kai* raised sufficient capital to fund cash flow for the Sydney growth strategy.

- (b) Using Resources C and D, fully explain TWO possible effects on *Kete Kai* of its decision to expand into Sydney.

A possible effect on 'kete kai' from its decision to expand into Sydney is that the business in Sydney may not be able to source two of their key raw materials from New Zealand of kumera and Puha, in time to deliver the food boxes to customers. This trouble for 'kete kai' (Sydney) means that the ingredients may not arrive in time to complete the box therefore customers will either go without or experience a time delay. This will mean unhappy customers and a tarnished reputation for 'kete kai' in Sydney. Therefore they may ~~experience~~ find it difficult to find loyal customers and impact by decreasing their profit which will be a negative effect towards kete kai's decision to expand to Sydney.

Another possible effect of their decision to expand to Sydney is the ~~language~~ Maori language barrier. The Australians are not familiar with the Maori language ~~in~~ as it is a native New Zealand language. Therefore the Australians market ~~may~~ may ~~for~~ fear the unknown and be discouraged to purchase the food boxes from 'Kete Kai' ~~as~~ as they have not been informed or ~~not~~ taught about //

the Maori language and culture. This means Australian customers are not drawn to buying the boxes from 'Kete Kai' therefore the Sydney store may find it difficult to enter the market and set up a strong customer base. Therefore they will be losing profits due to the large cost of setting up business in Sydney and not receiving enough sales, which could impact Kete Kai's finances long term. //

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Kete Kai's first premises in Sydney were hired on a short-term basis. Once initial expansion problems had been overcome, *Kete Kai* decided it would need to purchase a larger Australian warehouse location to operate from in the long term. It looked at two possible solutions.

(c) Using Resource E, evaluate BOTH possible solutions.

In your answer:

- fully explain ONE positive effect that EACH solution would have on the business
- state the solution you recommend
- justify your recommendation by explaining why it would be a better solution for *Kete Kai* than the other option.

Option 1: A positive effect of this ~~location~~ location is that the factory is close ~~to~~ the Sydney Airport. This factor will be beneficial to 'Kete Kai' as it means when they source their New Zealand grown raw materials from New Zealand it will be a quick transportation of the ingredients to the ~~new~~ factory which will save large amounts of time in the Sydney traffic and mean the efficiency in which 'Kete Kai' (Sydney) can produce their food boxes will increase thus increasing their productivity and the boxes can then be sent out on time to customers which will result in happy customers thus increasing the businesses reputation and therefore long term profits increase. //

Option 2: A positive effect of this location is that the factory is ~~close~~ in the Bondi area which has a large & expatriate New Zealand ~~people~~ population. This means there will be many //

New Zealanders living in this area who may be attracted towards purchasing the food bags from 'kete kai' to get a taste of home and support the New Zealand business. This will help to increase sales for 'kete kai' and therefore increase profit. Overall I recommend 'kete kai' choose Option 1 for their Australian warehouse. This is because it is close to the Sydney airport so can source New Zealand ingredients faster as explained above, it is also close to La Perouse Market Gardens, vegetable supplier where kete kai can also source other natural ingredients that do not need to come from NZ and have quick and easy access to it. Whereas option 2 is close to the expatriate NZ population and Bondi beach, gym and shops, however the nearby locations in Option 1 are more beneficial in allowing the food boxes to be made efficiently. Also option One is \$800,000 cheaper than the option 2 warehouse which will save 'kete kai' funds which they can use to improve other areas of the business. Lastly Option 1 also has a factory size of 300m^2 and an office space of 20m^2 , ~~whereas~~ which will be beneficial for kete kai when ~~pro~~ storing and producing the food boxes, whereas Option 2 has factory area of 240m^2 and office of 40m^2 . As the factory area is most important for the manufacturing of these boxes over the office area this is another reason identifying Option One's suitability.

Kete Kai's next step was to purchase a large-scale refrigeration unit, to be installed at the new location to keep meats, fruits, and vegetables fresh. The production manager has researched many models and has suggested two possible solutions to choose from.

(d) Using Resource F, evaluate BOTH possible solutions.

In your answer:

- fully explain ONE positive effect that EACH solution would have on the business
- state the solution you recommend
- justify your recommendation by explaining why it would be a better solution for Kete Kai than the other solution.

Solution A: A positive effect of purchasing this refrigeration unit is that the payback period is 4 years, 6 months. This means over this time the fridge will be paid off and ~~done~~ after 4 years 6 months it will be fully paid off. This means after this time 'Kete Kai' will experience the full benefits of this unit as none of the sales revenue will be taken out to pay for this. This means after this short time 'Kete Kai' will experience reduced costs and therefore increased profits long term.

Solution B: A positive effect of purchasing this refrigeration unit is that the size is very large. Kete Kai will benefit greatly from the 4m x 2m x 1m unit as it means more vegetables can be stored away and kept fresh. This is a positive as it means more boxes can be created at a time as there is more room to store the food. This increases the productivity for 'Kete Kai' as more boxes produced means more customers that can //

receive the box therefore as sales increase
 in turn so does profit. Overall I recommend
 'kete kai' choose Solution B. This is because
 of the larger fridge space as opposed to
 Solution A which is $1\text{m} \times 2\text{m} \times 0.6\text{m}$, therefore
 Solution B is more suitable in allowing more
 ingredients to be stored which primarily will ~~then~~
 help increase the number of boxes that can be produced.
 Also the Average rate of return is 10.2% which
 means ~~'kete kai' will have a return of~~ 10.2% ^{return} ~~of~~
 of sales for 'kete kai' will be a ~~res~~ result of this fridge,
 whereas Solution A's is 7.5% . ~~And~~ Although Solution
 B does have a payback period of 7 years as
 opposed to the other fridge which is about half of
 that, I still believe that over time this larger
 fridge will be more beneficial towards 'kete kai's'
 output and overall profits as opposed to the
 smaller fridge, therefore the 7 years payback
 period should not be a problem and the positive
 impacts outweigh this. Overall 'kete kai' will be
 more profitable in the long term if they chose
 Solution B. //

Extra space if required.

Write the question number(s) if applicable.

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QUESTION
NUMBER

(C) Overall I believe Option One will be the best location for warehouse for 'kete kar' to reflect the needs of the business and to further aid in increasing productivity and profit. //

Subject:		Level 3 Business Studies	Standard:	91381	Total score:	M5
Q	Grade score	Annotation				
1	M5	<p>Part (a) The candidate has fully explained possible causes of the rapid growth in sales. Holistically, the two explanations of the causes provide sufficient evidence for the answer to reach a low Merit level.</p> <p>Part (b) The two effects of the expansion have been fully explained – for example, “Customers will experience delays, meaning unhappy customers and a tarnished reputation, which will impact on profits.” Statements such as ‘... impacts on profit, due to the cost of setting up business in Sydney and will impact <i>Kete Ka’s</i> finances long term ...’ are weak Fully Explained effects; however, holistically this answer provides enough evidence for Merit.</p> <p>Part (c) The effect of option 1 is fully explained. The candidate has related the positive effect directly to the impact on the business, such as “... increasing productivity, increasing business reputation ... long-term profits increase”. Option two is partially explained, but the assumption is made that increased sales automatically increase profit, without any other effects on the business. The recommendation does provide a little additional evidence, but not to the extent required to achieve an Excellence grade.</p> <p>Part (d) The candidate has fully explained an effect of each solution, with solution B gaining additional evidence through the explanation of the recommendation. The recommendation does not provide enough additional business knowledge or depth to enable the candidate to reach Excellence level.</p> <p>Overall, this is a Merit response to the task.</p>				