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Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 2 Business Studies 2024

90843 Demonstrate understanding of the internal operations of a large business

Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of the internal operations of a large business.	Demonstrate in-depth understanding of the internal operations of a large business.	Demonstrate comprehensive understanding of the internal operations of a large business.

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 2–12 in the correct order and that none of these pages is blank.

Do not write in the margins (// // // //). This area will be cut off when the booklet is marked.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

Achievement

TOTAL 04

Page 1

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.

You should read the resource information in ALL of the boxes before beginning the task.

Background information

CeeGee's is a clothing store located in a city in the North Island that caters for 30- to 50-year-old professionals who work in the central business district. *CeeGee's* stocks a range of men's and women's business suits, shirts, and ties which are made overseas and imported into New Zealand by sea freight. The suits are a common international design that can be found in many other countries.

The retail clothing industry is a competitive market, with businesses experiencing declining sales, increasing rents, and increasing overseas resource costs, such as materials.

CeeGee's currently purchases large quantities of the same design at a low cost. Increased fuel prices have resulted in an increase in freight charges, which have been passed on to *CeeGee's*.

You may choose EITHER *CeeGee's* OR a large business (more than 20 employees and / or with a national or regional significance) operating in New Zealand that you have studied in depth.

(a) (i) Explain why an increase in freight charges may impact the economies of scale of a business.

B I U

Freight charges will impact the economies of scale of a business because added freight charges will contribute to higher total expenses for the business, which would lead to the business making less profit due to an increase in expenses. This leads to *CeeGee's* increasing their stocks price so that they can make up the lost profit, which will negatively impact the customer as it is more expensive to purchase. Therefore impacting all aspects of the economic scales of the business.

(ii) Explain how a business may respond to increases in freight charges while remaining profitable.

B I U

CeeGees could increase their products price to respond to the increase in freight charges, this will keep *CeeGees* profitable because the increase in price for their product would alleviate the drop in profitability. This leads to the business continuing to be profitable as they have increased their sales prices therefore remaining a profitable business, and not losing profitability.

Customers are requesting suit designs that are more customised (tailored) than those *CeeGee's* currently offers, which is having an impact on sales. Management are considering using a local manufacturer that offers a batch and job production process that allows its customers to pick certain fabrics, sizing, design, and accessories, using a design application.

You may choose EITHER *CeeGee's* OR a large business (more than 20 employees and / or with a national or regional significance) operating in New Zealand that you have studied in depth.

(b) (i) Identify a suitable production process, and explain why it could be an advantage for a business.

B I U

The suitable production process for *CeeGee's* is job production. This would be an advantage as it would allow for more customised and tailored suits for their customers because their suit will be made uniquely and one by one instead of picking from their current stock. This leads to customers who wanted a tailored suit to have that option now, which would draw in more customers to the business. Therefore increasing the profitability of the business and driving more sales.

- (ii) Why could this production process be a disadvantage for a business, and how might this have a negative impact on employees?

B I U

Job production process could be a disadvantage for CeeGee's because it would take longer for the customers to get their suit, this is because every suit now would have to be individually made which is more time consuming than making specific suit types in batches. This leads to the customers feeling impatient for how long it is taking for them to get their suit as they could already have got it from somewhere else if they didn't want a tailored one. Therefore driving away customers and potentially losing sales.

This could also negatively impact the employees as their job would become more complicated and demanding because instead of choosing from their catalogue they have to tailor each and every suit. This leads to a drop in motivation as it would be tiring and confusing for some employees to make a different suit every time instead of what they were used to. Therefore resulting in a drop of productivity and employee morale.

- (iii) With reference to brand loyalty and economic sustainability, justify, with TWO reasons, why this production process would be more appropriate than another production process for a business.

B I U

Job production process would be more suitable than batch production because it would eliminate waste within the production process. This is because only suits that have been ordered will be made instead of a batch of suits that are yet to be sold and might not sell. This leads to less economic waste and wastage in general as only what is needed is being made, therefore increasing the businesses profitability and productivity per unit.

Job production process would be more suitable than batch production because it could lead to customers becoming loyal to their brand. This is because if the exact suit they wanted could be made how they wanted they would feel satisfied with their purchase as they got what they wanted, instead of picking from what a business just had sitting. This leads to a customer gaining loyalty to CeeGee's as they know that they could get the suit they want from there, and that they don't have to go to a competitors. Therefore creating brand loyalty from their customer for CeeGee's, which would then increase their productivity and profitability as they would keep customers longer.

DEFINITION

Rangatiratanga refers to the exercise of leadership, authority, guardianship, and ownership rights – particularly focused on resource production, utilisation, and management for current and future requirements. This includes strategic development and oversight, relationship development and maintenance, problem-solving, conflict resolution and peace-making, adaptation, risk analysis, and management.

Carl, the store owner, receives from his accountant a monthly revenue and cost report for the store. He finds the information gathered helps determine the decisions he makes for the store.

In the boxes below, enter the details of a large business (more than 20 employees and / or having a national or regional significance) operating in New Zealand that you have studied in depth. **Do not use CeeGee's.**

Name of the large business:

Kaikoura Whale Watch

Good(s) sold or service(s) provided:

marine sealife watching trips on a ferry

- (c) (i) Why is preparing monthly revenue and cost reports an advantage to the business in a competitive market?

B I U

Preparing monthly revenue and cost reports is an advantage to the business because it allows the business to see what is working, as in what is selling or what isn't as well as how much the businesses expenses compared to last month. This leads to the business being able to pivot and or change their prices or services to better suit the market at that time, compared to a business that relies on yearly revenue and cost reports where by the time they made change it may not suit the market anymore. Therefore increasing profitability and gaining an edge in the market.

- (ii) Explain how leaders (rangatira) may choose to change the direction of the business after analysing its monthly revenue and cost reports.

B I U

A Leader may choose to change the direction of the business after analysing its monthly revenue and cost reports by changing their stocks price or providing a different service because it isn't selling as they hoped. This leads to the business pivoting to the current market better as they have made changes to their current scheme in hopes that they can increase their profitability as they're now offering what is wanted currently. Therefore beating out their competitors and increasing their profitability and sales.

CeeGee's operates a shamrock organisational structure that uses permanent staff within the store throughout the week; outsources its finance, human resource, and marketing functions to contractors; and employs part-time workers during the weekend and at peak times.

You may choose EITHER CeeGee's OR a large business (more than 20 employees and / or with a national or regional significance) operating in New Zealand that you have studied in depth.

(d) (i) Explain why using a shamrock organisational structure could be an advantage to a business.

B I U

A shamrock organisational structure could be an advantage to CeeGee's because it isn't paying for lots of employee's wages, instead they are only paying for a small permanent staff and occasionally part-time employees, this leads to a smaller expense bill as they aren't paying for an entire workforce with multiple departments. Therefore increasing the business profitability as there is less expenses.

(ii) Explain why using a shamrock organisational structure could be a disadvantage to a business, and how it could impact the ability of a business to maintain high levels of customer service.

B I U

A shamrock organisational structure could be a disadvantage to CeeGee's because they are outsourcing most of their main departments to contractors instead of in-house departments, this leads to CeeGee's having less control on how, for example, their marketing is being displayed because they aren't the ones doing it. it would also be slower to make changes to these departments as they have to go through the contractors first. Therefore slowing down the businesses productivity and profitability.

(iii) Justify, with TWO reasons, whether using a shamrock organisational structure would be more effective than another organisational structure.

B I U

Using a shamrock organisational structure would be more effective than a tall organisational structure because it totals to less expenses as there is less employees that they have to pay, this leads to the business keeping more money that they would have otherwise spent on wages, training and other employee related expenses. Therefore increasing their productivity and profitability of their business.

Using a shamrock organisational structure would be more effective than a tall organisational structure as well because there is a smaller chain of command, this leads to less delays between the top and the bottom, which means quicker decisions being made from the top of the business to the employees and less mistakes that could be made along the way. Therefore increasing the businesses efficiency and overall profitability.

Achievement

Subject: Business Studies

Standard: 90843

Total score: 04

Task	Grade score	Marker commentary
One	A4	(a) The response included a limited explanation about how a business could respond to freight cost increases (increase prices). The response could have been improved with an explanation of how an increase in freight charges impacts the economies of scale of the business.
		(b) The candidate identified a suitable production process (job production) and explained an advantage of job production to the business, i.e. customisation of suits and increased customer sales. (b) For sub-part (ii) the candidate fully explained in context the negative impacts on the business and its employees (longer wait time for suits and decrease in productivity for employees). Sub-part (iii) also contained some creditable evidence.
		(c) This response could have been improved by including the context of the business the candidate had studied (Kaikoura Whale Watch), with specific examples of how revenue and cost reports can be an advantage to the business.
		(d) The candidate has explained the cost savings associated with a shamrock structure in relation to a smaller staff size and the profit versus expenses outcome.