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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.

Excellence

TOTAL 08

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

Kāwhiu Industries relies on *Leota Transportation* for their services. This service includes delivering seafood for *Kāwhiu Industries* to the factory. This helps *Kāwhiu Industries* sell seafood to earn revenue.

Leota Transportation relies on *Kāwhiu Industries* for their payment for the delivery services. This helps *Leota Transportation* earn revenue.

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

B I U

The Government relies on the households in the community for income taxes. This helps the Government earn revenue.

The households in the community relies on the Government for benefits. Some people may receive benefits from the Government for various reasons, such as unemployment benefits. This increases the income of the households in the community.

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

B I U

Kāwhiu Industries relies on the bank for loans. This allows *Kāwhiu Industries* to invest into their business which helps them grow bigger and earn more revenue.

The bank relies on *Kāwhiu Industries* for their payment for interest on the loans. *Kāwhiu Industries* has to pay back the loans they take from the bank, plus a little more. This helps the bank earn revenue.

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 ☰ ▼ ☷ ▼ ↶ ↷ ?

A direct effect *Kāwhiu Industries'* decision has on *Leota Transportation* is a reduced revenue. Because some marine farms have closed down, it means that *Kāwhiu Industries'* will not need to pay for as many deliveries of seafood. This means *Kāwhiu Industries'* payment for *Leota Transportation's* services will decrease. This reduces the revenue of *Leota Transportation*.

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

B I U ☰ ▼ ☷ ▼ ↶ ↷ ?

One flow-on effect that *Kāwhiu Industries'* decision has on the whānau is a reduced household income. Because *Leota Transportation* is now earning a reduced income, they may want to cut down on some costs to make up for the reduced income. One of these costs may include wages. One of the parents in the whānau is employed at *Leota Transportation*, and since *Leota Transportation* is reducing wages, it means that this parent's wages will be reduced. This leads to a reduced household 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 ☰ ▼ ☷ ▼ ↶ ↷ ?

The whānau relies on the bank for the interest they receive from their bank account. The bank relies on the whānau for their deposits into the bank accounts. Because the whānau now has a reduced household income, it means they will use less bank services, such as depositing money into their bank accounts. This means the whānau will deposit less money into their bank accounts. This reduces the income of the bank. Because the whānau now has less money deposited into their bank account, it means the bank will give less interest towards the whānau. This reduces the income of the whānau.

(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 *Kāwhiu Industries'* decision has on the Government is earning less revenue from income taxes. Because *Kāwhiu Industries'* decision has led to a loss of 180 jobs, it means the income of 180 different people will reduce. Since 180 people now have a reduced income, it means they will not need to pay as much income taxes towards the Government. This means the Government is earning less revenue from income taxes, and this reduces the Government's income.

(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 ☰ ▼ ☷ ▼ ↶ ↷ ?

The Government relies on the other businesses for taxes. The other businesses relies on the Government for subsidies. Because the Government is now earning less revenue from taxes, it means the Government will reduce the amount of subsidies they give towards the other businesses. Now that the other businesses are earning less from subsidies, it means their income will reduce. This means the other businesses will not need to provide as many taxes towards the Government.

B I U ↶ ↷ ?

One flow-on effect Kāwhiu Industries' decision has on the Government is earning less revenue from income taxes. Because Kāwhiu Industries' decision has led to a loss of 180 jobs, it means the income of 180 different people will reduce. Since 180 people now have a reduced income, it means they will not need to pay as much income taxes towards the Government. This means the Government is earning less revenue from income taxes, and this reduces the Government's income.

- (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 ↶ ↷ ?

The Government relies on the other businesses for taxes. The other businesses relies on the Government for subsidies. Because the Government is now earning less revenue from taxes, it means the Government will reduce the amount of subsidies they give towards the other businesses. Now that the other businesses are earning less from subsidies, it means their income will reduce. This means the other businesses will not need to provide as many taxes towards the Government.

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 has a positive consequence on the households in the community. Since organisations are now encouraged to hire five or more employees every year, it means that there will be more job positions available. Since more job positions are available, it will make it easier for the people in the households in the community to find a job. Now that it is easier for the people in the households in the community to find a job, it means that these households will have a greater household income from more wages.

The Government's decision has a negative consequence on Care and Courage. Since the Government is now giving more subsidies to organisations, it means that the Government's costs have now increased. Since the costs of the Government have now increased, they may want to reduce one of their other costs, one of these costs could include the money grants they give to Care and Courage. This will reduce the income of Care and Courage, meaning they cannot support as many people in need.

The Government may want to make this decision due to the rate of unemployment in the country. By making this decision, the Government is encouraging organisations to hire more employees every year, and this will lower the rate of unemployment in the country, as more job openings are now available.

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 ☰ ∨ ☷ ∨ ↶ ↷ ⓘ

Kāwhiu Industries' decision has a positive consequence on themselves. Since *Kāwhiu Industries* has decided to purchase their own trucks to transport food, then they will no longer need to pay for *Leota Transportation*'s services as *Kāwhiu Industries* can transport the seafood themselves. This means in the long-run, their costs will lower. This is because the trucks are a one-time payment, while their payment for *Leota Transportation*'s services is a repeated payment. If *Kāwhiu Industries* had decided to continue paying for *Leota Transportation*'s services, then overtime, the cost for *Leota Transportation*'s services will be greater than the cost of the trucks. This will help reduce the costs of *Kāwhiu Industries*.

Kāwhiu Industries' decision has a negative consequence on *Leota Transportation*. Since *Kāwhiu Industries* has decided to purchase their own trucks to transport seafood, it means they will no longer need to pay for *Leota Transportation*'s services. This means that *Leota Transportation* will no longer receive payment from *Kāwhiu Industries*. This will reduce the income of *Leota Transportation*.

Kāwhiu Industries' decision has a positive consequence on the bank. Since *Kāwhiu Industries* have decided to purchase trucks, this will be a one-off payment which will be very expensive compared to their current payment for *Leota Transportation*'s services. This means *Kāwhiu Industries* will need a large amount of money, so *Kāwhiu Industries* could take a loan from the bank to help purchase the trucks. This will then benefit the bank, as *Kāwhiu Industries* will need to pay back the loan plus interest on the loan. This will increase the income of the bank.

Kāwhiu Industries may want to make this decision to reduce their costs in the long-run. The payment for the trucks is a one-off payment, while the payment for *Leota Transportation*'s services payment is a repeated payment. By making this decision, *Kāwhiu Industries* will no longer need to pay for *Leota Transportation*'s services, and once *Kāwhiu Industries* fully pays off the loan to the bank for the trucks, they will be earning an increased revenue.

Excellence

Subject: Commerce

Standard: 92030

Total score: 08

Q	Grade score	Marker commentary
One	E8	<p>The candidate described how the participants rely on each other in an interdependent financial relationship, including how the participants will benefit from the relationship. They described the direct effect of the closure of marine farms on <i>Leota Transportation</i>.</p> <p>The candidate identified a flow-on effect for the whānau, however they should have made it clearer that the worker could have less hours, rather than a decrease in their wage rate. They explained how the interdependent financial relationship between the worker and their bank would impact both participants. The candidate has also explained a flow-on effect for the Government and how it would impact their interdependent financial relationship with other businesses in the area.</p> <p>The candidate explained the consequences of the decisions on the Government, <i>Care and Courage</i>, <i>Kāwhiu Industries</i>, and the Bank. They justified the decision made by the Government.</p>