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92030



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Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 1 Commerce 2025

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

Credits: Five

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of how entities with interdependent financial relationships are affected by an event.	Examine how entities with interdependent financial relationships are affected by an event.	Evaluate how entities with interdependent financial relationships are affected by an event.

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 question 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 2–8 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

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

Case study scenario – A decision to stop exporting

Kāwhiu Industries is a large seafood business located in the Marlborough region. It is a privately owned limited liability company. *Kāwhiu Industries* produces many types of seafood at its marine farms in the Marlborough Sounds, which it processes at its factory in Blenheim. It sells the seafood to customers throughout New Zealand and overseas. *Kāwhiu Industries* is a major employer in the Marlborough region, employing over 300 people, and contributes to the wider community by sponsoring cultural events and sporting teams.

The following participants in society are all located in the same area:

- *Leota Transportation*: a trucking company that has a contract to deliver seafood for *Kāwhiu Industries* to the factory, customers in the Marlborough region, and to Christchurch to be flown overseas
- *Care and Courage*: a non-profit organisation in Blenheim that provides support to those in need of food, clothing, and shelter, which receives money grants from the Government
- a whānau consisting of two parents with 12-year-old twins; one parent is employed as a driver at *Leota Transportation* and the other runs *Care and Courage*
- a local bank that *Kāwhiu Industries* and many other businesses and whānau bank with
- households in the community
- other businesses, for example petrol stations, supermarkets, retail stores, hairdressers, and tradespeople
- the Government.

QUESTION

(a) (i) Describe the financial interdependence between *Kāwhiu Industries* and *Leota Transportation*.

B I U

There is financial interdependence between *Kāwhiu Industries* and *Leota Transportation* because they both rely on each other for a service. *Kāwhiu Industries* relies on *Leota Transportation* as they provide them with the service that enables them to distribute their products more widely, therefore providing them with a greater source of income. In return, *Leota Transportation* relies on *Kāwhiu Industries* as though they are a consumer, purchasing their service (delivery and transportation). This means *Leota Transportation* will earn regular income as a result of *Kāwhiu Industries* paying them to deliver their goods.

(ii) Describe the financial interdependence between the Government and households in the community.

B I U

There is financial interdependence between the Government and households in the community because the Government relies on the households in terms of tax payments. Households have to pay tax to the Government which provides them with a good income. In return, households rely on the Government in the form of transfer payments, where the Government are able to provide households with money for certain things, if necessary.

(iii) Describe the financial interdependence between *Kāwhiu Industries* and the bank.

B I U

There is financial interdependence between the *Kāwhiu Industries* and the bank. *Kāwhiu Industries* rely on the bank as a service in which they can place their money for safekeeping. They are also able to take out loans for investment if they require. In return, the bank rely on *Kāwhiu Industries* as a consumer, as the interest on a loan taken out goes to the bank. This means, if *Kāwhiu Industries* were to take out a loan, the interest that increases the longer it takes to pay back, will go to the bank providing them with larger income.

Recently, two of *Kāwhiu Industries'* major overseas customers have closed down and cancelled their orders. As a result, *Kāwhiu Industries* has decided to stop exporting seafood and focus on the New Zealand market. Therefore, they will have to close some of their marine farms and reduce the size of their processing factory, leading to a loss of 180 jobs.

(b) Describe a direct effect *Kāwhiu Industries'* decision to stop exporting seafood has on *Leota Transportation*.

B I U ↶ ↷ ?

There is a direct effect on Leota Transportation due to *Kāwhiu Industries'* decision to stop exporting overseas. Before the decision was made, Leota Transportation had three main destinations when delivering *Kāwhiu Industries'* products; the factory, customers in the Marlborough region, and to Christchurch to be flown overseas. Now, however, they will not be delivering to Christchurch, meaning they will lose a portion of their income. This is because they will need less trucks doing deliveries for *Kāwhiu Industries* as they will not be in such high demand due to the reduction of destinations. This means Leota Transportation will have to find other reduce their capabilities, potentially leading to them having to discontinue their service.

(c) (i) Explain ONE flow-on effect *Kāwhiu Industries'* decision to stop exporting seafood has on the whānau.

B I U ↶ ↷ ?

A flow on effect *Kāwhiu Industries'* decision to stop exporting seafood has on the whānau is related to one of the parents' employment at Leota Transportation. Due to the smaller demand on trucks now that *Kāwhiu Industries* are not exporting goods, the parents who works as a truck driver may find themselves without a job. If the parent was one of the drivers regularly driving to Christchurch, a delivery that is now not needed, they may lose their job, and therefore losing a regular source of income for the whānau.

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

B I U ↶ ↷ ?

Due to the loss of one of the parents jobs and the whānau losing one of their sources of income, the interdependent financial relationship between the whānau and the bank has the potential to become a lot more relevant. The bank will still be reliant on the whānau as a consumer, paying interest and placing all of their savings and other financial assets with that bank, however the whānau may begin to rely on the bank more. Due to the loss of one flow of income, the whānau may need to withdraw more money in order to get by, in which case, there would be a smaller percentage of interest going to the bank.

(d) (i) Explain ONE flow-on effect *Kāwhiu Industries'* decision to stop exporting seafood has on the Government.

B I U ↶ ↷ ?

One flow-on effect on the Government due to *Kāwhiu Industries'* decision to stop exporting seafood is around the loss of export receipts. The Government will no longer receive money earned from exporting products, which will result in a lack of money going directly to the Government which they can then use to help support other businesses by way of government spending.

(ii) Using the flow-on effect for the Government, explain ONE impact on the interdependent financial relationship between the Government and the other businesses in the area.

B I U ↶ ↷ ?

Due to the lack of money flow into the Government gained through exports, the Government will have less money to put towards other businesses in the area by way of Government spending. Government spending helps businesses stay afloat and if they lose this money flow, it may be drastic for some of the businesses that may not be doing too well. Without the money received from the Government, some businesses may have to shut down if they become viable for bankruptcy. This may be good for some businesses as their competitors may have to shut down, meaning they would be in higher demand and therefore make a larger income.

The Government offers a one-off \$100 000 payment (e.g. subsidy) to organisations that hire five or more new employees in a year.

- (e) Evaluate the Government's decision to offer a one-off \$100 000 payment (e.g. subsidy) to organisations that hire five or more new employees in a year. In your answer you should:
- explain a positive or negative consequence for each of:
 - the Government
 - households in the community
 - *Care and Courage*
 - justify why the Government would make this decision.

B I U ☰ ∨ ☰ ∨ ↶ ↷ ☹

The Government's decision to offer a \$100,000 payment to organisations that hire five or more new employees a year would be very beneficial for these business, especially those who may be struggling to pay their employees or to stay afloat.

A negative consequence this could have on the Government is it is a large amount of money to be expelling in one go, especially if they give this subsidy to multiple businesses in very quick succession.

There are however, multiple positives that come with this for the households in the community. Businesses may have raised their prices if they were worried that they weren't making enough money to stay afloat, and now that they have been giving this \$100,000 subsidy, they may reduce their prices. This would be very beneficial for households because they wouldn't be forced to pay so much for necessities. Another positive for the households in the community is that there may be a larger amount of job offers popping up in the community now that businesses are able to pay more employees. This is relevant for the whānau as it means the parent who lost their job at Leota Transportation may be able to find a new job much easier.

Care and Courage are strongly affected by this subsidy as it would be very beneficial for the work they do. There would be a positive consequence on them because with the large amount of extra money, they would be able to provide so much more necessary items such as food, clothing and shelter to those who need it.

I think the reason why the Government would make this decision is to create a better and more successful community where everyone can work and be successful.

As a result of the decision to stop exporting seafood, *Kāwhiu Industries* purchases its own trucks to transport seafood within New Zealand.

- (f) Evaluate *Kāwhiu Industries'* decision to purchase their own trucks to transport seafood. In your answer you should:
- explain a positive or negative consequence for each of:
 - *Kāwhiu Industries*
 - *Leota Transportation*
 - the bank
 - justify why *Kāwhiu Industries* would make this decision.

B I U ☰ ∨ ☰ ∨ ↶ ↷ ☹

The decision *Kāwhiu Industries* made around purchasing their own trucks to transport seafood within New Zealand has both negative and positive consequences on a range of companies.

It has both positive and negative consequences on *Kāwhiu Industries*. The positive consequence is that they would no longer have to pay another company to do their deliveries, meaning the money that used to be expelled from the company can now be saved. However the negative consequence is that they would've spent a lot of money initially, when purchasing these trucks, and they also have to pay for the very large amounts of gas needed for these trucks to make their long delivery journeys.

This decision also has a large negative consequence on *Leota Transportation*. This is because they will not be in demand anymore and will therefore lose a large portion of their income. They may also lose employees if they decide they would prefer to work for *Kāwhiu Industries*, especially if they want to do the same route as they used to.

Kāwhiu Industries likely made this decision in order to become less interdependent and more capable of functioning on its own. It also means they will save a larger portion of their income because they will not have to pay another company, such as *Leota Transportation*, to do their deliveries.

Achievement

Subject: Commerce

Standard: 92030

Total score: 04

Q	Grade score	Marker commentary
One	A4	<p>The candidate described how the participants rely on each other in an interdependent financial relationship, including how the participant will benefit from the relationship. They described the direct effect of the closure of marine farms on <i>Leota Transportation</i>.</p> <p>To reach Merit, the candidate needed to explain a correct flow-on effect for the Government, for example less company tax received. They also needed to explain how both participants in the interdependent financial relationship would be impacted by the flow-on effect, rather than just one of the participants.</p>