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90837



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

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SUPERVISOR'S USE ONLY

Level 1 Business Studies, 2016

90837 Demonstrate an understanding of internal features of a small business

9.30 a.m. Friday 25 November 2016
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.

Excellence

TOTAL

24

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QUESTION ONE: BUSINESS STRUCTURE

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After successful careers in tennis, Tāwhiri and his best mate Eli decided to use their passion and knowledge of tennis by creating a business to develop and market a new hi-tech tennis racket. The business is called Tennis Tech, and operates as a partnership.

- (a) Define the business term "partnership", and fully explain TWO advantages to Tāwhiri and Eli of forming a partnership for their new business.

A partnership is a business structure that consists of two or more people who share in the capital, investment and responsibilities of the business. In this case Tāwhiri and Eli are the partners in this partnership which ~~no~~ gives them both shared responsibilities and shared capital and investment into the business.

An advantage for Tāwhiri and Eli to form a partnership for their business Tennis Tech which develops and markets high tech tennis rackets would be the share in responsibilities, capital and investment and liability of liquidation or financial loss. This share of the business reduces the workload of Tāwhiri and Eli allowing them to do what they are best at which is to develop hi-tech tennis rackets. This could increase the quality of the product, resulting in higher customer satisfaction of the product which could increase sales and therefore profit. This is in contrast to being a sole trader which would mean the one person Tāwhiri would have to develop the product himself which would increase the workload and possibly decrease the quality of the product.

Due to high demand for their products, the firm has grown, and a decision needs to be made whether to expand the design and production facilities. Tāwhiri believes the firm should consider becoming a registered company, as this would allow greater access to capital to fund any expansion.

- (b) Fully explain the impacts on Tāwhiri and Eli of *Tennis Tech* changing from a partnership to a registered company.

In your answer:

- explain ONE difference between a partnership and a registered company
- fully explain TWO advantages and ONE disadvantage of *Tennis Tech* becoming a registered company.

A difference from a partnership and a registered company is that a registered company is a separate legal entity from the owner. This means when creditors ~~are~~ need to be paid and the business cannot pay them back in full an individual's assets can not be ~~be~~ taken. Unless an individual's assets are used to secure a mortgage or bank loan. It

An advantage of *Tennis Tech* becoming a registered company is the ability to sell shares in the business to outside investors. This can increase the capital funds needed for expansion by expanding design and production facilities. ~~An increase~~ New funds to expand facilities could result in new products ~~for~~ or improved products from innovation and ~~for~~ research and development at the It

Shares

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

Increase in business related costs

company. This could improve brand perception for hi-tech & and quality products. This could increase sales and therefore profit which will be paid to ~~invest~~ shareholders or retained to further invest. 11

Another advantage of becoming a registered company would be the reduced liability for losses made by the business. Tauhiri, Eli and others shareholders wouldn't be at risk of losing personal assets unless their personal assets ~~be~~ secure the entities Tennis Tech's mortgages or bank loans. Without ~~per~~so individual assets at risk Tauhiri and Eli can take more risks when expanding the business and raising capital through debt. This could improve the businesses product, increasing sales which increases profit. 12

continue page 11/12

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QUESTION TWO: COMMUNICATION

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Businesses require good communication if they are to maximise their opportunities.

- (a) Fully explain TWO methods of communication *Tennis Tech* may use to reach its customers/potential customers.

In your answer:

- identify TWO situations where *Tennis Tech* may communicate with its customers/potential customers to maximise its opportunities
- for EACH situation, fully explain a different communication method and how it would enable *Tennis Tech* to communicate effectively with its customers/potential customers.

Tennis Tech might communicate with its potential customers at business / industry related networking events to showcase the innovations of *Tennis Tech*. Instead of taking the details of the potential customer and contacting them after the event through email. *Tennis Tech's* Tauhira and Eli could focus on face to face communication. This will enable *Tennis Tech* to communicate effectively with the potential customers because face to face contact builds a personal relationship with the potential customer. ~~An~~ A personal relationship increases memory of Tauhira and Eli from *Tennis Tech*. ~~This will~~ be the potential customer in contrast to a contact detail which the potential customer will forget ever doing more easily. This will increase conversion rate and possibly sales and profit. *Tennis Tech* might use online chat or email to ~~talk to retailer~~ communicate

pot events
online chat

- (b) In all businesses, good communication is important for efficient operations.

Discuss ONE barrier to communication that may exist for a small business (maximum of 20 workers and/or with local or community significance) that you have studied in depth.

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| | |
|-------------------------------------|--------------------|
| Name of the small business | Boost Chiropractor |
| Good(s) sold or service(s) provided | chiropractor. |

In your answer:

- identify and explain ONE barrier to communication
- fully explain how the barrier to communication may affect the business negatively
- fully explain a method of communication which would solve the problem.

A barrier to communication for the company Boost Chiropractor could be the geographical location of all its practices which lowers the face to face communication between employees with one practice. This drive from the main practice it is less likely for ~~those~~ the administration employees to ~~mea~~ meet the employees at the other practice who they manage on a day to day basis. This could negatively affect the ~~basn~~ company Boost Chiropractor because this geographical barrier might reduce the interpersonal relationship between the administration staff and the other practice that they manage the employees of. The admin staff are located at the Warkworth practice to reduce admin costs. A decrease in interpersonal relationships ~~could~~

from less face to face communication could negatively affect the company culture, which can increase staff turnover. This will increase staff costs because of the ~~time loss~~ ~~productivity~~ sales loss from losing an employee and the costs associated with hiring and training a new employee. This could increase total expenses which lowers profit and profit as a percentage of sales. ||

This problem could be solved by having regular employee events and meet ups for dinner or other social events. This will improve the company culture (if the employees are satisfied with the arrangements) and improve the personal relationship they have with fellow colleagues. This could increase employee productivity by each employee understanding the another employees situation or personality. For example one admin staffer might pick ~~the~~ have an important event to prepare for such as wedding. so This increase in productivity and culture will lower staff turnover, lower costs and increase customer service quality which could increase sales and profit. ||

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QUESTION THREE: EMPLOYER/EMPLOYEE RELATIONSHIPS

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Good employer/employee relationships are important for the success of any business. Poor employer/employee relationships can impact negatively on the performance of a business.

- (a) Fully explain why good employer/employee relationships are important for the success of Tennis Tech.

In your answer:

- identify ONE example of good employer/employee relationships
- fully explain TWO impacts that good employer/employee relationships will have on Tennis Tech.

Good employee/employer relationships for Tennis Tech could be between the research and development employee and Tauhiri. A good relationship would show that each respect each other, and communicate on tasks efficiently and effectively in order to generate the best outcome which ~~will~~ could generate higher sales which could generate higher profit.

An impact from good employer/employee relationships for Tennis Tech could be the result in a strong company culture. A strong company culture could increase employee productivity by making them feel wanted in the company and giving them purpose. This could increase quality of product, which increases sales and profit. ~~Another impact from good~~ A strong company culture as a result of good employer/employee relationships could be the

David, one of *Tennis Tech*'s employees, has recently had a significant number of unexplained absences. This has impacted on other staff, and on customers who have experienced late deliveries.

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- (b) Discuss how a failure to deal with David's unexplained absences may affect *Tennis Tech*.
In your answer:

- explain ONE negative impact of David's absences on the staff and ONE negative impact on *Tennis Tech*
- fully explain TWO alternative solutions that *Tennis Tech* could use to deal with the problem.

A negative impact on ~~David's employees~~ from *Tennis Tech* employees from the significant number of David's recent unexplained absences could be the ~~increase~~ show that the failure to turn up late isn't that big of an issue possibly causing them to turn up late on some days. If this continues it could become part of the company culture. This could decrease employee productivity from a more relax working attitude and less time working. This could ~~lower~~ increase the costs of of cost p ~~goods sold~~ from per unit expenses which ~~could~~ would lower profit for *Tennis Tech*. A negative impact for the employees of *Tennis Tech* could be from the ~~more~~ significant number of ~~late deliveries~~ unexplained absences from David ~~co~~ which increases!

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

the number of unexplained deliveries for customers could ~~in~~ lower the brand image for ^{poor} customer service quality. This damages the company's reputation possibly decreasing sales which will decrease profit. This will negatively affect profit because it will decrease the chance of wage ~~&~~ increase or bonus ~~lowering~~ lowering their financial rewards for working.

Tennis Tech could solve this problem by giving strict penalties such as no ~~&~~ pay increases or other benefits for not turning up late. They must sign into a computer each day with a tag which ~~note~~ records arrival time each day. Employees who are consistent could receive an award. This could increase employee productivity which increases the cost per unit which lowers expenses and increases profit.

An alternative solution to this problem would be ~~could~~ ^{to} let employees arrive to work at any time but they are paid based on the amount and quality of work they do and if their lateness negatively affects the business they will not receive a pay rise. This could increase employee productivity and moral from job satisfaction because they feel in control of their work. An increase in productivity lowers per unit costs which increase profit.

Extra space if required.

Write the question number(s) if applicable.

ASSESSOR'S
USE ONLYQUESTION
NUMBER

- 1a This could result in a poorer brand image and a false image of hi-tech. This could lower sales which lowers profit. Another advantage for Tauhiri and Eli is the shared liability of the business. In the event that the business Tennis Tech cannot pay back creditors because a partnership legally sees the individuals assets and business assets as the same creditors can take Tauhiri and Eli's personal assets. By being in a partnership this liability is shared which decreases the potential loss per individual in the partnership. This increases the likelihood of the business Tennis Tech continuing into the future as it can withstand greater financial pressure. Increasing profit for the the partners Tauhiri and Eli in the long term.
- 1b A disadvantage of becoming a registered company for the entity Tennis Tech would be the expenses associated with setting up ^{and running} a legally recognised company. This includes registration costs and ~~company tax exp~~ expenses related to company tax and compliance costs.

Extra space if required.

Write the question number(s) if applicable.

ASSESSOR'S
USE ONLYQUESTION
NUMBER

1b

with stricter health and safety procedures. This could increase administration expenses which will increase total expenses and lower profit and profit percentage of sales.

2a

with retailers who could stock their products. A more effective form of communication could be ~~video chat~~ calling them with audio. Using audio will increase the personal relationship between the retailer and Tauhiri and Eli. It will also increase trust between both parties because they can hear them which helps them make a moral judgement. This will increase the conversion rate and decrease the time Tauhiri or Eli takes to make calls to customers who aren't interested based on their tone of voice. An increase in conversion could increase sales which will increase profit.

3a

decrease in employee turnover which ~~for~~ Tennis Tech which will lower costs of hiring and training new staff ~~to~~ and costs associated with lower productivity of ~~training staff~~ staff who are training. This could improve quality of product and lower expenses which will increase sales and increase profit.

| Excellence exemplar for 90837 – 2016 | | Total score: 24 |
|--------------------------------------|-------------|--|
| Q | Grade score | Annotation |
| 1 | E8 | The candidate has fully explained “partnership” and the advantages and disadvantages for the business of this type of ownership. Change in ownership has been fully explained. The candidate has used good business terminology throughout the answer, and has shown clear understanding of the theory and its application. |
| 2 | E8 | The candidate has fully explained “communication” and why it is important to the success of a business. They have also used good knowledge of a local business they have studied to show how communication can affect the business in a negative way, and offered strategies to address the situation. |
| 3 | E8 | The candidate has fully explained the importance of relationships to the success of a business, and has also fully explained the impact on staff morale of the situation described in the resource material not being addressed, and how this could affect the business. Good use of terminology throughout the answer, showing clear and sound understanding. |