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Level 2 Business Studies, 2019

90845 Apply business knowledge to a critical problem(s) in a given large business context

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

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

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.

TOTAL

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TASK

This task has four parts, (a) to (d). Use the information from Resources A to C, and your business knowledge, to complete each part. You may integrate any relevant Māori concept into your answers.

RESOURCE A: CASE STUDY

Silver Beach Wineries was established in 1990 on the outskirts of Motueka by George Riwaka. George started the winery as a sole trader, but has slowly grown it into a privately owned, registered company. *Silver Beach Wineries* now has more than 30 employees and distributes wine to more than 50 locations throughout New Zealand.

Silver Beach Wineries has decided to invest in a new online accounting software system that records and processes accounting transactions automatically. This new software replaces a manual (paper) system, and is intended to reduce both the workload for the accountant and the number of errors made when recording business transactions. It will also automatically create financial reports. However, after a quick change from the old system to the new one, there have been issues with the implementation. There are now many errors in the financial reports, and accounting employees – as well as recently hired short-term contractors – are working long hours to correct these errors.

It has not helped that the chief accountant, Jessie Compton, who was the sole manager of the accounts department, and had been working for *Silver Beach Wineries* since the business started 29 years ago, has recently been dismissed.

Jessie seldom took sick days or holidays, and was highly regarded and trusted by George. She was entrusted with all final accounting reports. However, a complete check (audit) of the internal financial controls prior to the installation of the new software system revealed that Jessie had been stealing money. Jessie was redirecting company funds into her own personal bank account, instead of paying cash received into the company's bank account.

As Jessie was the sole person responsible for the accounts and the only one who had knowledge of, and the ability to create, the financial reports, she was able to cover this stealing by falsifying records and removing evidence of her actions. It is estimated that the business has lost approximately $250,000 over the past 10 years.

RESOURCE B: COMPANY FRAUD POLICY

Silver Beach Wineries – Fraud Policy

Management is responsible for the detection and prevention of fraud, including misappropriations (such as stealing) and other irregularities.

Fraud is defined as the intentional false representation or concealment of financial information for personal financial gain. Each member of the management team must be familiar with the types of fraud that might occur within their area of responsibility. Any fraud or other irregularity that is detected or suspected must be reported immediately to the managing director, George Riwaka.

RESOURCE C: COMPANY NOTICE

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Silver Beach Wineries – Actions Constituting Fraud

Fraud and other irregularities include, but are not limited to:

- any dishonest act that hides illegal behaviour for personal financial gain
- stealing of funds, supplies, or other assets
- improper handling or reporting of money or financial transactions
- accepting anything of material value from suppliers, sellers, or persons providing services / materials to the company (Exception: gifts less than $50 in value)
- destruction, removal, or inappropriate use of records, furniture, fixtures, or equipment.

(a) Fully explain TWO possible reasons why Jessie Compton was able to commit fraud.

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(b) Discuss TWO solutions that *Silver Beach Wineries* could implement to reduce the likelihood of fraud happening again.

In your answer:

- explain the TWO solutions
- fully explain how each solution would reduce the likelihood of fraud happening again
- justify, with TWO reasons, why one solution would be more successful in reducing fraud than the other.

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(c) Fully explain TWO impacts that *Silver Beach Wineries* is facing, or will face in the future, due to the problems arising from implementation of the new accounting software system.

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(d) Discuss TWO recommendations that *Silver Beach Wineries* could implement to improve the success of the transition to the new online accounting software system.

In your answer:

- explain the TWO recommendations
- fully explain how each recommendation would ensure a successful transition
- justify, with TWO reasons, why one recommendation would be more effective than the other.

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Extra space if required.
Write the question number(s) if applicable.

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