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SUPERVISOR'S USE ONLY

90843



## Level 2 Business Studies, 2013

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

2.00 pm Monday 25 November 2013 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 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 2–14 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

You are advised to spend 60 minutes answering the questions in this booklet.

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Use the information in the boxes, and your business knowledge, to answer each question.

#### QUESTION ONE: FINANCIAL INFORMATION

Tāne and his brother Henare have long been enthusiastic chefs. They began producing and selling a range of gourmet pizzas called *Skate Goat Pizza Ltd* from an industrial kitchen in Wellington five years ago. *Skate Goat Pizza Ltd*'s ingredients are sourced from local suppliers, ensuring freshness, which is the secret to its success. Its pizzas have become a household name in Wellington and are now stocked in all the major supermarket chains. *Skate Goat Pizza Ltd* employs a staff of 30 covering the production, office, sales, and marketing functions. Tāne and Henare have been to see their accountant and have come away with a series of reports.

Table 1 Sales and profit for Skate Goat Pizza Ltd

	2012	2013
Sales	\$2000000	\$2500000
Gross profit	\$1000000	\$1 200 000
Net profit	\$ 200 000	\$ 150000

Fully evaloin	have the attending to Table Amazon have adeas
	how the situation in Table 1 may have arisen.
In your answ	er, you should refer to:
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Question One continues on page 4 ➤

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	Budget	Actual	Variance
Pizza sales	\$150 000	\$150 000	0
Less Cost of Sales	\$85000	\$100000	+\$15000
Gross Profit	\$65000	\$50 000	-\$15000

As part of their financial control, Skate Goat Pizza Ltd uses budgeting.

- (c) Discuss the importance of Tāne and Henare using budget variances. In your answer, you should:
  - explain the importance of Tāne and Henare using budget variances as part of their financial control

fully explain the budget variance shown in Table 2 fully explain TWO ways in which Tāne and Henare could correct this variance, and justify, with reasons, which way would be better.		

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#### QUESTION TWO: CORPORATE SOCIAL RESPONSIBILITY

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Tāne and Henare are descendants of the local iwi (tribe) and want to give something back to their area. The iwi had suggested that *Skate Goat Pizza Ltd* train young people who were interested in food preparation for a career as chefs. Tāne and Henare agreed that this was a good idea. After a careful selection process, Tāne and Henare hired three young people to work in their industrial kitchen. The new trainees have been learning how to make gourmet pizzas.

Tāne and Henare frequently donate a portion of *Skate Goat Pizza*'s profits to a local non-profit organisation. They understand that philanthropy and corporate social responsibility are growing trends in the New Zealand business community.

(a)	lain why Skate Goat Pizza Ltd has decided to train the three young chefs. our answer, you should refer to:   corporate social responsibility   values.

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exercised by	n the difference between y <i>Skate Goat Pizza Ltd</i> . F	Refer to examples	in your answer.	пшапштору, аѕ

Question Two continues on page 8 ➤

(c) Fully explain and justify why a large business (more than 20 employees or with a national or regional significance) you have studied, has chosen to engage in corporate social responsibility.

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In your answer, you should:

- identify ONE example of corporate social responsibility for your named business and explain how it works
- fully explain why your named business engages in corporate social responsibility
- justify, with examples, why your named business needs to balance corporate social responsibility with their own profit-making requirements.

Business name		
Good(s) sold or		
Good(s) sold or service(s) provided		
service(s) provided		

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#### QUESTION THREE: GROWTH

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Tāne and Henare have decided to expand *Skate Goat Pizza Ltd*. Henare has suggested they take over *Green Fingers Ltd*, a local company that supplies the business with fresh ingredients.

Recently, a smaller pizza company that is struggling financially approached *Skate Goat Pizza Ltd* to discuss the idea of a merger. If Tāne and Henare decide to proceed with the merger, *Skate Goat Pizza Ltd* would be the largest independent pizza company in Wellington. Mergers and takeovers are both examples of how *Skate Goat Pizza Ltd* can grow externally.

The brothers are unsure which of these expansion options they should choose, or whether they should instead choose to grow internally.

	ully explain how Skate Goat Pizza Ltd could grow internally.				
In yo	our answer, you should:				
•	explain internal growth give TWO examples of internal growth for Skate Goat Pizza Ltd, and explain how e works.				

(b)	<ul> <li>Discuss which expansion option (takeover of <i>Green Fingers Ltd</i> or merging with the smaller pizza company) would be better for the overall growth of <i>Skate Goat Pizza Ltd</i>.</li> <li>In your answer, you should:</li> <li>state the recommended expansion option <i>AND</i> explain a short-term consequence for <i>Skate Goat Pizza Ltd</i></li> <li>fully explain the consequences of this expansion option for <i>Skate Goat Pizza Ltd</i>'s employees</li> <li>justify, with reasons, why this option would be more appropriate than the other option for <i>Skate Goat Pizza Ltd</i>.</li> </ul>	ASSESSOR'S USE ONLY

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