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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.**

Merit

TOTAL 06

# 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.

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## 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.

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A competitor company has decreased their prices, this negatively affects the financial viability of Whare Hangariki Ltd. Because the competitors have lowered their prices people who are customer or who seek interest in small portable homes might look to their competitors not them. If they are only making \$1 350 000 in sales instead of \$1 400 000 it means they will only be making \$83 800 in profit instead of \$133 800. With less people buying their homes they are making less profit which decreases the financial viability of Whare Hangariki

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

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Because of the competitors price decrease it has an effect on Whare Hangariki Ltd's pūtake. Their pūtake is about providing attractive homes, using high quality, sustainable wood and steel, at affordable prices while have great community connections. Because of the competitors price decrease the community might make better connections with them instead of with Whare Hangariki Ltd. This impacts Karl and Mia's goal of having good connections with the community.

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

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One action that Whare Hangariki Ltd could take is to match their competitors price. As Whare Hangariki Ltd matches their competitors price they will keep their customers and people who seek interest with them instead of with their competitors. This means they will keep their sales and become more financially viable.

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

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Because of the price decrease there is an effect on Whare Hangariki Ltd's pūtake. The decision to lower the price to meet the competitors means they are making more affordable homes which aligns with their pūtake, about providing attractive homes, using high quality, sustainable wood and steel, at affordable prices while have great community connections.

(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.

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A positive consequence of decreasing the price is keeping their customers. As Whare Hangariki lowers their price they keep all of their customers with them and not their competitors. This helps with the short term as they will still be selling their homes at the same pace. The SWOT analysis shows their strengths as relationships with the community. Because they have great relationships with the community they hold onto their trust as they lower their price which shows the community they want them as customers.

Another positive consequence of decreasing the price is staying financially viable. Without decreasing the price of the portable homes Whare Hangariki Ltd would have lost customers. Because they lowered the price their customers stay and pay for the homes. Because they pay for the homes they stay financially viable. This is shown in Whare Hangariki Ltd's income statement. If they made only \$1 300 000 in sales instead of \$1 400 000 it means they will only be making \$33 800 in profit instead of \$133 800 which is significantly less and only just financially viable.

(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.

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A Negative consequence of decreasing the price is the long term affect. Because the homes are being sold for less the amount of money made annually is less. If they are sold for less and are only making \$1 300 000 worth of sales instead of \$1 400 000 it means they will only be making \$33 800 in profit instead of \$133 800 which is significantly less and only just financially viable.

Another negative consequence of decreasing the price is the increasing of building costs. The SWOT analysis shows that there is increasing building cost. If the building costs continue to rise having decreased the price of the homes could negatively affect the financial viability of Whare Hangariki Ltd.

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

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Another action that Whare Hangariki Ltd can do is using lower quality wood and steel. By using lower quality wood and steel they can make back the money that they might lose due to the competitors lower price.

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

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By Whare Hangariki Ltd using lower quality wood and steel it directly affects their pūtake. Whare Hangariki Ltd decided to use lower quality instead of high quality wood like their pūtake says they use.

(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

A positive consequence of using lower quality materials is to stay financially viable. Without changing the quality of the wood they would have lost money due to the competitors lower price. This helps Whare Hangariki Ltd in the short term as they will stay financially viable by gaining their lost money back through the lower quality wood and steel. By going from \$40 000 wood and steel to \$30 000 wood and steel makes their profit \$143 800, this is shown in the income statement and case study.

Another positive consequence is that they are the first in the market which shows people who are looking for a home that they have been there from the start. This is a strength of Whare Hangariki Ltd's as shown in the SWOT analysis.

(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

A negative consequence of using lower quality materials is their customers. Because of the competitors lower price customers might choose to go to their competitors. If they don't meet their break even point of eight homes per year they will then become less financially viable.

Another negative consequence is the long term sales/customers. Because they switch to lower quality they might lose their customers which result in less sales. This could be done by the homes not lasting. It can be shown by the income statement. If they only are making \$1 250 000 in sales annually they won't be financially viable at \$-16200.

## Merit

**Subject:** Commerce

**Standard:** 92031

**Total score:** 06

Q	Grade score	Marker commentary
One	M6	<p>The candidate explained how the chosen factor affects financial viability, 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>One action that the organisation could take to improve financial viability was well explained with good consequences. The second action to improve financial viability the candidate explained, lowering the quality of the product when they were already losing customers, will not improve financial viability.</p>