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SUPERVISOR'S USE ONLY

90843



## Level 2 Business Studies, 2018

## 90843 Demonstrate understanding of the internal operations of a large business

9.30 a.m. Tuesday 13 November 2018 Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of the internal operations of a large business.	Demonstrate in-depth understanding of the internal operations of a large business.	Demonstrate comprehensive understanding of the internal operations of a large 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 parts of the task in this booklet.

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 2–11 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

## **TASK**

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Cheese made from goat's milk has grown in popularity in recent years. Many new business ventures have emerged to take advantage of this growing consumer interest.

Billy Goat Cheese (BGC) Ltd is a private company with a 25-hectare farm based near Ohaupo in rural Waikato. It produces a range of cheeses that are sold in specialty stores around New Zealand. Its goat cheese is certified as both organic and GE-free (i.e. not genetically engineered). BGC is a private company that began operating in July 2017. Its CEO, Cory Longridge, had been a sheep farmer for several years before converting his farm to goats in 2016.

*BGC* employs 24 workers who are organised into farm, cheese factory, and administration divisions. Each division has its own span of control and chain of command. Cory is also the farm manager, with four farm employees reporting to him. Cory likes his managers to be creative and forward-thinking so that decision-making can be done quickly, because the industry is fast moving and competition is increasing.

- (a) Discuss the most appropriate organisational structure for *BGC Ltd*. In your answer:
  - explain a reason why BGC Ltd needs to have a formal organisational structure
  - using examples from BGC Ltd, identify an organisational structure that BGC Ltd is likely to adopt, and fully explain TWO features of this structure by referring to span of control AND chain of command

justify, with TWO reasons, why this organisational structure would be most suitable for

BGC Ltd.			

As CEO, Cory Longridge chairs the Board of Directors, who set the strategic direction of *BGC Ltd*. A key strategy is *BGC*'s commitment to corporate social responsibility (CSR), which *BGC Ltd* attempts to fulfil through connections with the local Waikato community.

Examples of how BGC Ltd practises CSR include:

- supplying free cheese to local aged care homes
- funding community projects that relate to sustainable farming
- implementing a free goat-rearing training programme for secondary school students.

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The cheese factory relies on a steady supply of milk from the farm, but this is sometimes variable, depending on the animals' health and the environmental conditions.

Each type of cheese requires a different set-up of machinery because of the various amounts of acidity required. Therefore, the machinery must be completely cleaned and re-set each time a new cheese is made, and this can take up to three hours. *BGC Ltd* uses a batch production process to produce its different cheeses.

- (c) Discuss whether batch production is the most suitable process for *BGC Ltd*. In your answer:
  - explain the term "batch production"
  - fully explain ONE benefit and ONE cost to BGC Ltd of using a batch production process

•	justify, with TWO reasons, whether batch production is the most suitable process for <i>BGC Ltd</i> to produce its cheeses, by comparing this to other production processes <i>BGC Ltd</i> could use.				

*BGC Ltd* has to look several months ahead to forecast sales and estimate related costs. It also needs to plan capital expenditures and likely human resource needs.

- (d) Use examples from a large business (more than 20 employees and/or with a national or regional significance) you have studied, to discuss the importance of budgets. In your answer:
  - explain the purpose of setting budgets
  - fully explain TWO ways in which setting a budget assists managers with decisionmaking.

Name of large business:	
Goods and/or services provided:	

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