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90837



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## Level 1 Business Studies, 2017

### 90837 Demonstrate an understanding of internal features of a small business

2.00 p.m. Friday 24 November 2017

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 2–8 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

23

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## QUESTION ONE: PŪTAKE AND BUSINESS SUCCESS

David has been interested in tā moko (traditional tattoos) since seeing a moko (Māori tattooing designs on the face or body done under traditional protocols) on his kuia (grandmother). He was told by his kuia that the moko she wore on her chin tells the story of her family and her genealogy. Nowadays, tā moko is also worn as an expression of cultural pride and integrity. David is passionate about keeping this art form alive.

In 2010, David enrolled in a course at Te Wānanga o Aotearoa, to develop his knowledge and expertise of this art form. Since then, he has established a small business, named *Mataora*, in Whakatāne, providing tā moko for men and women. David employs two members of his family, who are learning the process of tā moko from him.

On occasion, customers have asked for tattoos of dragons, and he has said that he will not do those types of tattoos, as he wants to provide all his customers with tattoos that uphold the Māori art form. David would also like to employ more family members as the business grows.

### Definition: pūtake

Pūtake refers to the origin, or reason for being. Every business has a reason for being. Many Māori businesses exist for the same reason as other businesses – that is, they are there to provide goods or services at a profit and to enrich the business owner(s). A significant number, however, have very different reasons for being. Such businesses emphasise communal and social responsibilities, which may not be a priority for mainstream businesses.

- (a) Identify an example of pūtake for David's business, *Mataora*, other than making a profit.

David's pūtake is to keeping the art form, tā moko alive and in order to do that he wants to only provide tattoos of this form to his customers. ↗

- (b) Fully explain why David may have this as a pūtake for his business, and how he may operate his business differently than if he were solely focused on profit.

David's pūtake is to express Māori culture and tā moko into his tattoos/services as they <sup>is</sup> was what had driven David to establish his business in the first place. As David's pūtake is not solely focused on profit but to retain his Māori culture and heritage, David is able to be more lenient in his expenses made for the business as well as marketing strategies but focus more on perfecting his tattooing. //

skills and the quality of his services. ~~As David is also able to~~ other businesses who, main focus is to maximise profits as their main goal is to limited expenses as much as possible and maximise profit.

David is also able to have more freedom in his business such as ~~limiting~~ ~~minimising~~ work hours to suit him, as well as ~~advertising~~ set the prices of his services ~~higher~~ <sup>as well as have a set profit of certain</sup> in contrast to other businesses which would prefer to set prices lower and gain a higher customer base as a result.

- (c) Fully explain TWO ways in which your named pūtake from part (a) may contribute to the success of Mataora.

David's pūtake of retaining the art form of ~~the~~ <sup>ta moko</sup> ~~which~~ contributes to the success of Mataora as it ~~not~~ appeals to the ~~Māori~~ <sup>ta moko</sup> community ~~and~~ <sup>which</sup> allows David to ~~gain~~ <sup>basis of</sup> ~~a larger cliental business~~ from the Māori people within the community as they may want to ~~to~~ become involved in David's goal and help him achieve it. In knowing that David's main goal/pūtake/reason of bringing to return a piece of Māori culture, rather than maximise profits, customers may develop a personal connection with him in terms of values and beliefs which may encourage them to purchase from his shop more and as they will have a personal relationship with him, advertising his business using 'word of mouth'. As a result, Mataora will gain a larger cliental/customer base as well as increase profits made by Mataora. Another success which may be a result of Mataora's pūtake, is his ability to gain national <sup>ta moko</sup> wide, or even international recognition due to his ~~set~~ <sup>ta moko</sup> Māori art/tattoo. As art, culture and history is valued by New Zealand, David's <sup>Māori</sup> services may attract attention from all over the world as it resembles a central piece of Māori culture. ~~If~~ <sup>Journalist</sup> ~~customers~~ / the community become aware of David's pūtake ~~they may want to~~ may publish David's work on magazines and newspapers and his works may also be displayed within art museums. This will act as a form of free 'marketing' and ~~and will help~~ <sup>in increasing market and revenue from</sup>



## QUESTION TWO: SOURCES OF FINANCE AND FINANCIAL DOCUMENTS

The demand for tā moko is increasing. David has decided to expand his business to meet the increase in demand. He has identified that he needs to purchase furniture and some more tools.

- (a) Identify a short-term source of finance for purchasing the furniture and tools.

A short-term source of finance for purchasing furniture and tools in which David could use is to purchase these items using a credit card.

- (b) Fully explain ONE advantage and ONE disadvantage of the short-term source of finance named in part (a).

One advantage of David using this method of finance is that he is able to receive loans for pay back the money he is given in a shorter period of time. This means that David's liabilities are only present for a short period of time and ~~then~~<sup>higher interest</sup> he is able to pay them back (which is only ~~12 months~~) and is able to spend his profits on other goods such as other investments and equipment for his business, or he may even retain it. This method of finance is suitable for David if he is not willing to commit to withholding his loan for a long period of time. A disadvantage of using short term finance methods however, is that interest rates for the loans are much ~~higher~~<sup>higher</sup> (more expensive) than those for a long term finance method. This means that with every week/month, the amount of money owed by David will increase rapidly. If David at the end of David's loan, he may be paying over half of the amount he had initially borrowed. As the amount David is needed to pay off the loan owed by David gradually increases, David may not have the funds in order to pay back his loan in full and may become involved in financial trouble. This is also a disadvantage for David as his business has only been established recently which means he most likely will not have a large customer base and with indicates a lack of profit made.

- (c) Fully explain the importance for David of keeping financial documents for securing external sources of finance.

In your answer:

- identify a financial document that David should keep
- fully explain TWO ways in which this document would help in securing external sources of finance

A financial document in which David should keep is his business's income statement. An income statement records the expenses and revenues made by David in a specific period of time and indicate how much the amount of net profit made. An income statement would help David in securing external sources of finance as it gives the creditor an accurate idea of how much profit Matron makes within a specific period of time. If the profit made by Matron is high and enough and the creditor thinks he is able to pay off his loans with no struggle, the David will be eligible for the loan. Another way an income statement could help David secure external sources of finance is if the creditor thinks David's profit made is sustainable and constant. As an income statement shows the expenses and revenue made, as well as the net profit, if the amount of profit made by David within say different months, is shown. If David's profit made expenses made are high or increasingly growing over time, the creditor may think that David is an irrational spender and is unreliable to pay his loans in time. If David's profit made is erratic, or decreasing (e.g month 1: \$800, month 2: \$500), the creditor may question Matron's sustainability and longevity. Therefore, if however, if David's <sup>net</sup> profit made over a course of a specific time frame is constant, or increasing, the creditor may believe he will have the sufficient funds in order to repay his loans, + <sup>interest</sup>. Therefore, if David's <sup>net</sup> profit made and expenses made are reliable, David will be eligible to secure a loan (external source of finance) !

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### QUESTION THREE: ENTREPRENEURSHIP

- (a) Discuss the entrepreneurial characteristics that David shows in starting his small business, Mataora. (Characteristics are qualities that occur naturally in the person.)

In your answer:

- describe the role of the entrepreneur
- explain TWO entrepreneurial characteristics that David shows
- fully explain ONE way in which each of the characteristics has enabled David to start a small business.

An entrepreneur is a person in which using characteristics, such as risk taking, determination, vision and resilience (and many more) to establish a business. An entrepreneurial characteristic in which was shown by Dandy establishing of his business is risk-taking. Risk taking within an entrepreneur is important as it allows an entrepreneur to take up opportunities, (such as start up a business), or agreeing to equipment or expansion, which may possibly result in a loss, or a gain. Dandy showed risk-taking. Risk taking has enabled Dandy to start a small business as it enabled him to with take the risk of starting a business, even though he could have lost his money and/or return profit. In taking this risk and expressing this characteristic, Dandy was able to, aside from establishing a business, provide jobs for 2 of his family members as well as help return a piece of his culture and heritage. Another trait which helped Dandy start a small business is passion. Passion is important in an entrepreneur as it drives the business owner to strive for success, it allows the entrepreneur to provide and create goods and services which at a high quality. Dandy's passion for tā moko enabled him to start a small business as it was the factor that drove/encouraged him to establish a business in the first place. Dandy's values and overall passion in returning this piece of culture has helped him create a business in which is unique and culturally important. Without passion, Dandy would not have the determination and drive in which provided his formation of his business and/or would have not established a business.

- (b) Fully explain the impact of entrepreneurial skills on a named small business you have studied (maximum of 20 workers and/or with local or community significance).  
 (Note: skills are abilities that are learnt or trained for.)

Name of the small business	Moi Hair
Good(s) sold or service(s) provided	Hair dressing.

In your answer:

- identify TWO entrepreneurial skills
- fully explain how EACH entrepreneurial skill impacts on the named business.

Moi hair is a limited liability company owned by an individual.

Moi hair was initially owned by a different person, however, the current owner (Debbie) has recently purchased the business last year. Debbie (Moi Hair) has showed the trait, 'risk taking' in purchasing Moi hair as instead in purchasing the business, she could have experienced a great loss, but instead has excelled in operating her business. With every investment made, there will always be a 50/50 chance of failing, however Debbie's risk taking has enabled her to not fail, but has given her the opportunity to operate a luxury hair dressing business as well as maximise profits and gain a larger cliental basis. Risk taking has also came as a advantage to Moi hair in terms of employees. Employees are always a risk as you do not truly know how good or bad the work ethic is and their work performance is. Debbie took the risk of employing 2 part-time hair stylists/dressers into her business and since has increased the quality of her services as well as maximised customer satisfaction. Another characteristic in which has positively impacted Moi Hair is Debbie's leadership skills. In order to reduce chaos in a work environment and create a good work ethics within employees, leadership skills shown by the business owner is crucial. Debbie's leadership skills has enabled Debbie to operate her

E8

Extra space if required.  
Write the question number(s) if applicable.

Q3(b) business smoothly and ensuring customer satisfaction as well as ensuring health and safety regulations are met. Debbie's leadership has ensured that health and safety regulations such as sweeping hair after every client as well as wary new equipment after every client is always carried out by her employees. This enables her to avoid situations such as complaints from customers, injuries, infections or the ~~an~~ inevitable closing down of the business. Debbie's leadership skills has also reduced chaos and improved ~~the~~ <sup>the</sup> most Maris work environment by giving employees a ~~set~~ and responsibilities. This ensures that order is and organisation is always present and it ~~allow~~ <sup>also</sup> allows Maris hair to operate to maximise productivity 1

<b>Subject:</b>		<b>Level 1 Business Studies</b>	<b>Standard:</b>	<b>90837</b>	<b>Total score:</b>	<b>23</b>
<b>Q</b>	<b>Grade score</b>	<b>Annotation</b>				
1	E7	The candidate has fully explained the concept of pūtake and how it could change the way David's business would operate. The candidate was able to identify a number of ways in which the identified pūtake may contribute to the success of Mataora. The candidate has used good business terminology throughout the question, and shows clear understanding of the theory and its application.				
2	E8	The candidate has identified and fully explained a short-term source of finance, and was able to explain in detail the advantages and disadvantages of the identified source. The candidate was able to explain in detail how keeping financial documents would help David to secure external financing. The candidate has used strong business terminology throughout the answer.				
3	E8	The candidate has fully explained the role of an entrepreneur and two key characteristics that David shows. The candidate was able to fully explain two entrepreneurial skills that the owners of a named small business have displayed, and the impact of those skills on the business. Good use of terminology throughout the answer, showing clear and sound understanding.				