

## Assessment Schedule – 2013

### Business Studies: Demonstrate understanding of how internal factors interact within a business that operates in a global context (91379)

#### Evidence Statement

**Note:** “Explained” is defined as providing reasoned statements to show how factors / responses interact.

“Fully explained” is defined as providing reasoned statements, in detail, and / or the impacts, effects, and consequences of interacting factors / responses affecting the business.

Each question should be read as a whole before awarding a grade.

Q 1	Sample answers	Achievement	Achievement with Merit	Achievement with Excellence
(a)	<p><i>Manaia Crafts</i> is a tribal-owned business, and it supports the local tribal community when it sells locally produced goods (Explained).</p> <p><i>NZ Interiors’</i> business goals are likely to be profit maximisation, business growth, or other relevant aims, not necessarily linked to a particular location. Therefore the business needs to decide upon the best location to enable it to increase profit / grow (Explained). Although it currently employs people in Taranaki, it is not obligated to keep its business there if other location options, such as Auckland, would enable it to become more profitable / provide more opportunity for growth (Fully explained).</p> <p><i>Manaia Crafts</i> is not set up just to make a profit. The business will balance being financially viable with the social and cultural aspirations of the iwi as its core purposes (Explained). So although the business will trade commercially, wealth creation (in the sense of dollars in the hand) is not seen as an end in itself – the greatest asset is developing the wealth of the tribe collectively. This means that whilst other locations may be more profitable, Ana’s obligations lie with the social and cultural priorities of Te Āti Awa and ongoing relationships with other iwi (tribes) outside of Taranaki (Fully explained).</p>	<p>Explains:</p> <ul style="list-style-type: none"> <li>• why <i>Manaia Crafts</i> would source its art products locally</li> <li>• how the business goals of <i>NZ Interiors</i> would allow it to relocate</li> <li>• how the pūtake of <i>Manaia Crafts</i> means it would not relocate</li> <li>• the importance of location for the success of the named business</li> <li>• factor(s) that would influence the location of the named key operation of the business.</li> </ul> <p>[Answers will typically <b>state</b> relevant examples, business knowledge, and Māori business concept(s).]</p>	<ul style="list-style-type: none"> <li>• Fully explains how <i>NZ Interiors’</i> business goals would allow it to relocate.</li> <li>• Fully explains how the concept of pūtake affects the location decisions of <i>Manaia Crafts</i>.</li> <li>• Fully explains factor(s) that would influence the location of the named key operation of the business.</li> <li>• The answer includes relevant examples and business knowledge to support explanations.</li> </ul> <p>[Answers will typically <b>include</b> Māori business concept(s), where relevant, to support explanations.]</p>	<ul style="list-style-type: none"> <li>• Fully explains factors that would influence the location of the named key operation of the business.</li> <li>• Provides a conclusion as to which factor is more important.</li> <li>• The answer integrates relevant examples and business knowledge to fully support explanations.</li> </ul> <p>[Answers will typically <b>integrate</b> Māori business concept(s), where relevant, into explanations.]</p>

(b)	<p>Where to locate a key operation in a business is a crucial decision, because this will have an important impact on profits. Typically, businesses will seek locations that maximise revenues and minimise costs (Explained). For example, <i>Pumpkin Patch</i>'s decision to outsource manufacturing to foreign contractors is a crucial decision, because this will have an important impact on profits. Manufacturing in Asia will minimise costs (Explained).</p> <p><i>Examples of TWO factors and justification:</i></p> <p>The quality of the infrastructure such as air, rail links, and port access, is attractive to <i>Pumpkin Patch</i>'s manufacturing, as it will make transporting products internationally much easier (Explained). This will help reduce the time taken to transport goods, which will potentially reduce costs and increase customer satisfaction and sales (Fully explained).</p> <p>OR</p> <p>Outsourcing their manufacturing to Asia will reduce overall costs, due to lower wages (Explained). This may allow <i>Pumpkin Patch</i> to increase profitability, using the retained profits to expand into new retail areas (Fully explained).</p> <p>The low manufacturing costs are the more important factor. Children's clothes are a competitive market, and low cost allows <i>Pumpkin Patch</i> an advantage in the market, allowing it to increase market share and sales.</p> <p><b>Note:</b> The justified conclusion should bring in new evidence relevant to the selected business that has not been discussed before.</p>						
N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence.	Some Achievement evidence.	Most Achievement evidence.	Nearly all Achievement evidence.	Some Merit evidence.	Most Merit evidence.	Excellence evidence. One part may be weaker.	All points covered.

N0 = No response; no relevant evidence.

Q 2	Sample answers	Achievement	Achievement with Merit	Achievement with Excellence
(a)	<p><u>One difficulty in estimating future cash flows</u></p> <p>Cash flow estimation involves predicting the future revenues and costs associated with a proposed project or business, which is impossible to do accurately (Explained).</p> <p><u>One non-financial factor</u></p> <p><i>Example:</i></p> <p>The aims, objectives, and goals of the firm. The business would need to consider whether the investment decision is going to help the business reach its goals (Explained), or whether a different investment option may do this more effectively, by producing the results required to meet its goals. For example, <i>NZ Interiors</i> is keen to expand overseas, and being located in Auckland will provide it with more opportunities to take advantage of this. For example, ease of travel / access for <i>NZ Interiors</i> management, and for suppliers to <i>NZ Interiors</i>, means improved communication and links with overseas markets (Fully explained).</p> <p><i>Other answers:</i></p> <ul style="list-style-type: none"> <li>• Skills of management and employees in the local labour market.</li> <li>• Levels of risk and management's approach to it.</li> <li>• Impacts of the investment decision on company image and reputation.</li> <li>• Environmental and ethical considerations.</li> </ul> <p><u>How Net Present Value supports investment decision-making</u></p> <p>Net present value takes into account the time value of money. The present value of each year's net cash inflows are totaled, and this figure can be compared with the initial capital outlay (Explained). If the sum of present</p>	<p>Explains:</p> <ul style="list-style-type: none"> <li>• a difficulty in estimating future cash flows</li> <li>• ONE non-financial factor to assist in the decision-making process</li> <li>• how NPV supports investment decision-making</li> <li>• payback period or average rate of return for Option 1</li> <li>• ONE positive impact of Option 2</li> <li>• ONE negative impact of Option 2.</li> </ul> <p>[Answers will typically <b>state</b> relevant examples, business knowledge, and Māori business concept(s).]</p>	<ul style="list-style-type: none"> <li>• Fully explains ONE non-financial factor to assist in the decision-making process.</li> <li>• Fully explains how NPV supports investment decision-making.</li> <li>• Fully explains ONE positive impact of Option 2.</li> <li>• Fully explains ONE negative impact of Option 2.</li> <li>• The answer includes relevant examples and business knowledge to support explanations.</li> </ul> <p>[Answers will typically <b>include</b> Māori business concept(s), where relevant, to support explanations.]</p>	<ul style="list-style-type: none"> <li>• Fully explains the impacts (positive and negative) of Option 2 on the performance of the business.</li> <li>• Provides a justified conclusion for the better investment option.</li> <li>• The answer integrates relevant examples and business knowledge to support explanations.</li> </ul> <p>[Answers will typically <b>integrate</b> Māori business concept(s), where relevant, into explanations.]</p>

	values, minus the capital cost, is positive, then it is worthwhile proceeding with the investment. The net present value of \$1.1m for Option 2 is a positive figure, meaning the investment is a sound one (Fully explained).			
(b)	<p><u>Payback period and average rate of return for Option 1 (relocating to Auckland)</u></p> <ul style="list-style-type: none"> <li>• The payback period is 4 years, which means it would take 4 years to recover the initial investment of \$6m. This is a longer time frame than Option 2 (Explained).</li> <li>• Average rate of return is 10%, which is a relatively high return (compared to other forms of investment, eg putting the funds on deposit) on the initial investment of \$6m. This represents a positive rate of return for the company (Explained).</li> </ul> <p><u>Impact of Option 2 (expanding existing facilities in Taranaki)</u></p> <ul style="list-style-type: none"> <li>• <b>One positive impact</b> of Option 2 is that the payback period is relatively short at 2.5 years (Explained). Therefore, it will take less time to repay the initial investment than Option 1, and cash flows projected to occur sooner carry less risk (Fully explained).</li> <li>• <b>One negative impact</b> of Option 2 is that the average rate of return is 8%, which is lower than Option 1 (Explained). Although this may present a better investment option than, for example, putting the initial investment amount into the bank, it would not return as much in earnings for the business as relocating to Auckland (Fully explained).</li> <li>• <b>Conclusion</b> – Option 1 would be the better choice. If the main objective of the business is to expand overseas, better infrastructure – especially transport (eg proximity to an international airport) – would improve communication with overseas markets and access for imports of supplies and exports of the finished product. This supports the business' objectives of expanding the business internationally and becoming more profitable.</li> </ul>			

<b>N1</b>	<b>N2</b>	<b>A3</b>	<b>A4</b>	<b>M5</b>	<b>M6</b>	<b>E7</b>	<b>E8</b>
Very little Achievement evidence.	Some Achievement evidence.	Most Achievement evidence.	Nearly all Achievement evidence.	Some Merit evidence.	Most Merit evidence.	Excellence evidence. One part may be weaker.	All points covered.

**N0** = No response; no relevant evidence.

Q 3	Sample answers	Achievement	Achievement with Merit	Achievement with Excellence
(a)	<p><u>Importance of a leader to be flexible</u></p> <ul style="list-style-type: none"> <li>A flexible leader will recognise that employees will be affected by change differently and react to change in different ways, and so the leader will require a different management approach in different situations (Explained). For example, information about the change should be given to employees, and those in the “Denial” and “Frustration” stages should have an opportunity to voice their concerns and make suggestions. At the same time, opportunity should be made available to those who wish to experiment with the new situation. This will minimise any negative impact of the change (Fully explained).</li> <li>Also accept valid explanations referring to the concept of “rangatiratanga”.</li> </ul> <p><u>Impact of the “Decision” stage</u></p> <ul style="list-style-type: none"> <li>The employee will be adapting to the new situation and working with a more positive approach. The impact of this will be a renewed motivation within the workforce (Explained), which may improve productivity through encouraging others that it is a positive change, and will increase profits (Fully explained).</li> </ul>	<p>Explains:</p> <ul style="list-style-type: none"> <li>the importance for a leader to be flexible when managing change</li> <li>an impact of the “Decision” stage on the performance of the business</li> <li>change management strategy / strategies that could be implemented</li> <li>TWO impacts of either strategy.</li> </ul> <p>[Answers will typically <b>state</b> relevant examples, business knowledge, and Māori business concept(s).]</p>	<ul style="list-style-type: none"> <li>Fully explains, with examples, the importance for a leader to be flexible when managing change.</li> <li>Fully explains an impact of the “Decision” stage on the performance of the business.</li> <li>Fully explains the impacts (positive and / or negative) of strategy / strategies on the performance of the business.</li> <li>The answer includes relevant examples and business knowledge to support explanations.</li> </ul> <p>[Answers will typically <b>include</b> Māori business concept(s), where relevant, to support explanations.]</p>	<ul style="list-style-type: none"> <li>Explains TWO change management strategies.</li> <li>Fully explains the impacts (positive and negative) of EACH strategy on the performance of the business.</li> <li>Provides a justified conclusion for the better strategy in relation to the location change.</li> <li>The answer integrates relevant examples and business knowledge to fully support explanations.</li> </ul> <p>[Answers will typically <b>integrate</b> Māori business concept(s), where relevant, into explanations.]</p>
(b)	<p><u>Two possible change management strategies</u></p> <p><b>Coercion</b> – Managers can openly force employees into accepting the change by making it clear that resisting change can lead to employees losing their jobs, or to the firing of, or non-promotion of, employees (Explained).</p> <p><b>Participation and involvement/consultative</b> – whereby employees are involved in the change, giving them a sense of ownership of the change about to take place, and thus improving motivation (Explained).</p> <p><u>Positive Impacts</u></p>			

<ul style="list-style-type: none"> <li>• One positive impact of coercion is that the change can be quicker and therefore cheaper than using other change management strategies (Explained), leading to employees being on task more quickly, thus maintaining productivity (Fully explained).</li> <li>• One positive impact of the consultative style is that it is likely to lower resistance and may increase motivation, because people will feel more involved (Explained), which would increase productivity and therefore profitability (Fully explained).</li> </ul> <p><u>Negative impacts</u></p> <ul style="list-style-type: none"> <li>• One negative impact of coercion is that it works well only if there is no alternative employment for those involved; if there is an alternative, they are likely to take this, rather than be forced into something they do not really want to do (Fully explained).</li> <li>• One negative impact of the consultative style is that it is likely to be a more lengthy process, potentially costing the business more (Explained), and reducing profitability (Fully explained).</li> </ul> <p><u>Conclusion</u></p> <ul style="list-style-type: none"> <li>• The business values the workers and wishes to retain them, therefore it should take the strategy that involves the workers in the decision-making process, so that they feel valued and involved.</li> </ul>							
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**Judgement Statement**

	<b>Not Achieved</b>	<b>Achievement</b>	<b>Achievement with Merit</b>	<b>Achievement with Excellence</b>
<b>Score range</b>	0 – 6	7 – 13	14 – 18	19 – 24
<b>Codes</b> <b>U</b> =     Evidence of Achievement <b>I</b> =     Evidence of Merit <b>C</b> =     Evidence of Excellence				