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90844



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Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 2 Business Studies 2024

90844 Demonstrate understanding of how a large business responds to external factors

Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of how a large business responds to external factors.	Demonstrate in-depth understanding of how a large business responds to external factors.	Demonstrate comprehensive understanding of how a large business responds to external factors.

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.

"Customs duties are to be increased to reflect inflation on 1 October 2023 and 1 July 2024."

(*Note: Customs duties are indirect taxes on imported goods.*)

Source: <https://www.customs.govt.nz/about-us/news/important-notice/#:~:text=Customs%20goods%20fees%20are%20to,2023%20and%201%20July%202024>

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) With reference to TWO specific functions of the business, such as marketing, sales, production, and / or human resources, explain how an increase in customs duties could impact the business.

B I U

An increase in custom duties will decrease sales because as a result of the increase in tax on imported goods *CeeGee's* will produce less because the costs of production have increased so sales will decrease. Production which is the making of the good or service will also decrease because the costs to produce the goods have increased and therefore the business is relatively less profitable so will produce less. Marketing will also decrease because it is a cost to the business and because of the increase in tax on imported goods *CeeGee's* will look to decrease other costs like marketing.

Carl, the store owner, has recently had a visit from a local manufacturer who is trying to convince *CeeGee's* to start selling their New Zealand-made business suit, which is produced using sustainable material, even though it will be higher in price than the international brand that *CeeGee's* currently stocks.

Carl is conscious of the impact this could have on the stakeholders in his business, including (but not limited to) customers, staff, the bank where he has a loan, local suppliers, and the landlord of the shop he is renting.

CeeGee's prides itself on meeting societal expectations of being a responsible business. This means it operates efficiently and ethically, meeting and exceeding what is required by law. The business always considers its impact on people (staff and community) and the environment.

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) Explain why using a local manufacturer, rather than importing their products from overseas, could be an advantage for the business in meeting societal expectations for the environment.

B *I* U

Societal expectations are expectations that are trending like climate change and the move towards a more climate friendly planet and more sustainable environment. CeeGee's will become a more sustainable business and therefore create a good image to the public that they are sustainable increasing their brand awareness. Supporting a local business will also show that they care about New Zealanders which will increase the amount of customers they have, increasing sales revenue.

- (ii) Explain, with TWO solutions, how a business could manage the possible increased costs of using a local manufacturer.

B *I* U

Increase their Economies of scale the business could expand and due to the inverse relationship between the amount of units produced and the cost per unit. As CeeGee's expand and increase the amount of units sold the cost per unit will decrease reducing CeeGee's costs which is important because of the increase in costs from using a local manufacturer. CeeGee's could implement the process of lean production which is the process of maximising profit, minimising sales and minimising waste and using as few resources as possible. Lean production is the process of minimising costs like transportation reducing transportation costs would decrease overall costs for CeeGee's.

- (iii) Justify whether changing to a local manufacturer aligns with societal expectations of responsible business practice by considering the impact on at least TWO different stakeholders of the business.

B *I* U

Stakeholders are anyone with an interest in the business which in this case is CeeGee's. The first impact on stakeholders is on customers would be positive because they would see that the business is sustainable and cares about the environment, this change would bring in new customers who want to buy goods from a sustainable and responsible business and help increase brand loyalty. The second impact on stakeholders is on staff, the staff morale will increase knowing that the business they work for is responsible and aligns their values with societal expectation like sustainability. As staff morale increases productivity will increase because they want to come to work and work for a business that cares creating a positive environment.

Carl employs university students during the summer holidays to do stocktakes and to clean up the storeroom. Carl pays these students on an hourly basis as and when they are needed. Recently, one of the students has complained to Carl about being underpaid for their hours worked compared to what their contract states.

Carl has always made a point of sitting with his employees and going through the contract before it is signed to make sure it is fair, matches the needs of his employees, and is understood.

DEFINITION

Tikanga – Values, rules, priorities, and ways of doing business. A set of values that constitutes a uniquely Māori approach to doing business. It specifically incorporates Māori diversity, kinship and relationships, and guardianship, and therefore does not focus solely on producing a profit for the owners / shareholders.

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.

(c) (i) Why is it important for the business owner to ensure that all employees have an employment contract?

B I U

An employment contract is essential for following the law and making sure the employee has a legal binding contract with the business. CeeGee's have to have one for all employees encase their is a dispute or problem with something they can reference the employee contract to see what was agreed. It is also important because then it makes the employee feel part of the business and makes them connected to the business increasing their morale and attitude towards work. Under the employment relations act relationships and interactions between the employee and employer should be done in good faith. If something is not then they need to fall back on the employee contract to make a decisions about what happened and deal with it under law.

(ii) How does creating a contract in consultation with the employee provide an opportunity for the business to practice tikanga?

B I U

Creating the contract with the employee makes the employee feel valued and is a great opportunity for the business to practise tikanga which is value, rules, priorities and ways of doing business. Doing things right starts with the employee contract and lays a great foundation for a good faith relationship between the employee and employer. This shows the employee that the CeeGee's has the right set of values and creates a good morale from day one which will increase the productivity because the employee feels valued and is willing to work hard and be at work on time.

DEFINITION

Demographic change in sales refers to how customers might differ over time. Examples might be changes in number, age, ethnicity, gender, income, beliefs, wants, or values.

Carl has noticed a demographic change in sales where a younger clientele has come into the store asking for more smart casual wear rather than the traditional suit. Carl is reflecting on how this will affect his business and what decisions he might need to make because of this demographic change.

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

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

Flights

(d) (i) Identify a demographic change and explain why it may have an impact on sales.

B I U     

A demographic change which could have an impact on Air New Zealand is a change in beliefs with many people becoming more sustainable and aware of climate change less people are flying because of the harm it does when releasing carbon emissions into the air. This change will mean Air New Zealand has less customers and therefore has less sales because less people are buying their service of the flight because they know the damage it can have on the climate. Or for some people who fly often maybe they will only fly once a year because they are aware of climate change and have new beliefs on what they can do to make a difference.

(ii) Explain TWO actions the business could take to ensure economic sustainability when dealing with the demographic change.

B I U     

The first action Air New Zealand can take is to increase their ticket prices by a small margin this would ensure that Air New Zealand make more revenue to cover the decrease in ticket sales. Because the market in New Zealand only has a few airlines they would also increase their prices. The increase in revenue will cover the marginal decrease in sales and in the long-term provide economic sustainability with an increased revenue to cover the cost of the demographic change. Some demographic changes are short-term so this increase in ticket prices would only be used to deal with the demographic change.

The second action Air New Zealand could implement a rewards system which encourages people to buy tickets and flights with Air New Zealand. This will increase sales because the more you fly the more rewards you get and after you earn a certain amount of points with Air New Zealand you get a free trip on them. Encouraging more people to fly will ensure the gap of people who are with the demographic change is filled. For some people who sometimes fly or a thinking about an overseas trip this will further motivate to fly with Air New Zealand because now flying comes with a reward.

(iii) Justify, with TWO reasons, why one action would be better for the business to implement than the other.

B *I* U     

The second action would be better because it will benefit Air New Zealand in both the short-term and the long-term, encouraging people to fly when there has been a demographic change is essential. Implementing a rewards system will have minor start up costs like marketing the system to the public because for someone to reach the right amount of points they would have to do 10 flights which doesn't happen to quick unless they fly for business. The first one could also have the opposite affect because unless peoples flights are essential they might not want to pay the increase in the ticket price for a flight. Due to the demographic change the rewards system will act as a counter to this change and hopefully balance out the loss of customers with new ones exited about the rewards system. This will be put in the media as something positive that Air New Zealand is doing thus increasing the brand awareness and customer loyalty. This system will be great for increasing customer loyalty because they will want to continue to fly with Air New Zealand in order to get their rewards again increasing sales because customers are coming back. The increase in customers will increase their sales revenue and the increase in sales revenue and long as cost stay relatively the same should increase Air New Zealand's profit and therefore ensure they have economic stability.

Achievement

Subject: Business Studies

Standard: 90844

Total score: 04

Task	Grade score	Marker commentary
One	A4	(a) The candidate explained, clearly, that an increase in customs duties could impact two business functions – reduced quantity of imports and lower sales, and possible budget reductions (e.g. marketing).
		(b) The candidate explained, clearly, the advantages of using a local manufacturer over importing, and suggested two solutions to manage the higher costs of local manufacturing: increasing economies of scale to reduce per-unit costs, and using lean production to maximise profits.
		(c) The candidate explained the importance for business owners of ensuring that all employees have an employment contract. They also discussed how consulting employees about their contracts demonstrates tikanga, which relates to the principles guiding business operations, particularly in fostering respectful and fair relationships.
		(d) The response explained that demographic changes, particularly the growing awareness of sustainability and climate change, can impact sales. The candidate identified two possible actions Air New Zealand could take to maintain economic sustainability in response to these demographic changes.