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Level 2 Business Studies, 2019

90844 Demonstrate understanding of how a large business responds to external factors

9.30 a.m. Tuesday 26 November 2019
Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of how a large business responds to external factors.	Demonstrate in-depth understanding of how a large business responds to external factors.	Demonstrate comprehensive understanding of how a large business responds to external factors.

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 parts of the task in this booklet.

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 2–11 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.

High Merit

TOTAL

06

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TASK

This task has four parts, (a) to (d). Use the background information below, the supplementary information in the other boxes, and your business knowledge to complete this task. You may integrate any relevant Māori business concepts into your answers.

Magical Movers is a residential moving company based at Pukekohe in South Auckland, with 40 employees who perform a range of functions, including sales and marketing, information technology, logistics, operations, and finance. The company has a range of different-sized vehicles for short and long haulage, and has a large storage facility in central Auckland. It has multiple contracts with moving and transport companies throughout New Zealand.

The residential moving market is growing fast in New Zealand, but there is considerable competition, with many larger transportation companies operating in this market. Although wages are very high for movers, it is difficult to find skilled people to work in an industry where the hours are long and the work is physically demanding.

Magical Movers is a member of the Road Transport Forum, an employer association that was formed in the late 1990s to provide the road-freight industry with a single national voice. It deals with a range of issues related to government, including road-user charges, road construction, and vehicle regulation.

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You may choose **either** *Magical Movers* or a large business (more than 20 employees and/or with a national or regional significance) that you have studied in depth.

- (a) Referring to *Magical Movers* or your chosen business, fully explain TWO benefits to the business of belonging to an employer association.

The benefits of *Magical Movers* belonging to an employer association would be collective bargaining, and not having to do everything themselves. One benefit of *Magical Movers* being part of an employer association means that there are other members who are in similar situation as *Magical Movers* in the employer association, so they can share ideas with each other, and when they're facing the same issues in their businesses the leaders of the employer association will listen to their complaints and problems, then represent ~~them~~ all the ~~business~~ members in the employer association, becoming a 'single national voice', which is a lot stronger, since they're a collective of members, compared to if *Magical Movers* were to voice their issues alone by themselves. And by being part of the employer association, another benefit *Magical Movers* would have is that they don't have to 'fight' alone, and also, the leader of the employer association will help 'fight' for them. By 'fight', I mean like if the road-user charges are too high, then the leaders of employer association will 'fight' / ^{argue} / convince the government to lower the road-user charges. Meaning *Magical Movers* won't even have to do anything other than state their issues to the employer association, and the leaders of the employer association will help solve their issues. Therefore, the two benefits of *Magical Movers* ~~with respect to~~ being a member / belonging to an employer association is that, their voice / issues will be heard by the government through the employer association leaders, as they're a collective bargaining and cannot be ignored, plus, after stating their issues to the employer association, *Magical Movers* does not need to do much as the employer association will do most of the ~~work~~ flow-on work, meaning

The government is looking at ways of improving New Zealand's roading system, which requires considerable financial investment. One method the government has used to raise the necessary capital is to increase the tax on fuel in specific parts of the country, such as Auckland, where *Magical Movers* is based. Any increase in fuel costs affects the profitability of transportation businesses. *Magical Movers* operates in a price-sensitive industry in which there are many competitors.

The government is considering whether to apply this policy to other parts of the country.

You may choose **either** *Magical Movers* **or** a large business (more than 20 employees and/or with a national or regional significance) that you have studied in depth.

- (b) Referring to *Magical Movers* or your chosen business, discuss TWO responses that the business could make to reduce the impact that a rise in fuel costs is likely to have on its profitability.

In your answer:

- ✓ explain how a rise in fuel costs would impact on business profitability
- ✓ fully explain TWO responses the business could make to reduce this impact while operating in a competitive market
- ✓ justify, with TWO reasons, why one response would be better than the other.

As *Magical Movers* use vehicles to move do their business of moving and transporting, they use a lot of fuel. Therefore, the rise in ~~fuel~~ fuel costs would have a big negative impact on the business profitability, as it would increase the cost for *Magical Movers* to continue running their business. The profitability of *Magical Movers* will decrease with the ~~rise~~ rise in fuel costs. Usually, in cases like this, the business would increase their price to cover the cost of fuel, however, for *Magical Movers*, they are price-sensitive industry with many competitors, so if they increase their price, it would be ^{giving an} advantage to their competitors, therefore, increasing their price ~~is not~~ ^{is not} ~~the best~~ ^{the best} solution. Instead, one of the ~~solution~~ ^{responses} the business could make to reduce this impact of increase in fuel costs, while operating in a competitive market would be to ~~try~~ ^{try} find a way to decrease their business cost of operation. *Magical Movers* have 40 employees who perform a range of functions, therefore, one of the ways for *Magical Movers* to ~~reduce~~ decrease their cost of operation would be to lay off some ~~staff~~ employees, because as mentioned on ~~Page~~ ^{Page} 2, 'wages are very high for movers'. So by laying off some employees

Magical Mover's cost of operation will decrease, ~~and~~ and this decrease will ^{help} cover the rise in fuel costs, without the business having to increase their price. An increase in price would lead to decrease in demands, therefore, businesses should avoid increasing price as much as possible unless needed. Another way Magical Movers can respond, ~~to~~ is by finding cheaper suppliers (for example, the tools they use for moving and transporting, ~~the~~ the expenses ^{when} of repairing their vehicles, they should find cheaper supplier for those). And with these cheaper supplier, the cost of operation will decrease, and this decrease is good as it'll help cover the rise in fuel cost. This way ~~#~~ Magical Movers will not need to increase their price, but is still able to cover the cost / expenses, and make profit. At the same time, not giving their competitors advantages in this competitive market.

The first response of laying off some employees is better than the response to finding cheaper suppliers. To lay off some employees is better because this way, ~~the~~ the quality of the business operation is ~~still~~ ^{better} ~~regard~~, ~~however~~ compared to finding cheaper suppliers, because cheaper usually ^{means} the quality is not as good, ~~and~~ if the tools use for moving ~~the~~ are not good quality, there are ^{more} chances of damaging the objects that are being moved which will lead to customer / client's dissatisfaction and bad ~~#~~ publicity. ~~Therefore~~ laying off employee which will lead to decrease in service provided, and decrease in profit. Another reason why lay off employees is better is because employees wages are paid weekly, and as stated, the movers wages are ~~quite~~ very high, so this means that a large amount of wages is given weekly, which increase the cost of operation, whereas supplies are not brought weekly. The tools brought will most likely be used ~~for~~ for months or years depending on what it is, so finding a suppliers wouldn't decrease the cost of ~~paid~~ operation as much as the high amount of wages paid weekly. In addition, if the employees get ~~was~~ injured during work, as this is a physically demanding job, the business (Magical Mover) will need to cover the ~~cost~~ ^{hospital} expenses, ~~#~~ and this will increase the cost of the business's operation. Therefore, laying off some employees is a better response ~~#~~ compared to the respond of finding cheaper suppliers. //

Magical Movers has developed a code of ethics for all its workers. In the code of ethics, particular attention is paid to ensuring that customers pay a fixed rate for moving services which does not change if the job takes longer than expected. The code of ethics also helps to ensure that employees get appropriate meal breaks and rest stops to maintain their well-being when working.

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You may choose **either** *Magical Movers* **or** a large business (more than 20 employees and/or with a national or regional significance) that you have studied in depth.

- (c) Referring to *Magical Movers* or your chosen business, fully explain TWO reasons why the business needs to make ethical decisions regarding how it operates.

Magical Movers needs to make ethical decisions regarding how it operates because the workers are humans, not machines, therefore they need to be given time to eat and rest, otherwise ~~that~~ Magical Movers will be seen as treating their employees inhuman, which will be a negative publicity for the business and affect the profitability. One reason is because, as I've already mentioned, Magical Movers' ~~own~~ employees are human, and moving is a job that is physically demanding, therefore, they need to rest and eat to maintain their well-being when working, otherwise if they don't have enough energy and strength, they're likely to make mistakes when working, ~~which will~~ and even injured themselves. This will lead to hospital expenses, increase in cost and negative publicity. Another reason is because, as stated on Page 2, "it is difficult to find skilled people to work in this industry (Magical Movers, moving and transporting)". Therefore, ~~if~~ Magical Movers need to make ethical decisions to ensure ~~there~~ their employees are treated fairly and ethically, otherwise the business will end up with no workers, as it is already difficult to find workers in this industry, if Magical Movers does not operate ethically, they will lose their workers, which will be bad for the business, as the business will not survive without workers. Therefore, the two reasons why the business needs to make ethical decisions regarding how it operates is that, one, they need to ensure the well-being of their workers and ^{have positive} ~~having good~~ publicity, and two, they need to ^{and motivate} keep their workers and if there is a worker retiring or injured, they need more people to apply for the job, ~~then~~ ^{only by} ~~so~~ being ethical, will there be more people willing to work in this industry.

All New Zealand businesses must comply with the laws in New Zealand. Laws that are likely to impact on large businesses in New Zealand include:

- Privacy Act 1993
- Employment Relations Act 2000
- Resource Management Act 1991.

(d) Choose ONE of the laws from the box above, and then complete the table below.

For a large business that you have studied (more than 20 employees, and/or having a national or regional significance), discuss how its relationship with a key stakeholder is affected by the business complying with the law.

In your answer:

- ✓ identify the law that you will discuss and, using a specific example, explain how the business has ensured that it complies with your chosen law
- ✓ fully explain ONE advantage and ONE disadvantage to the business of complying with this law
- ✓ justify, with TWO reasons, whether complying with this law improves the relationship of the business with a key stakeholder group.

Name of large business:	Ponirua McDonald
Goods and/or services provided:	Fast food
Chosen law	Employment Relations Act 2000
Key stakeholder group	Not sure (We were not told)

Ponirua McDonald has complies with "Employment Relations Act 2000" by having an employment contract, where both parties make agreements and signed the document / contract. One of the agreement in the Employment contract is that employees are allow to join union groups, and they will not be discriminated or ~~if~~ treated unfairly because of ~~the~~ joining the union groups. ~~the~~ According to Aaron, the operating manager of Ponirua McDonald, most employees joined State Union. One advantage of ~~having~~ the business (McDonald) complying with this law (Employment Relations Act 2000) is that with this law, Ponirua McDonald is able to create 'good faith' with their employees. This means that the employees feel that they are needed and welcome ~~by~~ in their work place (Ponirua McDonald).

which lead to the employees being motivated to work hard for the business, meaning better customer services & the employees smiley brightly to customers and being polite, leading to customer satisfaction as they're being ~~and~~ treated so nicely, leading to more sales and positive publicity, which will then increase the business's ~~the~~ profitability. Also, ~~and~~ by complying to "Employment ^{Relations} Act 2000" and the workers signing the Employment Contract, the employees know what they can do and can't do, and what rights they have, which will stop them from being confuse and not knowing what to do ^{if} when something happens, instead they will feel safe and secure as they know what they're doing and what rights they have. And since they feel safe and secure in their workplace, they're likely to be more ~~with~~ productive able to focus on their productivity, meaning with happy employees, the productivity is most likely to increase, and increase in productivity means an increase in sales and revenue, which lead to an increase in profitability, meeting the business & Pmsua McDonald's ~~goal~~ goal of profit maximisation. And these profit can go toward expanding the business or improving the business, therefore, they are advantages of complying with the law "Employment Relations Act 2000". However, there's also disadvantages of ^{the business} complying to this law & "Employment Relations Act 2000". One of the disadvantages for the business is that, with the Employment contract allowing employees to join Union groups, the union group ~~will~~ ~~with~~ ~~create~~ interference will almost always get involve when there's an issue between employees and employers, creating a 'barrier' between the employees and employer. This 'barrier' is bad for the business, as these issues take longer to solve with the Union ~~interference~~ interference, which is time consuming and ~~has~~ ~~negative~~ negative publicity for the business. And during ^{the} ~~this~~ time the issue is not solve, employees will be de-motivated to work, leading to decrease in productivity, meaning less sales, which then lead

Extra space if required.

Write the question number(s) if applicable.

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to less profit, and not ~~meet~~ achieving the business (Ponua McDonald's) goal of profit maximisation. Therefore, it is a disadvantage of complying to the law "Employment Relations Act 2000". Also, by complying to this law, the relationship of the business with a key stakeholder group will improve, because by complying to this law, workers are happy and content, leading to increase in productivity, and better customer services, which then lead to increase in sales and revenue, achieving the business (Ponua McDonald's) goal of ^{maximum} profit maximisation. And the stakeholder group can see this positive effect, positive publicity, therefore the relationship of the business and stakeholder group is improved. Another reason would be, by ~~having~~ complying to the law "Employment Relations Act 2000" the stakeholder group can be assured that the employees are treated fairly and that the employer and employees have 'good faith' between them. ~~But~~ which lead to a better working environment and ~~not~~ not having to pay ~~fine~~ ^{fines} for breaking the law. This reassurance further improves the relationship between the business (Ponua McDonald's) and with ^{their} key stakeholder group. As the stakeholder group knows the business have positive publicity and isn't doing anything illegal. This also lead to the Maori concept of Whārangatiranga, being a part a family of the workplaces.

Merit Exemplar 2019

Subject	Level 2 Business Studies		Standard	90844	Total score	06
Part	Grade score	Annotation				
a	M6	A long answer about a single national voice.				
b		Does not reach Excellence, as the two responses are too similar (expenses and cheaper suppliers). The justification given repeats these ideas.				
c		The same idea has been provided twice, so only one FE.				
d		Understanding of a stakeholder is not sufficient for Excellence. Good FE for the advantage and disadvantage.				