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Level 1 Business Studies 2021

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

Ski Explore is a sole trader ski shop owned by Ryan. *Ski Explore* is located in Ohakune, New Zealand, a popular winter ski destination. *Ski Explore* sells skis and other ski gear, including clothing and accessories. Naturally, *Ski Explore* makes more sales during the winter months than in the summer. Being an entrepreneur, Ryan wants to find innovative ways to earn revenue all year round, using his current resources. He plans to identify other possible needs of his customers and find ways to meet those needs throughout the year.

QUESTION ONE: Entrepreneurship and sources of finance

Ryan has noticed that there is a growing number of trampers and cyclists using the walking and cycle trails around Ohakune in summer. He wants to take advantage of this trend. Ryan decides to change the name of *Ski Explore* to *Explore More* and increase his range of stock to include tramping and cycling gear. Ryan also has a vision to offer walking and cycling tours to showcase New Zealand's most amazing landscapes in an environmentally sustainable way, so that both domestic and international tourists can access the best sights and activities around Ohakune.

(a)   Discuss the impact of Ryan's entrepreneurial characteristics on *Ski Explore*. (Characteristics are qualities that occur naturally in a person.)

Support your answer by describing the role of the entrepreneur, and the entrepreneurial characteristics that Ryan has shown.

After changing the name of the business from *Ski Explore* to *Explore More,* Ryan knows that he needs to purchase a significant amount of new inventory to enable *Explore More* to offer a wider range of outdoor clothing and accessories to his new target market.

(b) (i) Identify a short-term source of finance for purchasing the new inventory.

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(ii) Discuss ONE advantage and ONE disadvantage of the short-term source of finance you have identified.

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QUESTION TWO: Employer-employee relationships

Ryan begins to implement his vision of offering tramping and cycling tours by hiring two employees.
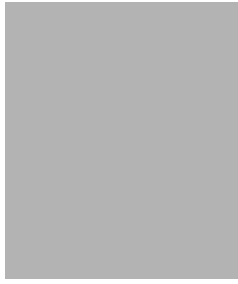
Holly is the tramping tour guide. Holly has a long-standing love affair with New Zealand mountains and bush. She has more than ten years' experience of guiding tramping tours throughout New Zealand, Australia, and Nepal.

Dan is the cycling tour guide. Dan was born and raised in Ohakune. The local knowledge and experience he has gained from growing up in the area qualifies him well for running the cycling tours.

Source of images: https://www.freepik.com/free-photos-vectors/face

Ryan knows that if his business is to be successful, it is important that he establishes effective employer-employee relationships with Dan and Holly.

(a)　(i)　What is the meaning of the term 'effective employer-employee relationships'?

　　(ii)　Explain, with TWO reasons, and by using examples, why it is important for Ryan to establish and maintain effective employer-employee relationships.

(iii) What impact would effective employer-employee relationships have on *Explore More*?

(b) 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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(i) Identify TWO features of being a good employer for this small business.

Feature (1): _____

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Feature (2): _____

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(ii) Explain why each feature shows that this business is a good employer.

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(iii) Explain how each feature has affected, or may affect, employee attitudes towards the business.

QUESTION THREE: Business objectives and business success

Explore More has now been operating successfully for three years, and Ryan was recently asked to be a guest speaker at the local high school. One student asked why *Explore More* is so successful.

Ryan replied that a key factor is not making profit his only business objective. He gave the following reasons for his success:

- striving for excellence with the goods and services he provides
- being socially responsible
- having effective employer-employee relationships.

(a) (i) Define the term 'business objective'.

(ii) Explain TWO reasons why business objectives are important to *Explore More*.

Business success is directly related to achieving SMART business objectives.

Business objectives should be SMART – specific, measurable, attainable, relevant, and timely. Implementing SMART objectives helps to steer a business towards success.

Select (✔) ONE of *Explore More*'s success factors:

☐ Striving for excellence with goods and services

☐ Social responsibility

☐ Effective employer-employee relationships

(b)　(i)　Using this success factor, outline a potential SMART business objective for *Explore More*.

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(ii)　Describe ONE way (one action) in which *Explore More* could operate its business to meet the outlined SMART business objective.

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(iii)   Explain how this business operation may contribute to the success of *Explore More*.

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