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90844



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NEW ZEALAND QUALIFICATIONS AUTHORITY  
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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 Excellence

TOTAL

08

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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.

One benefit of Magical Movers belonging to the employer association is that they have a bigger voice when it comes to arguing one of their grievances. Belonging to an employer association is very ~~helpful~~ <sup>beneficial to Magical Movers</sup> when wanting to make a point about road construction, vehicle regulation or road user charges, they have a stronger voice as there is strength in numbers. If Magical Movers went to try and voice their ~~issues~~ <sup>grievances</sup> to the government by themselves, it's likely they would be ignored <sup>by the government</sup> as they are only one single business. However, if they have the support of an employer association behind them, the chances of the government listening to them and providing a solution that satisfies both parties increases. Another benefit of belonging to an employer association is that it helps Magical Movers to remain a competitive business on the market, this is because as they are a part of this association, they are able to ~~act~~ <sup>interact</sup> with other employers (their competitors) every so often at which they are able to view and/or hear their ideas and issues <sup>they are pitching to the government</sup> which Magical Movers can then use this information to strategize ~~their~~ their marketing so that it draws the customers away from their competitors by exploiting their weaknesses and helps attract more customers towards their business which <sup>increases</sup> ~~helps~~ sales as a result, ~~and~~ resulting in an increase in cash flow which therefore increase the business overall.



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:

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

A rise in fuel costs - set on by the government - would impact *Magical Movers* profitability as it would lower the overall profit the business would make. As the government has placed a tax on fuel to raise the essential capital to improve New Zealand's roads, it would impact *Magical Movers* as the expenses of operating their different sized vehicles to transport furniture needing to be moved would increase as the cost of fuel has also increased. This increase in expenses would result in less overall profit made as for the business as *Magical Movers* would need to use revenue to pay off the extra expense of increased fuel prices, therefore decreasing their overall profit, making them a less profitable business and making them a financially ~~unstable~~ <sup>unstable</sup> business. One response that the business could make to reduce the impact



that this new tax on fuel ~~would~~<sup>would</sup> have on them would be to increase the selling price of their service. They could increase their selling price by the amount of increase they are needing to pay for fuel tax. For example - if the fuel tax had increased by 25%, then they could increase their selling price by 25%. By increasing their selling price, Magical Movers would be reducing the impact that <sup>the</sup> a rise in fuel cost would have as they wouldn't be losing any ~~money~~ profit as the increase in the selling price would cover the new tax on fuel cost and therefore the business's profitability wouldn't be affected and their overall profit would remain the same. Another response that the business could make to reduce the impact that a rise in fuel costs would have on Magical Movers would be to ~~look into~~ use bio-fuel ~~and~~ for their transport vehicles. This ~~would~~ reduce the impact the new tax would have on this business as they wouldn't have to pay the taxes as ~~the~~ seeing as their fuel is biofuel it wouldn't have the same taxes as ordinary fuel. Using biofuel would mean that Magical Movers would remain a competitive business on the market as they would now have something different to offer for their company, that is more 'eco-friendly' and would likely appeal to a new target minded that is <sup>inclined to buy from businesses that are</sup> environment friendly. By using bio-fuel, the business's overall profit would not be affected as ~~they~~ ~~tax~~ wouldn't have to pay the new tax, therefore their expenses would not increase, but



*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.

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.

Ethical decisions are important <sup>for</sup> ~~to~~ a business to make as the ethical decisions they make influence the way society views them as a business. Societal standards influence whether a business will remain open or be forced to close their doors. One reason that the business must make ethical decisions as to the way it operates is due to public perception and reputation. If society witnessed ~~a business~~ <sup>Magical Movers</sup> operating in an unethical way, ~~the~~ <sup>the</sup> negative news would be announced to the public and *Magical Movers* reputation would be negatively affected. Consumers are socially aware of what is right and wrong and they wouldn't want to purchase from ~~a business~~ <sup>Magical Movers</sup> ~~that they know~~ <sup>that they know</sup> has been acting in an unethical way and would therefore purchase ~~from~~ <sup>from</sup> their goods/services from another competitor's store. This would result in *Magical Movers* having a decrease in sales as their customers are unwilling to buy from them, which would then result in a decrease in cash flow, and therefore reduce the business overall profit, making *Magical Movers* a financially unsustainable business. Another reason why it is important for *Magical*

(cont p9/10)



no fine - employee unfair dismissal

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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.

Final warning  
90 day trial

(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:	Air New Zealand
Goods and/or services provided:	Flight transport
Chosen law	Employment Relations Act 2000
Key stakeholder group	Employees

The Employment Relations Act 2000 <sup>is set on to ensure that</sup> states ~~states~~ a good relationship between the employers and employees at Air New Zealand is present and able to be maintained so that if any conflict arises, a solution is able to be quickly reached that satisfies both parties and reduces the negative impacts. Air New Zealand has ensured that it complies with the ERA as they have put the 90-Day Trial in place for all new employees starting up at Air New Zealand. This 90 Day Trial gives every employee a fair chance at succeeding at their jobs before dismissal and comply's with the ERA as the law states a business must act with

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fairness and good grace, which Air New Zealand is doing by giving employees the best chance of succeeding. This way ~~they cannot be fined~~ One advantage of complying with the Employment Relations Act 2000, is that by complying with the law, Air New Zealand is giving themselves a lot of legal support ~~increase~~ by staying in regulation with the law ~~and~~ they are unable to be fined. <sup>For example</sup> If an employee was dismissed after his 90-Day Trial and ~~the~~ <sup>this</sup> employee had grievances and wanted to report Air New Zealand for unfair dismissal, <sup>under the ERA Act</sup> Air New Zealand is safe from this situation as they are legally ~~not~~ <sup>fully</sup> supported as they gave ~~the~~ <sup>an</sup> employee a fair chance with their 90-Day Trial. ~~They are~~ They are safe from any complaints or fines, as long as they hold the 90-Day Trial in place. However, there is one disadvantage to complying with the Employment Relations Act <sup>2000</sup>, which is the compliance costs that the business may pay. Compliance costs are the expenses of new uniforms and equipment etc that Air New Zealand must offer to ensure that their employees are given a fair trial. These ~~expenses~~ <sup>costs</sup> can be rather costly and the time taken to train the ~~staff~~ <sup>new staff</sup> can be time-consuming, which can therefore cut out some of Air New Zealand's profit as they must pay the expenses in some form which results in a decrease in cash on hand, which therefore leads to a decrease in overall profit. Complying with this law improves the relationship between <sup>the</sup> employers of Air New Zealand and their employees as complying ~~with~~ with the ERA ~~as~~ creates a more positive culture within the business which helps motivate the employees to work harder.



Extra space if required.

Write the question number(s) if applicable.

ASSESSOR'S  
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NUMBER

Qb) simply remain the same, therefore their overall profit wouldn't be affected. Response two is a better option for Magical Movers to carry out than response 1, I believe, for two reasons. Increasing the selling price (response 1) would most likely drive customers away as their price of their service would be too high for ~~customer~~ consumers to purchase and they may purchase the services of a competitor. This decrease in sales would result in a loss in revenue and therefore a loss in cash flow. This would lead to the business experiencing a decrease in their overall profit which would make Magical Movers financially unstable, hence the reason that response two is a better option than ~~the~~ increasing their selling price. Another reason for ~~the~~ business to invest in biofuel as opposed to increasing their selling price, excluding the fact that it would drive away customers, would be that Magical Movers would now appeal to a new target market with their biofuel. The business would appeal to a new target market as their biofuel is a more environmentally sustainable option for fuel and this would help the business to attract the scales of citizens that are 'eco-friendly' minded people that like to only purchase from businesses that offer environment friendly goods/services. ~~The~~ Magical Movers' biofuel would give them an



## Excellence Exemplar 2019

Subject	Level 2 Business Studies		Standard	90844	Total score	08
Part	Grade score	Annotation				
a	E8	These are fully explained benefits, because they use the context of the case study for <i>Magical Movers</i> well, and have identified two benefits (strength in numbers when confronting the government and interaction with other moving companies). Answers explain why it is a benefit, and also how it will impact on <i>Magical Movers</i> .				
b		The impact of fuel tax on profitability is explained, and two responses are provided (increase selling price and biofuels). Each has been explained as to why it will reduce expenses and the impact this will have on <i>Magical Movers</i> (negates the tax). Justification has two reasons (unique selling point idea of biofuel, and increasing the selling price makes them less competitive).				
c		Fully explained ethical decisions, referencing customers and employees. Impacts of competitive edge and reducing staff turnover discussed.				
d		Explained 90-day trial as part of ERA and advantage of being legal if an employee is dismissed within the timeframe. Disadvantage of timeframe and costs discussed. Justification looks at culture and motivation.				