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90837



# Level 1 Business Studies, 2014

# 90837 Demonstrate an understanding of internal features of a small business

2.00 pm Thursday 20 November 2014 Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate an understanding of internal features of a small business.	Demonstrate a detailed understanding of internal features of a small business.	Demonstrate a comprehensive understanding of internal features of a small business.

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 the questions in this booklet.

Refer to relevant business knowledge and/or Māori business concepts in your answers.

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 2–12 in the correct order and that none of these pages is blank.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

TOTAL

#### QUESTION ONE: BUSINESS OBJECTIVES AND BUSINESS SUCCESS

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Rawiri has worked within the forestry industry since gaining a Bachelor of Forestry degree in 1990. During this time he has gained valuable experience in both the harvesting (cutting down trees) and the marketing of wood products.

Rawiri and his wife, Kiri, have recently made the decision to set up their own harvesting operation, which they have named *Clear Fell*. They have been contracted to cut down *Pinus radiata* trees on blocks of land. They have one logging crew, consisting of 12 people who operate heavy machinery and chainsaws. Most of the 12 people that Rawiri and Kiri employ are either relatives, including their two sons, or friends.

Before Rawiri got into this business, he read a Treasury report that stated there will be a large number of trees reaching maturity within the next five years, at a time of growing global demand for wood and wood products.

Source: www.treasury.govt.nz/publications/research-policy/ppp/2005/05-04/15.htm

Define the and Kiri.	erm "business objectives", and	describe a poss	sible business o	ojective for Rav
Fully expla	n TWO reasons why objectives	are important to	businesses.	
	n TWO reasons why objectives			
(1)				
(1)				

(c)

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you	l(s) sold or service(s) provided	
	ır answer: identify ONE way in which the	e small business could measure its success
	-	etween how the business measures success and the
	objectives/goals of the busine	
		, ONE reason why success can be difficult to measure
	when comparing two business	ses.

More space for this answer is available on the next page.

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## **QUESTION TWO: SOURCES OF FUNDING**

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Due to the increase in wood available to be cut, Rawiri is considering the purchase of new logging equipment to establish a second *Clear Fell* logging crew.

	oment.
Discu	uss why profit is important to a small business.
In yo	ur answer, fully explain:
•	why profit is a motivator for the owner
•	how profit is a source of finance for the business.
	The result is a secure of infance for the saciness.

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Rawiri and Kiri have access to both internal and external sources of funding to finance the purchase of the logging equipment. They consider that they will need long-term financing for the purchase, as the estimated cost is \$150000.

(c) Discuss a relevant **external** source of finance for the purchase of the logging equipment. In your answer: describe a suitable long-term external source of finance fully explain why this source of finance would be suitable for the purchase of the logging equipment fully explain a disadvantage of this source of finance to the business.

### **QUESTION THREE: TYPES OF PRODUCTION**

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The sawmill that Rawiri supplies currently produces residential fencing products. These are:

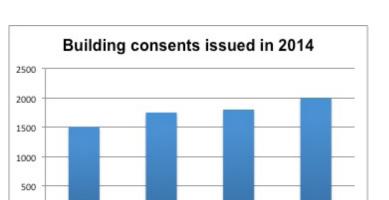
- timber posts
- timber rails
- timber palings.

The sawmill uses batch production.

Fully ex	valain TWO advantages to the sawmill of using batch production
	xplain TWO advantages to the sawmill of using batch production.

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Recent industry reports have indicated that the number of new building consents is trending upwards, as shown in the bar chart below.



The owner of the sawmill is considering a contract with a larger mill to provide packets of timber for housing structures. The packets of timber would contain timber cut to a certain length and width.

July

October

The sawmill would no longer be able to produce the fencing materials, if it was to sign a contract to provide the packets of timber.

April

(c) Discuss the method of production that would be most suitable for the production of packets of timber.

In your answer:

• identify a suitable method of production

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January

- fully explain how the sawmill would use this method
- fully explain ONE advantage of this method.

More space for this answer is available on the next page.

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