

90839R

NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

Level 1 Business Studies, 2014

90839 Apply business knowledge to an operational problem(s) in a given small business context

2.00 pm Thursday 20 November 2014
Credits: Four

RESOURCE BOOKLET

Refer to this booklet to answer the questions for Business Studies 90839.

Check that this booklet has pages 2–3 in the correct order and that none of these pages is blank.

YOU MAY KEEP THIS BOOKLET AT THE END OF THE EXAMINATION.

RESOURCE A: CASE STUDY*The Cool Cupcake Company*

The Cool Cupcake Company is a retail food shop part-owned and managed by Stacey Grant. Stacey decided to open the shop after many years of making and decorating cupcakes for her own family and friends. She did not want to go back to her old clerical job after having children, so opening her own business seemed like a perfect solution.

Stacey could not afford to open the shop on her own, so was really pleased when her cousin Jane said she would go into business with her. Stacey and Jane had been close while growing up, but had not really had much to do with each other since having children, so they did not know each other as well as they thought. Since opening the shop in August, Stacey and Jane have had different ideas about the business and where it should be heading. Jane wants to do some outside catering for parties and weddings, but Stacey thinks it is too soon after opening the business and could be risky. They would have to do a lot more marketing and planning, with no guarantee of extra business. This has caused some problems for Stacey, and there have been several disagreements lately. There is a negative atmosphere in the workplace, and they are almost at the point of not talking to each other. The situation has affected the two part-time staff Stacey had hired.

Another issue that Stacey did not foresee was the trend in the cupcake market. Shops that sell cupcakes have increased – just about every bakery, café, supermarket, and even most petrol stations are selling cupcakes. This is creating an extremely competitive environment. They have been operating for four months, and sales have not been as good as expected. Their suppliers and other creditors have also tightened up their policies around providing credit and lending. Stacey has completed a cash flow forecast for the next four months, and it is not looking positive.

The equipment is also a concern. Due to financial constraints, Stacey and Jane purchased most of their equipment and machinery second hand. They have had some major problems with the equipment breaking down several times. It is costing the business a lot of money to keep having it repaired. However, it could cost around \$10 000 to have the equipment replaced, although the new equipment would have a five-year extended warranty covering parts replacement and repairs. They are unsure what to do about this issue.

RESOURCE B: CASH FLOW**Forecasted Cash Flow for *The Cool Cupcake Company* (Nov 2014 to Feb 2015)**

	November \$	December \$	January \$	February \$
Opening bank balance	10 000	12 605	13 555	11 005
Cash inflows:				
Sales	37 155	35 250	33 050	28 000
Total cash inflows	37 155	35 250	33 050	28 000
Cash outflows:				
Wages	3 000	3 000	3 000	3 000
Supplies and direct expenses (purchased by cash)	20 950	22 200	24 000	25 250
Supplies and direct expenses (purchased on credit)	6 000	4 500	4 000	3 500
Rent	1 600	1 600	1 600	1 600
Water, electricity, and phone	1 000	1 000	1 000	1 000
Loan repayments to bank	1 000	1 000	1 000	1 000
Equipment repairs and maintenance	500	500	500	500
Insurance	500	500	500	500
Total cash outflows	34 550	34 300	35 600	36 350
Net cash flow	2 605	950	-2 550	-8 350
Closing bank balance	12 605	13 555	11 005	2 655

