

90839R



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

Level 1 Business Studies, 2012

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

9.30 am Thursday 29 November 2012
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***Woody's Timber Ltd* – Timber Supplies**

Ken Woody owns *Woody's Timber Ltd*, a small timber business based in Bushville. The business processes logs into a variety of timber products for the local building industry and employs 15 specialist timber workers with a range of skills. The staff at *Woody's Timber Ltd* are loyal to the business, the majority of employees having worked for the firm for over ten years.

Five members of *Woody's Timber Ltd's* staff have recently retired, and Ken has been finding it difficult to replace them. There appears to be a shortage of skilled timber workers available for employment in the timber industry. He requires staff for specialist positions in the drying rooms and in the sawmill, where the logs are cut into timber.

There has been a decrease in demand for building materials throughout the world over the last few years, and New Zealand is no exception. Ken has noticed that *Woody's Timber Ltd* is starting to experience some cash flow difficulties, due to falling demand from the building industry for his timber and related products. Ken clearly understands the importance of a healthy cash flow for the continued success of his business, and intends to work on a solution to this difficulty as a top priority.

Ken is devastated by the damage caused by a recent flooding of Bushy River. A large amount of timber has been damaged, as has part of the drying room machinery. Staff are unable to access the timber yards, as all roads into the yard are closed, due to excess flood water. He is also concerned about being low on staff once they are able to access the timber yards again, and the possible need to work long hours to rectify the problems caused by the flood.

RESOURCE B: NEWSPAPER ARTICLE

Bushville Daily News

Bushville has experienced torrential rain for the last week. Bushy, the industrial area of the town, has suffered the greatest effects. Bushy River has risen 10 metres and has overflowed its banks, restricting entry to all businesses in the industrial area.

Some owners have been unable to access their businesses for five days and many, such as Ken Woody of *Woody's Timber Ltd*, are extremely concerned about their stock and equipment. Mr Woody, who has owned his business for 20 years, says he's never experienced anything like this before. He added, "I'm very concerned about the impact this flood will have on my business, especially coming at such a difficult time for businesses generally. I still have to pay wages, pay for damaged stock and equipment, and somehow try to make some sales". Some debtors are taking up to two months to pay.

Bushville Council would not commit to any timescale for allowing businesses to re-open, as more heavy rain is forecast for the next four days.

RESOURCE C: CASH FLOW

Forecasted Cash Flow for *Woody's Timber Ltd* (November 2012 to March 2013)

	November \$	December \$	January \$	February \$	March \$
Opening bank balance	66 000	87 500	79 100	59 850	41 350
Cash inflow:					
Cash sales	180 500	135 000	102 000	85 000	62 000
Receipts from debtors	52 000	43 000	20 000	15 000	12 000
Total inflow	232 500	178 000	122 000	100 000	74 000
Cash outflow:					
Wages	22 000	22 000	20 000	18 000	18 000
Logs	177 700	154 000	112 300	94 300	88 000
Equipment and diesel	8 000	7 200	5 800	3 200	2 500
Rates	1 800	1 800	1 800	1 800	1 800
Utilities (electricity, gas, telephone and water)	1 500	1 400	1 350	1 200	1 100
Total outflow	211 000	186 400	141 250	118 500	111 400
Net cash flow	21 500	-8 400	-19 250	-18 500	-37 400
Closing bank balance	87 500	79 100	59 850	41 350	3 950

Note: This Forecasted Cash Flow was completed before the flood.

