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90843



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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.

Merit

TOTAL 05

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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

An increase in freight charges means a large and impactful change in the costs that *CeeGee's* may incur during the financial year. This increase in costs due to the increase in freight charges because of fuel prices increasing. Impacts the economies of scale of a company such as *CeeGee's* due to the change in costs>revenue it may cause. This change in cost means that the money gained per unit of product sold is decreased changing the financial costs of the *CeeGee's* and changing how much revenue and profit they may make therefore impacting the economies of scale within *CeeGee's* and businesses alike.

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

B I U

Businesses such as *CeeGee's* or any business facing an increase in freight charges. Have many viable options they can consider to respond to this financial problem. One such response that may be used is a increase in the pricing of certain stock. Changing the pricing may entail charging pieces of clothing such as a blazer that may have costed for example \$270 a piece to \$280 a piece. By changing the cost of such items they are elevating the amount of profit gained from the item. This would therefore counter the increase in costs incurred by the increased freight charges. Responding to the problem and negating any negative financial outcome that may have resulted. However it is also important to consider, that while for *CeeGee's* this would help to negate a lower profit margin. They consequently would be lowering customer satisfaction as customers tend to look upon increases in price negatively. This might therefore lead to less customers purchasing product from *CeeGee's* resulting in lower revenue causing lower business and financial sustainability.

A more costly but perhaps more future proof response to this economic problem. Could be considered by investing in purchasing product within New Zealand which would lead to considerably lower transport costs. This however would cost a considerable amount and would result in large short term financial impacts decreasing the sustainability of *CeeGee's*. But in the long term may result in lower costs, along with a potential boost in public reputation due to the clothing being sourced locally. Which could in the long term lead to higher financial sustainability.

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

I believe that a suitable production process for *CeeGee's* would be batch production. This could be an advantage for *CeeGee's* because it allows them create product that is more customisation for its customers while also producing stock faster which is necessary for *CeeGee's* to have.

- (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

This production processes could be a disadvantage for CeeGee's because it is not as specifically customisable as job production which is made per order. This could have a negative impact on employees because it means they are not able to sell completely customised clothing which people may approach CeeGee's for making it harder to sell product.

- (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

This production process would be more appropriate for CeeGee's than a job production processes. This is because while there is a need for more customisable clothing. The use of a processes such as job production is much more costly as it requires manufacturers to individually produce and consider each product they are making leading to higher employment cost and also an increase in cost for the large variety of fabrics and materials needed. These costs therefore could lead to lower economic sustainability for CeeGee's. While batch production allows for less production costs.

The second reason why job production is less appropriate than batch for CeeGee's is because the long wait time required for customers to revive their product. May result in less customer satisfaction which may cause a lowering in specific brand loyalty that might lose CeeGee's customers. Therefore causing lowering in revenue made per annum and leading to less economic sustainability.

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:

Air New Zealand-And later mentioned, Mt Hutt

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

(Aeronautical Transport) (Recreational Activity's)

- (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 costs reports allows a businesses such as Air New Zealand to analyse their revenue and costs made monthly to others such as Jet star or Qantas which. Allows them to make decisions based on the needs of the company and the required routes and popular flights necessary to keep them competitive 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

The Rangatira of Air New Zealand may chose to change the direction of the business after analysing monthly revenue and cost reports. Because for example in recent times Air New Zealand a aviation business after analysing monthly reports. Found they were losing over \$20,000 a month on a route direct with one stopover to London. After noticing this they removed the route which allowed them to cut costs. In the future this may happen again if they spot any routes that are losing significant revenue. And this examining of monthly revenue and cost is the reason why they made the decision.

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

Mt Hutt

Using a shamrock organisational structure allows a business which in this case is Mt Hutt or the Three peaks (Mt Hutt, Remarkable s, Coronet Peak). Allows Mt Hutt to operate multiple different types of staff whenever necessary without having to continuously pay them when they are not needed. For example in the case of Mt Hutt ski instructor and lift staff they are only needed during the winter season when there is snow present on the mountain. When this is not the case they are practically redundant and are unnecessary for the running of the business. By having a shamrock in place they are not permanently employed and cut therefore cut excessive employee pay costs which would lead to lower costs and higher revenue and profits.

(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

Having a shamrock structure could be disadvantageous to Mt Hutt because it requires them to constantly re-hire primarily new staff such as lifties, instructors and chefs. This not only costs Mt Hutt revenue to search for the new staff required each season but also leads to a inconsistency in the people hired as because employees are not able to be accessed properly (90 day trial). Certain employees could cause problems within the business for example. If a instructor was lazy and incompetent at their job it directly affects the level of customer service attained which might lead to less customers coming therefore causing less revenue and lower economic sustainability.

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

B I U

For Mt Hutt the shamrock would be much more effective than a flat organisation structure. The first reason is because as discussed above a company such as Mt Hutt which is only open during a certain time period each year. Only needs staff for certain times which if they were constantly employed in the company in a flat organisational structure. Would lead excessive costs inured whereas the shamrock structure allows them to be employed when necessary instead. Without having a lowering in revenue which again leads to lower economic sustainability which a company such as Mt Hutt which is directly affected by factors such as climate change cannot afford.

Another reason why the shamrock is a much more effective organisational structure than a flat structure is that closely related to the above reason. It allows for contractor work such as chairlift technicians to be employed when necessary without constant employment incurring costs, lowering revenue and leading to lower sustainability. While keeping needed staff such as marketing and head management employed over the "off-season".

Merit

Subject: Business Studies

Standard: 90843

Total score: 05

Task	Grade score	Marker commentary
One	M5	<p>The answer in sub-part (ii) was in context and identified a suitable business response. The candidate explained how the higher price can maintain profit margins for the business. They then explained a potential impact of the increased selling price, i.e. reduced customer satisfaction and decreasing sales.</p> <p>(a)</p> <p>This response could have been improved with a deeper explanation of the impact of an increase in freight charges on the economies of scale of the business.</p>
		<p>The response provided a suitable production process (batch production) and contextual answers to both positive and negative aspects of the process.</p> <p>(b)</p>
		<p>This response has used a specific example of a decision (which is linked to revenue and cost reports) in the context of their chosen business, Air New Zealand.</p> <p>(c)</p>
		<p>The candidate explained the disadvantage of a shamrock structure in the context of the business. Their response demonstrated business knowledge and was linked to decreasing customer service (the question). The response could have been further improved by incorporating new detail in the justification.</p> <p>(d)</p>