

## Assessment Schedule – 2014

### Business Studies: Demonstrate an understanding of internal features of a small business (90837)

#### Evidence Statement

Q 1	Sample answers	Achievement	Achievement with Merit	Achievement with Excellence
(a)	Business objectives are the goals, aims, or purpose of the business, usually referred to in the planning process. Possible business objectives of Rawiri and Kiri: expansion / growth, survival, increased market share, increased income / sales, profit, provide employment.	<ul style="list-style-type: none"> <li>Defines the term “business objectives”.</li> <li>Describes a possible business objective for Rawiri and Kiri.</li> <li>Identifies TWO reasons why objectives are important.</li> </ul>	<ul style="list-style-type: none"> <li>Explains TWO reasons why objectives are important to businesses.</li> <li>Explains the connection between the measure of success and the objectives / goals of the business.</li> <li>Explains why measuring success can be difficult when comparing two businesses.</li> </ul>	(b) Fully explains TWO reasons why objectives are important to business.
(b)	<p>Possible answers include:</p> <p>Business objectives are important because they give a sense of purpose and direction (Described). They state the goals of the business and should be used to help decision-making and planning, and as measurements of success (Explained). A business objective encourages a shared viewpoint between staff and owners, and therefore will help avoid any differences in opinion about the business direction (Fully explained).</p> <p>Business objectives are important because they provide a target to aim for (Described), which means that the business can regularly monitor its progress and set clear budgets (Explained). This will benefit the business, as it means that the business is operating efficiently, meaning the returns / profits to Rawiri will be higher (Fully explained).</p> <p>Business objectives are motivating for employees (Described), which means that employees will be more productive, as they are more focused / have a clearer sense of direction (Explained). This means that staff will be more efficient and therefore expenses will decrease, leading to the business gaining higher profits (Fully explained).</p> <p>Business objectives improve the image / reputation of the business (Described), which means that potential</p>	<ul style="list-style-type: none"> <li>Identifies ONE measure that indicates the small business is successful.</li> <li>Identifies the connection between the measure of success and the objectives / goals of the business.</li> <li>Identifies ONE reason why measuring success can be difficult when comparing two businesses.</li> </ul> <p>(Answers will typically <b>state</b> relevant examples, business knowledge, and/or Māori business concepts.)</p>	<p>(Answers will typically <b>include</b> relevant examples, business knowledge, and/or Māori business concepts.)</p>	<p>(c)</p> <ul style="list-style-type: none"> <li>Fully explains the connection between the measure of success and the objectives / goals of the business.</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>Fully explains ONE reason why success can be difficult to measure when comparing two businesses.</li> </ul> <p>(Answers will typically <b>integrate</b> relevant examples, business knowledge, and/or Māori business concepts into explanations.)</p>

	employees will want to work for the business, and customer demand should rise (Explained). With the improvement in reputation, the business may see a rise in sales, as more customers are likely to be attracted to the business and this may lead to a rise in profits (Fully explained).			
(c)	<p><i>Tastebud Café</i> measures its business success by monitoring its profits (Identified). The owner's business success relates directly to one of the objectives of the business, which is to increase their level of profits annually. Having these in place means that the owner of the café can measure / analyse the profit figures to determine if the business is successful (Explained), and make the necessary adjustments to the business to achieve the objective of profit growth (Fully explained).</p> <p>One reason why business success can be difficult to measure when comparing two businesses is the differing business objectives that businesses are pursuing (Identified). <i>Tastebud Café's</i> objective is to increase its profit. This means that they will have analysed data on profit. The owners of another business may have the business objective of employment for their family / friends / community as their success measure, which means that they will have data on employment statistics to determine whether their business is successful. Even though both businesses are seen as successful in their own eyes, from an investor's or bank's point of view, a successful business may be determined by profit alone, so one business may be seen as more successful than the other (Fully explained).</p> <p>NOTE: will only accept annual report or financial statements as a measure of success as long as candidates state that analysing the report or statement allows the business to measure success through the measurement or comparison of profit / loss / equity (or something similar).</p>			

<b>N1</b>	<b>N2</b>	<b>A3</b>	<b>A4</b>	<b>M5</b>	<b>M6</b>	<b>E7</b>	<b>E8</b>
Very little Achievement evidence.	Some Achievement evidence.	Most Achievement evidence.	Nearly all Achievement evidence.	Some Merit evidence	Most Merit evidence.	(b) <i>OR</i> (c) fully explained. The other part is explained.	(b) <i>AND</i> (c) fully explained. One part may be weaker.

**N0** = No response; no relevant evidence.

Q 2	Sample answers	Achievement	Achievement with Merit	Achievement with Excellence
(a)	<p>If the business purchases the logging equipment, then this is added to the business's assets. Purchasing the logging equipment would be a better idea, as hiring equipment can be just as expensive over time as purchasing, but the business will never own it (Outlined).</p> <p>Other reasons: increases expenses; reduces cash flow; reduces profit.</p>	<ul style="list-style-type: none"> <li>• Outlines why purchase is better than hire of the new logging equipment.</li> <li>• Describes why profit is a motivator for the owner.</li> <li>• Describes how profits are a source of finance for the business.</li> </ul>	<ul style="list-style-type: none"> <li>• Explains why profits are a motivator for the owner.</li> <li>• Explains how profits are a source of finance for the business.</li> <li>• Explains why the long-term source of finance is suitable for the purchase of the logging equipment.</li> </ul>	<p>(b)</p> <p>Fully explains why profit is important to a small business (why profit is a motivator and how profit is a source of finance).</p>
(b)	<p>One reason why profits are important to a small business is that they are the reward for risk-taking (Identified). In this case, profits are the financial reward that Rawiri will receive for starting his own business (Explained). Having a greater return on his business in the form of profits means that Rawiri will have an incentive to keep going with his business and to put more resources into the business (Fully explained).</p> <p>Another reason why profits are important to a small business is that they are a source of funds for expansion (Identified). This means that Rawiri will have instant access to funds if he wants to expand his business. Rawiri would not have to wait to buy new machinery (Explained) and therefore would be able to start the new logging crew immediately, to take advantage of the changes in the market (Fully explained).</p> <p>Other reasons: source of funds for emergency; main reason for the existence of many small businesses / motivation; necessary for survival; difficult to obtain other sources of finance if you are a small business.</p>	<ul style="list-style-type: none"> <li>• Describes a suitable long-term source of finance.</li> <li>• Identifies ONE reason why the long-term source of finance is suitable for the purchase of the logging equipment.</li> <li>• Identifies ONE disadvantage of the long-term source of finance to the business.</li> </ul> <p>(Answers will typically <b>state</b> relevant examples, business knowledge, and/or Māori business concepts.)</p>	<ul style="list-style-type: none"> <li>• Explains ONE disadvantage of the long-term source of finance to the business.</li> </ul> <p>(Answers will typically <b>include</b> relevant examples, business knowledge, and/or Māori business concepts.)</p>	<p>(c)</p> <p>Fully explains why the long-term source of finance would be suitable for the purchase of the equipment.</p> <p>AND</p> <ul style="list-style-type: none"> <li>• Fully explains ONE disadvantage of the long-term source of finance to the business.</li> </ul> <p>(Answers will typically <b>integrate</b> relevant examples, business knowledge, and/or Māori business concepts into explanations.)</p>
(c)	<p>A suitable long-term source of finance for the logging equipment would be a bank loan (Described).</p> <p>A bank loan would be a suitable long-term source of finance because it can be used to raise a large amount of capital (Described). As the purchase price for the logging equipment is \$150,000, this is considered a large capital expenditure item (Explained). The loan can be paid back in</p>			

<p>instalments and spread over a number of years (Fully explained). Rawiri can receive revenue from the logging equipment, which will help pay back the loan (Fully explained).</p> <p>A disadvantage of the bank loan is that Rawiri would have to pay back interest in addition to the loan (Described). This is an expensive way of borrowing, and will increase expenses (Explained). This will increase payments made by the business and may lead to cash flow problems (Fully explained), or could lead to a decrease in profits or a potential loss (Fully explained).</p>							
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Very little Achievement evidence.	Some Achievement evidence.	Most Achievement evidence.	Nearly all Achievement evidence.	Some Merit evidence.	Most Merit evidence.	(b) <i>OR</i> (c) fully explained. The other part is explained.	(b) <i>AND</i> (c) fully explained. One part may be weaker.

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Q 3	Sample answers	Achievement	Achievement with Merit	Achievement with Excellence
(a)	Batch production is a production method which involves completing one operation / unit at a time before performing the next. Components or goods are produced in groups. The machines used in the production process can be easily changed to produce a batch of a different product.	<ul style="list-style-type: none"> <li>Defines batch production.</li> <li>Identifies TWO advantages to the sawmill of using batch production.</li> <li>Identifies a suitable method of producing packets of timber.</li> <li>Describes how the sawmill will use the identified method of producing packets of timber.</li> <li>Identifies ONE advantage of the method.</li> </ul> <p>(Answers will typically <b>state</b> relevant examples, business knowledge, and/or Māori business concepts.)</p>	<ul style="list-style-type: none"> <li>Explains TWO advantages to the sawmill of using batch production.</li> <li>Explains how the sawmill will use the identified method of producing packets of timber.</li> <li>Explains ONE advantage of the method.</li> </ul> <p>(Answers will typically <b>include</b> relevant examples, business knowledge, and/or Māori business concepts.)</p>	<p>(b)</p> <p>Fully explains TWO advantages to the sawmill of using batch production.</p> <p>(c)</p> <ul style="list-style-type: none"> <li>Fully explains how the sawmill will use the identified method of producing packets of timber.</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>Fully explains ONE advantage of the method.</li> </ul> <p>(Answers will typically <b>integrate</b> relevant examples, business knowledge, and/or Māori business concepts into explanations.)</p>
(b)	<p>One advantage of using batch production is that this is a flexible way of working (Identified) – the business will be able to respond to a sudden change in demand for its products, eg timber posts vs. timber rails (Explained). This will increase productivity/efficiency, which could lead to higher sales/profits (Fully explained). An increase in profits means that there is a higher return to the owner (Fully explained).</p> <p>Another advantage of batch production is that workers will have a variety of jobs (Identified), which makes the work more interesting and increases job satisfaction (Explained). This increase in job satisfaction could lead to higher production levels and lower costs of production (Fully explained). This means that profits may increase due to an increase in sales or a decrease in expenses, which can then be retained in the business or can increase the return to the owner (Fully explained).</p> <p>Other advantages: producing in batches makes it easier to trace items if required; the machinery can be used to produce a variety of goods efficiently.</p>			
(c)	<p>A suitable method for producing packets of timber would be flow production.</p> <p>The sawmill will utilise the flow production method by the introduction of special machinery and establishing an assembly line (Explained). This also means the sawmill will have an identical, standardised output (packets of timber for housing structures) and workers will specialise in this product output (Fully explained).</p>			

<p>Advantages of this method of production may include:  As this is a standardised product, there will be a uniform standard of quality, as all products will be identical (Explained). This will mean that the business should have fewer costs associated with re-works, returns, and customer dissatisfaction (Fully explained).  Large quantities can be produced with less handling involved (Identified). Larger output will lead to lower costs of production (Explained) and therefore increased profits (Fully explained).  Flow production is more capital-intensive, so fewer workers are needed (Identified), thus reducing labour costs (Explained) and increasing profitability (Fully explained).</p>							
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### Cut Scores

	<b>Not Achieved</b>	<b>Achievement</b>	<b>Achievement with Merit</b>	<b>Achievement with Excellence</b>
<b>Score range</b>	0 – 7	8 – 12	13 – 18	19 – 24