SUPERVISOR'S USE ONLY

90838



# Level 1 Business Studies, 2015

# 90838 Demonstrate an understanding of external factors influencing a small business

9.30 a.m. Friday 27 November 2015 Credits: Four

| Achievement  | Achievement with Merit | Achievement with Excellence   |
|--|------------------------|---|
| Demonstrate an understanding of external factors influencing a small business. |                        | Demonstrate a comprehensive understanding of external factors influencing 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: LEGAL INFLUENCES - FAIR TRADING ACT 1986**

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Joe Green owns a small egg farm in the Waikato region called *The Egg Range Ltd*. He has been in the area for many years and is a well-known and well-regarded businessman. He promotes the production and sale of all his eggs as free range eggs. Free range eggs are defined as eggs produced from hens that roam freely outdoors. However, not all of Joe's hens are free range. Some of them are raised inside a barn and do not spend time outdoors. A member of the public has raised concerns about Joe's free range products.

| Fully explain how the Fair Trading Act 1986 applies to <i>The Egg Range Ltd</i> 's promotion of its products.  In your answer:  describe the main objective or purpose of the Fair Trading Act 1986  fully explain, with an example, what <i>The Egg Range Ltd</i> might have to do to comply with the Fair Trading Act 1986. |   |   |
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| products. In your answer:  describe the main objective or purpose of the Fair Trading Act 1986  fully explain, with an example, what <i>The Egg Range Ltd</i> might have to do to comply  | ` | Fully explain how the Fair Trading Act 1000 applies to The Fac Dense Little properties of its   |
| <ul> <li>describe the main objective or purpose of the Fair Trading Act 1986</li> <li>fully explain, with an example, what <i>The Egg Range Ltd</i> might have to do to comply</li> </ul>   | ) |   |
| • fully explain, with an example, what <i>The Egg Range Ltd</i> might have to do to comply  |   | In your answer:   |
| fully explain, with an example, what The Egg Range Ltd might have to do to comply with the Fair Trading Act 1986.   |   | describe the main objective or purpose of the Fair Trading Act 1986   |
|   |   | <ul> <li>fully explain, with an example, what The Egg Range Ltd might have to do to comply<br/>with the Fair Trading Act 1986.</li> </ul> |
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(b)

| Name  | e of the small business   |   |
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| Good  | d(s) sold or service(s) provided                                |   |
| n you | r answer:   |   |
|       | describe an example of what<br>Act 1986                         | the business should do to comply with the Fair Trading        |
|       | fully explain ONE positive con<br>complying with the Fair Tradi | nsequence for the customer, of the named businessing Act 1986 |
|       | fully explain TWO negative co<br>with the Fair Trading Act 1980 | onsequences for the named business of not complying 3.        |
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## QUESTION TWO: ECONOMIC INFLUENCES AND COMPETITION

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Consumers are aware of the cruelty involved in the farming of caged hens to produce eggs, and more are choosing to buy free range eggs or barn-raised eggs. This is a social choice that consumers make. However, the economy has not fully recovered from the last recession, and some consumers do not have much disposable income.

| • | explain why egg farmers may be more likely to charge a higher price for free range eggs than eggs farmed from caged hens |
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| • | fully explain what might happen to the sale of free range eggs during an economic recession.                             |
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Joe has heard rumours that a larger egg farm is moving into the area, with the intention of raising free range hens and selling organic free range eggs. Even though organic eggs are more expensive, this will still create some competition for *The Egg Range Ltd*, as there is already speculation amongst consumers that Joe's eggs are not all free range, and also because Joe does not give his birds organic bird feed, which is growing more popular with consumers. However, it is still a relatively new market.

(b) Discuss how the potential competition will affect *The Egg Range Ltd* and identify solutions for The Egg Range Ltd to deal with the new competitor. In your answer: fully explain TWO negative effects the new competitor might have on *The Egg Range* Ltd describe TWO solutions for The Egg Range Ltd to deal with the new competitor select the better solution, and fully explain why it would be more effective than the other solution.

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## **QUESTION THREE: STAKEHOLDERS**

ASSESSOR'S USE ONLY

Farms affect many different external stakeholders, such as customers, suppliers, local community, and local government.

Discuss the relationship between suppliers, as external stakeholders, and The Egg Range (a) Ltd. In your answer: explain the term "external stakeholders" fully explain, with an example, the effect that suppliers (as external stakeholders) and The Egg Range Ltd may have on each other.

The objectives of different stakeholders may conflict, and the business needs to work at meeting the expectations of all stakeholders.

(b) Discuss how customer objectives and local government objectives for *The Egg Range Ltd* may conflict.

#### In your answer:

- describe how stakeholder objectives can conflict
- fully explain a situation where the objectives of *The Egg Range Ltd*'s customers may conflict with the objectives of local government, and how these may affect the business

| • | fully explain how <i>The Egg Range Ltd</i> may meet the conflicting expectations of these two stakeholders, in the short term and the long term. |
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