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92031



Draw a cross through the box (☒) if you have NOT written in this booklet

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Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 1 Commerce 2025

92031 Demonstrate understanding of the financial viability of an organisation

Credits: Five

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of the financial viability of an organisation.	Examine the financial viability of an organisation.	Evaluate the financial viability of an organisation.

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.

Pull out Resource Booklet 92031R from the centre of 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

Page 1

Make sure you have the paper Resource booklet 92031R.

Using the case study in the resource booklet OR an organisation you have studied in class, answer all parts of the question that follows.

Select ONE option below:

- I am using the case study in the resource booklet (go to question).
- I am using an organisation I have studied in class (complete the section below).






Background information

Complete this section ONLY if you are using an organisation you have studied in class. DO NOT complete this section if you are using the case study in the resource booklet.

Note: this section is not marked and should be brief.

Provide background information about your chosen organisation, including all of the following:

- the organisation's name
- a brief description including the goods / services it provides, sources of income, ownership, structure, size, and location
- the organisation's pūtake.

B I U     

QUESTION

Select ONE factor that could affect the organisation's financial viability. Use the factor in your answer to the question that follows:

- A competitor decreases its prices.
- A six-month delay in supplies arriving from overseas.
- A local bank reduces business loan interest rates from 6% to 4.5%.
- The IT system is hacked, and scammers gain access to customers' personal information.

(a) Explain how the factor affects the financial viability of the organisation. Use a relevant concept or model to support your answer.

B *I* U

If a competitor decreases its prices, then people are more likely to buy from them for better prices, due to the target being young people and old people who either haven't got a lot of money yet or need to save money for retirement. This may result in a loss of customers which would decrease the amount of houses sold, therefore decreasing the businesses income. Say they lose a good portion of their customers, this may result in a 20% decrease in sales, which would make them go from \$1,400,000 to \$1,120,000, aka a \$280,000 decrease in sales. This would affect the profit, decreasing it by \$280,000, so from \$133,800 to \$-146,200. This puts them at a loss for the year, which weakens the financial viability of Whare Hangariki Ltd by decreasing their ability to continue in the future.

(b) Describe the effects of the factor on the organisation's pūtake.

B *I* U

Whare Hangariki Ltd's pūtake is to provide attractive tiny homes, using high quality, sustainable wood and steel, at affordable prices. Because they are at a loss and their financial viability is weakened, they may not be able to continue to provide these tiny homes at affordable prices, or even at all, which negatively affects their pūtake and prevents them from fulfilling it.

(c) (i) Explain ONE action the organisation could take to sustain financial viability in response to the effects of the factor.

B *I* U

Whare Hangariki Ltd can capitalize off of the fact that retired people are wanting to downsize to manageable homes. They could expand their target market to these people by advertizing more towards that demographic which might be able to make up for the lost customers. By making up for these lost customers, the financial viability of the company will be strengthened again, making it sustainable. If the advertising is really effective, Whare Hangariki Ltd might be able to strengthen their financial viability even more.

(ii) Describe the effects of the action on the organisation's pūtake.

B *I* U

This action will still align with the company's pūtake, as they will continue to be able to provide high quality sustainable tiny homes for people. Due to the predicted increase in customers, it will positively affect their pūtake as they are providing tiny houses for more people. Additionally, by expanding their market, they can form connections to more of the community which is also what Karl and Mia were interested in.

(iii) Evaluate TWO positive consequences of the action. Consequences can be long and / or short term. Use a relevant model or concept to support your answer.

B *I* U

1. By increasing advertising towards a different demographic, Whare Hangariki Ltd will be able to expand their clientele, therefore increasing the amount of potential people buying from them. This will increase their sales by (for example) at least 20%, from \$1,400,000 to \$1,680,000. This would be an increase of \$280,000, so their profit would increase from \$133,800 to \$413,800. This would strengthen their financial viability, providing them with more money to continue their business.
2. Additionally, by advertising to a different demographic, their reputation can spread throughout that demographic. Because more people know of them, more people could recommend them to others, which would increase their exposure, therefore the likelihood of more clients. This may increase their sales by 10% this time, which would increase their sales from \$1,400,000 to \$1,540,000. This is an increase of \$140,000 which would increase their total profit from \$133,800 to \$273,800. This would strengthen their financial viability further, allowing them to provide for more people.

(iv) Evaluate TWO negative consequences of the action. Consequences can be long and / or short term. Use a relevant model or concept to support your answer.

B I U     

1. Advertising costs money, so by increasing advertising, the expenses of the business will also be increased. If we want the advertising to reach enough elderly people to be effective, we could test the waters first and increase advertising expenses by 40%. The initial expense is \$4,500, so by increasing by 40%, the new expense would be \$6,300. This was an increase of \$1,800, so the profit would be decreased from \$133,800 to \$132,000. This will weaken the financial viability of the business, since there is now less money for the next year.
2. With advertising, there is always a chance it goes badly and is unsuccessful and it may not effectively increase the clientele for Whare Hangariki Ltd. If the businesses advertising was unsuccessful, there would be no major increase of profit and the money spent (\$1,800) would have gone to waste. This would decrease the profit for the year by \$1,800, so the profit would be decreased from \$133,800 to \$132,000. This would weaken the financial viability, as it provides less money to be used for the coming years.

(d) (i) Explain ONE other action the organisation could take to sustain financial viability in response to the effects of the factor.

B I U     

Whare Hangariki Ltd could increase their focus on how high quality and sustainable their homes are. Since the competitor decreased it's prices, there's a high chance that the materials they are using are less high quality, which can provide an advantage in advertising. Instead of advertising towards a different demographic, they could instead focus on showcasing how ethical and long lasting their homes are. It would increase the likelihood of people going for a better quality home for a little bit of a higher price. By drawing in more clients, their sales will increase, which will positively affect their financial viability by strengthening it.

(ii) Describe the effects of the action on the organisation's pūtake.

B I U     



Whare Hangariki Ltd's pūtake is to provide attractive tiny homes, using high quality, sustainable wood and steel, at affordable prices. Increasing advertising about their pūtake strengthens it and helps them stay true to it.

(iii) Evaluate TWO positive consequences of the action. Consequences can be long and / or short term. Use a relevant model or concept to support your answer.

B I U     

1. They could build a reputation as a reliable company when it comes to ethical and longlasting homes. This reputation can win them over more customers when people are considering buying a new home. This will increase their sales by, lets say, 15%, from \$1,400,000 to \$1,610,000. This is an increase of \$210,000, so their profits would rise from \$133,800 to \$343,800. This will positively affect their financial viability by strengthening it.
2. The effectiveness of their advertising would be increased, potentially providing a 10% increase in sales, from \$1,400,000 to \$1,540,000. This would increase their profit by \$140,000, from \$133,800 to \$273,800. This would positively affect their financial viability by strengthening it.

(iv) Evaluate TWO negative consequences of the action. Consequences can be long and / or short term. Use a relevant model or concept to support your answer.

B I U     

1. People may not care about how ethical and sustainable their home is if it's too high of a price for them. This would make the advertising redundant, or almost redundant. The cost of advertising is \$4,500, and if it is not compensated for by an major increase in sales from the advertising, then it would have been a waste of \$4,500. Lets say that due to less effective advertising, the sales decreases by 5%. That would decrease the companys sales from \$1,400,000 to \$1,330,000. That is a \$70,000 decrease, which would decrease the profit from \$133,800 to \$63,800. This would negatively affect the financial viability of the company by weakening it.
2. By advertising that they are a high quality and sustainable company, they will be forced to adhere to that for a long time, and high quality materials can get very expensive. By sticking to this road, they may suffer expense wise when high quality materials become harder to come by. This could increase their cost of goods sold by 10% in the long run, from \$800,000 to \$880,000. Since this is a \$80,000 increase, the profit will be decreased from \$133,800 to \$53,800. This will negatively affect the financial viability of the company by weakening it, having less money to continue on with their business.

Excellence

Subject: Commerce

Standard: 92031

Total score: 08

Q	Grade score	Marker commentary
One	E8	<p>How the chosen factor affects financial viability was explained, with a clear indication of what happened to financial viability, (decrease in financial viability in this case).</p> <p>There was explicit reference to a model – income statement in this case – and the effect on the organisation’s pūtake was described.</p> <p>Two actions that the organisation could take to improve financial viability were well explained, and each action had consequences that referenced a model or concept explicitly.</p>