Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 1 Commerce RAS 2023

92030 Demonstrate understanding of how interdependent financial relationships are affected by an event

EXEMPLAR

Merit

TOTAL 06

Page 1 – Pilot Assessment

Read the case study scenario below and use it to answer the question that follows.

Case study scenario – Rebuilding roads

The New Zealand Government is going to invest money to help rebuild roads into Gisborne that were damaged by Cyclone Gabrielle.

The following participants are all located in the same area:

- the Government
- a local roading contractor that has a contract with the Government to build roads
- a whānau – one parent works for the roading contractor, the other parent works at the local petrol station, and two teenagers are looking for employment
- local banks that most of the families and businesses in the area bank with
- other local businesses such as supermarkets, restaurants, and tourism businesses.

Road access is important for transporting supplies in and out of Gisborne and for tourists visiting the area.

QUESTION

(a) (i) Describe the financial interdependence between the whānau and the roading contractor.

The financial interdependence between the roading contractor and the family is the roading contractor gives the family an income in return for labour, so the roading contractor can fix the roads after the roads are fixed they can get paid from the government, this means that they can continue to give the family an income in return for labour. The roading contractor also needs fuel to power the machines that fix the roads so they go to the petrol station and one of the family members gets an income from the fuel station in return for running the fuel station(Labour), the roading contractor gets fuel in exchange for money which pays the family members wages.

(ii) Describe the financial interdependence between the bank and the roading contractor.

The financial interdependence between the bank and the roading contractor is, the bank gives a loan to the roading contractor to buy equipment to fix the roads, the roading contractor gets paid to fix said roads and then uses the money to pay the interest on the loan.

(iii) Describe the financial interdependence between the other local businesses and the whānau.

The financial interdependence between the other local businesses and the family is, the family gets products from the businesses in exchange for money, the businesses need people to work for them so they hire the teenagers in the family for labour, the kids get paid an income for the labour, the income goes to the family so that they can buy more products from the businesses.

(b) Describe a direct effect the Government's investment in road building will have on the roading contractor.

The effect of the governments decision on the roading contractor is that the roading contractor will have to hire more staff fix the roads this makes it more expensive for the government but all the staff pay tax on their income so the government makes some money back. They then use this money to pay the roading contractor to fix more roads.

(c) (i) Explain ONE flow-on effect of the Government investing in road building for each of the whānau and the roading contractor.

One flow on effect of the governments decision on the family would be that the family member would get an income from the roading contractor in return for labour, the family member pays tax on the income to the government who pays the roading contractor to pay the family member to build the roads.

(ii) Using the flow-on effect for the whānau, explain ONE impact on the interdependent financial relationship between the local businesses and the whānau.

Because the whole family is working they have more money to spend at the local businesses boosting the local economy meaning that the kids get more work because the business can pay them in exchange for labour so that they can sell more product to the family.

(d) (i) Explain ONE flow-on effect of the Government investing in road building for each of the local tourism industry and the local bank.

The effect of the governments investing in road building on the tourism industry and the bank, is that because their are new roads more tourists can get to Gisborne to spend their money because the tourism industry is making money they put it into savings in the bank. The tourist industry will then get a loan from the bank to expand their businesses so that the can make more money so that they can pay the interest on the loan they have.

(ii) Using the flow-on effect for the local tourism industry, explain ONE impact on the interdependent financial relationship between the local tourism industry and the Government.

One impact on the interdependent financial relationship between the tourism industry and the Government, is that because their are new roads tourists will come back and start to spend money in the tourism industry the tourism industry then have to pay GST to the Government, the money that the government will get from GST could be used to build/fix more roads so that more tourists can go to Gisborne to pay money to the tourist industry and pay GST to the Government.

There are other local businesses affected by the road rebuilding, including tourism businesses such as skydiving and whale watching. A large increase in tourism spending is expected in the local economy when the roads are rebuilt. This will lead to further decisions being made by the Gisborne tourism industry and the Government.

(e) Using the resource information above and the flow-on effects from part (d), analyse a decision that a Gisborne tourism business could make.

(i) State a decision a Gisborne tourism business could make:

Get a loan and buy a bus to bring tourists in and out of Gisborne

(ii) Evaluate positive consequences of the decision on at least TWO of the case study participants.

A positive consequence of Gisbornes tourism industries decision for the tourism industry would be that because they can bring customers to Gisborne, this means that they will have more customers meaning that they will make more money. Another positive consequence of Gisbornes tourism industries decision would be for the restaurants, because their are lots of people in Gisborne without cars, people would have to find somewhere to eat, this would create a steady income for the restaurant meaning that they would be able to pay interest on their loan to the bank and pay more GST to the government because they are selling more product.

(iii) Evaluate negative consequences of the decision on at least TWO of the case study participants.

A negative consequence of Gisbornes tourism industries decision might be that the bus isn't popular meaning that it doesn't make enough money to pay the interest on the loan that they got from the bank to buy the bus. This would mean that the tourism industry would have to sell some of its assets to pay the interest on the loan meaning that the businesses would loose money and could go into receivership. Another negative consequence of this decision is that because the tourist industry cant pay the interest on the loan, the bank has no way of making money meaning that they cant lend out any money to anyone else who wants a loan.

(f) Using the resource information above and the flow-on effects from part (d), analyse a decision that the Government could make.

(i) State a decision the Government could make:

The Government could decide to put more money into the road rebuilding so that they can be fixed faster

(ii) Evaluate positive consequences of the decision on at least TWO of the case study participants.

A positive consequence of the governments decision for the tourism industry would be that because the roads can be fixed faster potential customers can get to Gisborne faster meaning that the tourism industry can start making money faster and paying GST to the government sooner. Another positive consequence of the governments decision would be for the Petrol station that one of the family members works at, because more people can get to Gisborne after the road is fixed. More people will need fuel for their cars giving the petrol station more money so that they can keep selling fuel and make sure that the family member can keep getting paid an income.

(iii) Evaluate negative consequences of the decision on at least TWO of the case study participants.

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A negative consequence of the Governments decision is that the roading contractor might not be able to fix the roads any faster so it would be a waste of money for the government. Another negative consequence could be that if the road does get finished faster the member of the family that work for the roading contractor because they might not need their labour anymore because they don't have any more work for them to do resulting in them losing their source of income meaning that they would have to find a different job.

Merit

Subject: Commerce

Standard: 92030

Total score: 06

Q	Grade score	Marker commentary
One	M6	The candidate correctly described three interdependence scenarios. The candidate described a direct effect on the roading company, though it should be noted this was more of a flow-on effect rather than a direct effect such as increased income. The flow-on effects were correctly explained, as was how the flow-on effects affected an interdependent financial relationship. Both answers for c) and d) were correct. The candidate could have achieved Excellence had they stated an appropriate decision, and evaluate positive and negative consequences on specific participants in the case study.