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90845



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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.**

Low Excellence

TOTAL

07

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## RESOURCE C: COMPANY NOTICE

## 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.

One possible reason that Jessie Compton was able to commit fraud was due to being given too much access to financial records and company funds. By giving Jessie significant access to company funds, George Kivaka enabled Jessie to manipulate and embezzle money from the business. Because of George's trust and faith in Jessie, she was able to manipulate and create financial records to cover her tracks. This led to her stealing ~~money~~ large sums of money over time and being able to cover it up ~~for~~ ~~debt~~. Therefore, in order to prevent this from occurring again, Kivaka should refrain from granting excessive financial power to anyone other than ~~Kivaka~~ himself.

Secondly, Jessie Compton was able to commit fraud through the lack of

- (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.

One possible solution that Silver Beach Wineries and George Kanika could implement to reduce the likelihood of fraud is annual or quarterly audits on the business. By successfully completing regular audits, Kanika could efficiently and thoroughly ensure a lack of fraud throughout the business. ~~This could be~~ Because of the presence of audits, employees would be less inclined to embezzle money from the business due to the significant risk of their transactions being identified. This leads to a significant decrease in the likelihood of fraud occurring in the business again. Therefore, the successful implementation of regular, consistent, and thorough audits would significantly reduce the likelihood of fraud affecting ~~the~~ Silver Beach Wineries. As a consequence of this, Silver Beach Wineries would be able to operate with confidence that their funds are safe and secure. ~~and therefore able to~~



~~At~~ Use more of their capital as ~~the~~  
 Another solution that would effectively  
 reduce the likelihood of fraud reoccurring  
 is ~~the~~ ~~implementation~~ a reduction of  
 financial control over the business for  
 its accountants. By implementing a system  
 where only ~~Ranika~~ George has full control  
 and knowledge over financial records,  
 it would reduce the likelihood of  
 accountants or other employees from  
 having the capabilities to embezzle  
 money and ~~can~~ commit fraud. Because  
 Jessie Compton held the position of Chief  
 Accountant she was able to manipulate  
 financial records with full control over  
 them. Therefore, in order to prevent occasions  
 such as this from occurring again ~~the~~  
 it would be best for the business  
 if Ranika trusted only himself for this  
 role. Source A recounts how Ranika  
 deeply trusted Jessie, and therefore  
 resulted in ~~the~~ Jessie being able to take  
 money from the business. By ensuring that  
 only he has access to financial records  
 and the ability to create them, Ranika  
 is able to effectively ~~can~~ reduce the  
 likelihood of fraud occurring again,  
 as employees ~~are able to~~ ~~at this point~~  
~~will~~ no longer have the capabilities //

- (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.

<sup>One</sup>  
~~One~~ impact of the implementation of the new accounting software system that Silver Beach Wineries is facing is errors in the financial reports. By producing false financial reports, there is a significant risk that the software could damage the business, as false reports could prevent the owners from making correct financial judgements about the business.

One example of this would be if a particular product is selling unsuccessfully. In a working system, ~~financi~~ correct financial records about this particular products & success could be ~~created~~ created, and therefore correct steps to remedy this lack of success could be undertaken.

~~In compar~~ However, due to the flaws in the new accounting software, the business is unable to identify and remedy these issues, thereby risking losing significant capital. ~~There~~ Therefore, unless these ~~or~~ issues with the accounting software are fixed, there is risk of incorrect financial records being published, and therefore a loss of business // capital //

continued  
cont on extra paper →



- (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.

One recommendation that Silver Beach Wineries could implement to improve the success of the transition to the new accounting software system is to ~~stop~~ shut down the system temporarily, and in the mean time hire a new chief accountant to oversee the production of final records. Source A states how Silver Beach Wineries ~~used~~ ~~previously~~ utilised a manual paper system ~~in~~ a system which could be quickly reimplemented if need be. By reimplementing this system until the new accounting software system is fixed and prepared to launch correctly, the business to safely ensure ~~a~~ little risk of financial records being ~~also~~ incorrectly produced. ~~This will lead to the business~~ This ~~impl~~ reimplementation of the manual paper system would lead to the business being able to run more smoothly and ~~with~~ ~~out~~ without worry of being negatively impacted by the faulty ~~sys~~ system.

Another solution that Silver Beach Wineries could ~~implement~~ implement is to commit a significantly larger amount of resources to fixing the faulty software, and thereby ensure that the program could be up and running quickly. By employing this strategy, Silver Beach Wineries would be able to ensure a fix for this issue as quickly as possible, at the cost of more company resources. Because of the risk of this strategy and its potential cost, ~~owners~~ the owner of Silver Beach Wineries may dismiss this idea, however it ~~will~~ will ensure that the new system can be implemented as quickly as possible. This will eventually lead to, as stated in source A, less work for the accountants, thereby enabling them to complete more tasks for the business and ~~manage~~ manage their workloads more efficiently. Therefore, whilst this solution may require more resources to initially complete, it will allow the program to be up and running ~~immediate~~ almost immediately, allowing accountants to reduce their ~~work~~ workloads. //

I believe that Solution ~~is~~ A is more efficient, manageable and completable than //



Extra space if required.

Write the question number(s) if applicable.

QUESTION  
NUMBER

1 audits undertaken by the business. Jessie had been ~~embezzled~~ embezzeling money for over a decade, and due to a lack of thorough and competent audits was able to get away with it. Because of Rawika's lack of auditing, he enabled Jessie to covertly steal money without being ~~checked~~ monitored. This ~~inevitably~~ inevitably led to Jessie being able to commit fraud over a much longer period of time than she should have been able to. Therefore, as an owner ~~that~~ Rawika should have been more thorough with his audits and ensured all transactions were monitored.

2 to ~~do~~ successfully steal money from the business.

I believe that Solution A, regular audits, would be ~~most~~ the most beneficial solution for Silver Beach wineries to implement. By ensuring ~~the~~ and completing regular audits, Silver Beach wineries could easily reduce the likelihood of fraud occurring again. This is because audits can be successfully and all



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QUESTION  
NUMBER

and short term contractors are being utilized to correct this issue. As a consequence of this, the business must ~~correct these~~ commit valuable resources such as capital, to hire new employees, and current staff whom must leave their current duties to resolve this issue. This leads to the business being unable to resolve current issues or complete tasks on time. Whilst this issue may be fixed by the near future, it is ~~not~~ still a ~~p~~~~ro~~ drain on present resources. Therefore, the business must find a remedy for this issue immediately, before it continues to drain company resources. //

4 Solution B. Solution A's success lies in its ability to run smoothly and allow the business to progress without any hitches. By chalking up the new system's initial ~~release~~ as a failure and ~~re~~ temporarily reimplementing the manual system until the new system is ready to be ~~re~~ transitioned into, the business is able to ~~progress~~ progress with little risk of incomplete financial records //

being produced. In comparison, whilst Solution B may work, it would require a significant amount of resources being used such as more staff, more independent ~~are~~ contractors, and more time spent focused on resolving the issue. Additionally, this does not guarantee ~~an~~ an immediate fix, ~~and~~ ~~no~~ thereby risking a significant loss of business resources for ~~an~~ little gain. Therefore, I strongly believe that ~~the~~ Solution A would be significantly more effective in resolving the businesses issues than Solution B. //



## Excellence Exemplar 2019

Subject	Level 2 Business Studies		Standard	90845	Total score	07
Part	Grade score	Annotation				
All parts (a,b,c,d)	E7	<p>The candidate provides enough evidence for E7 in parts (b) and (d), because they have fully explained the two solutions and two recommendations, chosen one of these, and justified their decision, referring to the case study resource material and integrating sound business knowledge and business terminology in their response.</p> <p>For example, in (b), the candidate fully explains the two solutions – namely, regular audits and the owner overseeing the accounts – and the advantages of each solution are fully explained with their consequences for reducing fraud at SBW.</p> <p>“Because of the presence of audits, employees would be less inclined to embezzle money from the business, due to the significant risk of their transactions being identified. This leads to a significant decrease in the likelihood of fraud occurring ...”</p> <p>The candidate provides sufficient evidence in their justification by introducing new information, such as the cost of auditing, how regular audits ensure the financial records are kept and managed, then compares this with the second solution, which would be a burden on the owner (increasing his workload and affecting his efficiency), thus justifying why one solution would be more successful in reducing fraud than the other.</p> <p>If the candidate had added further information to support their decision on their recommendation in part (d), and had been more detailed and specific about resources, they may have gained an E8.</p>				