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Level 1 Business Studies 2022

90837 Demonstrate an understanding of internal features of a small business

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.

Do not write in any cross-hatched area (▨). This area may be cut off when the booklet is marked.

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

Background information

Kyle has always enjoyed nature and science. Three years ago, he started experimenting with a range of natural ingredients, including New Zealand-grown fruit, organic raw sugar, and spring water. After many trials, he developed a good recipe and formed a small fruit soda business, selling his soda at local farmers' markets at weekends during summer. Making soda was an enjoyable hobby for him, and he felt that he was really good at the science behind it.

Kyle was pleasantly surprised by the popularity of his fruit sodas at the farmers' markets, and has decided to take the risk of leaving his full-time employment as a science teacher to produce and sell his fruit sodas. He has decided to set up his business as a sole trader, and has named it *Fruitpop Fizz*.

QUESTION ONE: Ownership structures

- (a) (i) Describe how a sole trader is different from being an employee.

- (ii) Explain TWO disadvantages, using examples, of Kyle leaving his full-time teaching job to set up *Fruitpop Fizz* as a sole trader.

Disadvantage (1): _____

Disadvantage (2): _____

Five years on, with many new flavours of fruit soda, Kyle continues to operate as a sole trader, with a sustainability focus for his business objectives. For Kyle, sustainability means doing things the right way, by using fresh New Zealand-grown fruit straight from the grower instead of imported fruit concentrates, and using organic raw sugar rather than corn syrup. Kyle also uses recycled glass bottles instead of plastic, and bottles his fruit soda in his own solar-powered factory in sunny Motueka.

Kyle has been approached recently to join another fruit drink producer in the region and form a partnership. This business produces its drinks using imported fruit concentrates and has a bigger factory that would allow Kyle to produce more.

(b) (i) Define a partnership.

(ii) Discuss TWO advantages for Kyle of remaining a sole trader rather than joining the other fruit drink producer in the region and forming a partnership.

In your answer, explain how each advantage would meet Kyle's business objectives.

Advantage (1):

Advantage (2):

QUESTION TWO: Source of finance/financial documents

As the popular trend for locally grown and sustainable produce continues to rise, the demand for *Fruitpop Fizz* is increasing. Kyle wants to take advantage of this trend by extending his range of drinks to include fruit teas. To expand his business in this way, he needs to purchase tea-brewing equipment.

- (a) Describe a long-term source of finance for purchasing the new tea-brewing equipment.

- (b) Explain ONE advantage and ONE disadvantage of the long-term source of finance named in part (a).

Keeping financial documents is important for all businesses. It makes budgeting easier, is necessary for tax purposes, and helps decision-making. Failure to keep financial documents can quickly lead to disaster for many businesses. This could mean they lose customers, fail tax audits, or do not have the ability to borrow to fund new equipment or other 'big ticket' items. Two examples of financial documents for a business are:

- balance sheet of assets, liabilities, and equity as at the end of a financial year
- income statement showing income, expenditure, and profit for a financial year.

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- balance sheet of assets, liabilities, and equity as at the end of a financial year
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In the box below, enter the details of a small business (maximum 20 workers and/or with local or community significance) that you have studied.

Name of the small business: _____

Good(s) sold or service(s) provided: _____

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(c) Discuss the importance for this small business of using financial documents for business decision-making. In your answer:

- (c) Discuss the importance for this small business of using financial documents for business decision-making. In your answer:
- select and describe one of the financial documents stated in the box at the top of this page
 - explain, using an example of a business decision, the importance of this financial document in the decision-making process.

QUESTION THREE: Communication

Over the years, *Fruitpop Fizz* has grown from a sole owner-operator to having two employees, and from offering just fruit soda to also selling a range of fruit teas. Kyle realises that with employees and a wider range of customers, effective communication is essential to the successful operation of *Fruitpop Fizz*.

- (a) Describe what is meant by 'effective communication'.

With the launch of the new range of fruit teas, Kyle must communicate with his employees about a need to change the hours they work.

Select (✓) ONE effective method of communication for Kyle to communicate this message:

- ☐ Visual
 - ☐ Written
 - ☐ Verbal

- (b) Using your selected method of communication, explain ONE advantage and ONE disadvantage of Kyle choosing to use this method of communication.

Kyle was positive that there was a demand for his fruit teas, but he has not had many sales to date. One of his employees said that he was aware of potential customers who had not heard of the new fruit tea range, and that there could have been barriers in his email communication.

Extra space if required.
Write the question number(s) if applicable.

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