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**Level 1 Business Studies 2021**

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

**1.5 hours**

**Credits: Four**

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| **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. |

**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.

**YOU MUST EMAIL YOUR COMPLETED BOOKLET TO MISS NORMAN AT THE END OF THE EXAMINATION TIME**

THE SPACE PROVIDED IN THIS ONLINE VERSION OF THE EXAM BOOK IS AN **INDICATION** OF TYPED DOUBLE-LINE-SPACING; **OF** **THE AMOUNT OF SPACE** THAT WOULD HAVE BEEN GIVEN WITH LINES - FOR YOU TO KNOW HOW MUCH YOU SHOULD INDICATIVELY WRITE

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| M5 |

**TOTAL**

**QUESTION ONE: BUSINESS STRUCTURE**

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| After successful careers in cricket, Aarav and her best mate Manan decided to use their passion and knowledge of cricket by creating a business to develop and market a new hi-tech cricket grips. The business is called *Hi Tech Cricket Grips*, and operates as a partnership. |

1. Define the business term “partnership”, and fully explain TWO advantages to Aarav and Manan of forming a partnership for their new business.

*Start typing your answer below here:*

A partnership is a type of business structure that has two or more people who share responsibilities of the business, capital, and investment. For Aarav and Manan, an advantage of a partnership business structure would be that it gives them the ability to share investments in the company, as well as to share the liability from liquidation. This would allow them to not go completely bankrupt in the case of the Cricket grips failing, and so they can focus more efforts into the business, instead of focusing on maintaining the businesses financial stability on their own, but can instead share it between each other, so they don’t lose everything, like their houses. Another advantage would be shared profits, which would allow both Aarav and Manan to have equal earnings, so they could both easily reinvest into the company, or earn the same amount.

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| 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. Aarav believes the firm should consider becoming a registered company, as this would allow greater access to capital to fund any expansion. |

1. Fully explain the impacts on Aarav and Manan of 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 *Hi Tech Cricket Grips* becoming a registered company.

*Start typing your answer below here:*

One major difference between a partnership and a registered company is that while in a partnership all partners are fully liable for the business’s losses, and this could lead to the partners personal assets being seized, whereas with a registered company, the directors and shareholders are not directly/personally viable for any debts of the company, unless carless decisions are made. In the case of *Hi Tech Cricket Grips* becoming a registered company, an advantage would be to become a publicly traded business to help grow the companies capital, and to grow stakeholders in the business, so it can continue to make products without interruption. Another advantage would be the ability to not have full liability for the entire businesses assets, and instead have the business itself be liable for debt, so shareholders and directors do not get property taken in the event of possible bankruptcy. However a disadvantage of a registered company would be the high startup costs and having to hire personal to file the registration, and company setup for them. They could also be affected by double taxation.

**QUESTION TWO: COMMUNICATION**

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

1. Fully explain TWO methods of communication *Hi Tech Cricket Grips* may use to reach its customers / potential customers.

In your answer:

* identify TWO situations where *Hi Tech Cricket Grips* 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 *Hi Tech Cricket Grips* to communicate effectively with its

customers / potential customers.

*Start typing your answer below here:*

High Tech Cricket grips may communicate with its customers / potential customers to help both advertise their products to the world to create buyers for the company, and to showcase their design ideas for new and innovative cricket bat grips to the entire cricket community. This could both be done with in person communication at events or expos, or within a marketing email list that cricket enthusiasts sign up to. They could also have a website for communicating their new products to more customers. Another way that High Tech Cricket grips may communicate with its customers / potential customers is to talk to possible investors for the company, to help grow the business to be as successful as other companies like Nike, or adidas. This could be achieved from both emailing them directly, meeting up in person to create a deal for both parties, or over the phone for more vocal meetings.

1. 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 | Hokitika Glass Studio | | Good(s) sold or service(s) provided | Glass Household Decorations | |
| 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. |

*After entering the details in the highlighted boxes above, start typing your answer below here:*

One barrier of communication could be in the way that they reach customers. They are a relatively small business, and is in the South Island, isolated from the majority of the population inside wellington, or even the main population who resides in Auckland. This means they cant promote to the rest of the country without extensive online advertising. They appear to primarily advertise with word of mouth, which is a slow way to advertise, because of the place in the south island where they are located, meaning that there aren’t a lot of people that the information can be passed onto, aside from the random tourists, who currently are nonexistent for the most part. One way that this could be helped is through the use of online advertising / external communication with the media, or online advertising campaigns that show ads on webpages or inside applications, like companies such as Barfoot and Thompson, or Nike. This would solve the problem because it would reach the entire country of New Zealand, whilst staying relatively low cost, compared to leaflets. This could also promote online orders that could be shipped around the country.

**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 *Hi Tech Cricket Grips*.

In your answer:

* identify ONE example of good employer / employee relationships
* fully explain TWO impacts that good employer / employee relationships will have on *Hi Tech Cricket Grips*.

*Start typing your answer below here:*

A good employer / employee relationship is important for the success of Hi Tech Cricket Grips would be between the marketing team and Aarav, as this would allow both Aarav and marketing to communicate design ideas for the new products, and would create a good bridge between the creation of new products and the head of the company, so that they are both well informed of any new products that may be created. This could also create more income because of the higher morale that there would be from positive relationships. Having a higher morale/happiness, could increase the employee’s productivity, and could encourage them to create better products. A better employer / employee relationship could also help increase the work/life balance, which will make the employees feel more relaxed, and feel like they are able to enjoy their job, and that it isn’t a complete chore.

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| Isaac, one of *Hi Tech Cricket Grip’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. |

(b) Discuss how a failure to deal with Isaac’s unexplained absences may affect *Hi Tech Cricket Grips.*

In your answer:

* explain ONE negative impact of Isaac’s absences on the staff and ONE negative impact on *Hi Tech Cricket Grips.*
* fully explain TWO alternative solutions that *Hi Tech Cricket Grips* could use to deal with the problem.

*Start typing your answer below here:*

Issacs absence could affect the staff by causing them to not have the necessary tools to complete a task, as they could rely on them for info about essential product production, or they could be the one that creates an essential product, that everything else relies on. A negative impact on Hi Tech Cricket Grips as a whole, is that it could disrupt the entire production line, and cause too little products to be produced and to be sold, reducing profits, and could even cause bankruptcy if it is an essential product that cant be produced. Some solutions to this could be that for each role that exists in the company, to have another person as a redundancy to act as that role when they are absent. This could mean that employees that are absent wont disrupt production, as there would be someone to take over roles while they are away. Another solution to this is to enforce penalties if the staff member takes more leave than allocated to him. This could involve reducing pay, taking away some paid leave, or possible termination. This would most likely make the staff member want to turn up, otherwise they wouldn’t have any income.