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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.**

Merit

TOTAL 06

**TASK**

This task has four parts, (a) to (d). Use the background information below, the supplementary information in the boxes on the following pages, 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.

An Increase in customs duties (indirect taxes on imported goods) could impact the business *CeeGee's*. *CeeGee's* and other retail clothing shops have experienced a decrease in sales and increase in overseas resource costs such as materials, due to the competitive market. A increase in customs duties will have a negative impact on the business *CeeGee's* since indirect taxes on imported goods are increased. This will ~~the~~ negatively impact the production of ~~products~~ <sup>clothing</sup> for *CeeGee's* ~~more an increase in overseas resource costs~~ making production ~~more~~ relatively more expensive, *CeeGee's* using more money on production ~~for~~ <sup>for</sup> clothing means they would also have to increase the pricing of their products to consumers since materials are

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The assessment continues on the following page.**

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.

CeeGee's 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. This is because the New Zealand-made business suits are produced/made <sup>using</sup> sustainable material. Therefore the business CeeGee's will ~~represent~~ <sup>incorporate</sup> the Maori business concept Kaikiatitanga which is all about sustainability and the environment. CeeGee's prides itself on meeting societal expectations for the environment and being a responsible business, so by using

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

CeeGee's can manage the possible increased costs of using a local manufacturer with two solutions. CeeGee's could increase the prices of their products to consumers, this will ensure that CeeGee's will still make revenue and therefore an overall increase in profit. The increase in price for clothing at CeeGee's clothing store ~~would~~ could possibly impact CeeGee's customers since clothing prices increase and become relatively more expensive ~~changing~~ possibly changing their target market to

mid to high income customers. CeeGee's could also join Trade Union. Trade unions help with costs and disputes and CeeGee's disputes and costs can decrease due to the help from Trade unions. Trade unions also benefits the employees including their health and safety, fair treatment and fair pay.

- (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.

- Kaitiaki  
 - Inc. \$  
 - ERA  
 - Good faith trade union

CeeGee's ~~has~~ and other retail clothing shops have noticed a decrease in sales, increasing in rent and increase in overseas resource costs such as materials due an increase in ~~over~~ customs duties. CeeGee's clothing is made overseas and imported to New Zealand by sea freight. By changing to a local manufacturer this will ensure that all of CeeGee's products are made from sustainable material incorporating Kaitiaki into the business meeting with societal expectations of responsible business practice and the environment. Even though the production of the product will be a higher price if using the local manufacturer the business and customers/consumers will be positively impacted from this therefore aligning with societal expectations. Since customs duties are ~~growing~~ increasing CeeGee's business will face a negative impact in their sales and increase in production. Meaning consumers won't be able to get what they need since limited stock will be imported over, this results in decrease in sales for the business, therefore a decrease in ~~revenue~~ revenue and leads to decrease in profit.

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?

It is important for ~~business~~ Carl who is the business owner of CeeGee's to ensure that all employees have ~~an~~ an employment contract since it is required in the Employment Relations Act 2000 (ERA). ERA states that the owner of a business (Carl) needs to have good and clear communication with all employees and all employees must have a contract. ~~the~~ The contract consists of rules and regulations within the business as well as pay, which incorporates ~~the~~ Māori diversity, kinship, relationships and guardianship. If business owners such as Carl do not have an employment contract this leads to misunderstandings between the employer and employee, resulting in possible conflict, which is what is happening between Carl and one of the students he has hired. Conflict between the employer and employee leads to conflict and not representing good faith within the business, which is crucial for a ~~large~~ business.

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

Creating a contract in consultation with the employee provides an opportunity for the business to practice tikanga. Tikanga refers to values, rules, priorities and ways of doing a business. It is a set of values that constitutes a uniquely Māori approach to doing a business, incorporating kinship, relationships and guardianship and therefore not focusing solely on producing a profit for the owners. Creating a contract in consultation with the employee ensures that rules and regulations of the business is understood as well as making an agreement on fair pay that matches the needs of his employees. Creating a contract in under Employment Relations Act 2000 (ERA) and it helps a business run productively and ensuring it's a friendly workplace / environment. By creating a contract in consultation with the employee this ensures that the employer and employee are both on the same page and both understand the contract, reducing conflict and disagreements between them. This means that the business has a friendly environment / workplace portraying good-faith in the business, which incorporates Tikanga. Having a contract in consultation with employee's show's the sets of values and ways of doing a business, showing all the rules within the business <sup>that constitutes</sup> uniquely Māori approach to doing a business which is what Tikanga is all about.

**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 box 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: Les Mills  
 Good(s) sold or service(s) provided: Gym ~~and other services~~

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

A demographic change Les Mills has noticed is health and wellness trends and how their customers ~~sometimes~~ prefer to work out at home and not go to a physical gym. ~~This demographic~~ due to Covid-19. This has an impact on Les Mills sales since the virus is highly contagious and deadly, resulting in gyms having to shut down for a pandemic. ~~This~~ This impacts Les Mills sales as they are not earning income since physical gyms are closed and their target ~~market~~ market are people ~~who~~ who attend gyms and are health conscious, resulting in a decrease in sales per month and decrease in revenue therefore an overall decrease in Les Mills profit.

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

Les Mills could take two actions to ensure economic sustainability when dealing with ~~that~~ this demographic change. Les Mills ~~now~~ made an app called Les Mills + on demand which is easily accessible on devices such as, iPad, phone, computer and even watches. This ensures that their ~~own~~ customers don't need to go to a physical gym but instead workout at home, which was made in 2020 during Covid 19. This action ensures that Les Mills are able to keep their customers happy as well as still earn an income without physical gyms being open with online programs being provided on the app for \$19.99 a month. This will increase Les Mills sales since the demographic change refers to how customers' wants differ over time, online classes being perfect during this time. Another action Les Mills took was ~~to~~ collaborating with Samsung, which ~~is~~ meant that ~~every~~ every person who bought a Samsung phone or device got free Les Mills classes virtually which promoted Les Mills worldwide. The collaboration with Samsung promoted Les Mills to maybe a different audience ~~and~~ and attracting many more people since the classes were for free, which ensured the economic sustainability for Les Mills business when dealing with the demographic change.

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

~~Answer~~ Les Mills creating a app that is accessible worldwide through any device is better for their business than collaborating with Samsung because their sales increase and reputation increases. The Les Mills + On demand app ~~is~~ consists of online programs/classes that are easily accesible on mobile phones, computers and watches. This action is more beneficial for ~~the~~ Les Mills ~~more~~ to implement since they have noticed a 800% increase in sales. This means that Les Mills ~~overall~~ is meeting their customers wants and what's trending in the community. 800% increase in sales means Les Mills revenue will increase and overall profit will increase. Les Mills staying up to date with societies interests results in more customers and ensures customer loyalty. This means that Les Mills will have a good reputation and with word of mouth from customers they could possibly gain new customers from their good reputation and keeping their customers happy. ~~the~~ Whereas the other action Les Mills took was the collaboration with Samsung, the classes were for free but it's benefiting Samsung sales and revenue not Les Mills ~~but Les Mills~~ since it's for free but the Les Mills app ensures the business still gets revenue ~~and~~ as well as keeping their customers happy and keeping a good name/reputation for their business.

Extra space if required.  
Write the question number(s) if applicable.

QUESTION  
NUMBER

(a) more expensive, which could make ~~more~~ consumers unhappy. Cee Gee's have also noticed a decrease in sales, An increase ~~in~~ in customs duties will have a negative impact on Cee Gee's since indirect taxes on imported goods increased. Production will be more ~~expensive~~ expensive and importing the clothes to ~~in~~ New Zealand will become more expensive. This leads to a decrease in clothing items made since Cee Gee's has limited money, resulting in a decrease in sales ~~at~~ Cee Gee's clothing store. A increase in customs ~~direct~~ duties will ~~have a~~ overall <sup>have a</sup> negative impact on the business Cee Gee's and ~~that~~ they could possibly experience a decrease in revenue, therefore decrease in profits since their clothes are made overseas and imported into New Zealand by sea freight.

(b)(i) a local manufacturer rather than ~~a~~ importing their products from overseas, it will advantage and benefit the business ensuring that Cee Gee's is meeting societal expectations for the environment by incorporating Kaikiatitanga into the New Zealand owned business.

(b)(iii) This will also impact customers since there will be less products in the store due to materials prices increasing, leaving customers unhappy. However if Cee Gee's changes to a local manufacturer ~~then~~ the business will not be impacted from the increase in customs duties since the clothing

Extra space if required.  
Write the question number(s) if applicable.

QUESTION  
NUMBER

(b)(iii)

is not imported but made in New Zealand. This aligns with societal expectations regarding both the business and consumers. Consumers will be happy since CeeGee's will have all the clothing and they will be able to purchase/find what they want, meeting consumers wants even though price of products increase a little. If CeeGee's is one of the only retail clothing stores with stock, they will attract customers leading to a increase in sales. Therefore CeeGee's ~~will~~ could possibly have a increase in revenue and overall a increase in profit.

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## Merit

**Subject:** Business Studies

**Standard:** 90844

**Total score:** 06

Task	Grade score	Marker commentary
One	M6	(a) The candidate explained, in detail, the impact on the business of an increase in customs duties, including a potential reduction in supply (if imports are reduced), and how this could influence sales and profitability.
		(b) The candidate explained that using a local manufacturer instead of importing aligns with societal environmental expectations. They also gave a reasoned argument in favour of managing higher local manufacturing costs by increasing clothing prices.
		(c) This response explained the importance of ensuring all employees have an employment contract, and how consulting employees on their contracts demonstrates tikanga (reflecting the owner's commitment to fairness, openness, and strong workplace relationships).
		(d) The candidate explained, in detail, how demographic changes can impact gym sales as fewer people choose to visit physical gym locations. They also discussed ensuring economic sustainability by introducing online or app-based workout programmes as a way of continuing to engage customers who prefer exercising at home.