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3

91381



NEW ZEALAND QUALIFICATIONS AUTHORITY  
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## Level 3 Business Studies, 2015

### 91381 Apply business knowledge to address a complex problem(s) in a given global business context

2.00 p.m. Tuesday 24 November 2015  
Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Apply business knowledge to address a complex problem(s) in a given global business context.	Apply in-depth business knowledge to address a complex problem(s) in a given global business context.	Apply comprehensive business knowledge to address a complex problem(s) in a given global business context.

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.**

Pull out Resource Booklet 91381R from the centre of 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 2–12 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.**

**Not Achieved**

**TOTAL**

**6**

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## QUESTION ONE: INVESTMENT APPRAISAL

Use the information in Resources A to D in the resource booklet, and in the box below, in addition to your business knowledge, to answer this question.

*Weka TV* is a New Zealand-based satellite television provider. It is the largest pay television platform in New Zealand. *Weka TV* is listed on the New Zealand Stock Exchange, the NZX.

In recent years *Dingo TV*, the Australian television provider, has been interested in a take-over. Consequently, senior managers at *Weka TV* are focused on maintaining short-term profits in order to reduce the likelihood of a take-over.

In 2014 *Weka TV* decided that it needed to add an online component to its product range. This is expected to have a large impact on customers and other stakeholders.

- (a) Discuss the possible causes and effects of the decision made by *Weka TV* to add online content to its product mix.

In your answer, fully explain:

- TWO factors which may have caused the decision to offer online content
- TWO possible effects of the decision to offer online content on the business, and on its stakeholders, such as investors, employees, and suppliers.

One factor which may have caused the decision to offer online content is the upgrade of technology. By keeping up with the market trend - smart TV, smart phones, computers. They are able to stay on track with consumer demand.

Another factor is that ~~Netflix has already~~ ~~Weka TV will receive 12% ARR~~ ~~average rate of return as~~ ~~above the other option (launched an online TV~~ ~~provider therefore they are motivated to compete.~~

Two possible effects of offering online content on the business are that they would have a competitor; Netflix, who are a global business and may cause *Weka TV* to lose their investment and that the average rate of return is relatively low therefore they do not make their money back.



- (b) Weka TV has two potential options for adding online content to its product line; these are described in Resource D.

Evaluate the TWO possible solutions for providing online content described in Resource D, using the investment appraisal data provided.

In your answer:

- fully explain ONE positive effect that each solution would have on the business
- state the solution you recommend
- justify your recommendation by explaining why it is better than the other solution.

~~One positive effect of Average rate of return is~~  
 that One positive effect of Option one is that the Average rate of return is at 12% which is 4% higher than the second option therefore they are making more of their money back by choosing option 1. //

One positive effect of Option 2 is that the payback period is 4.5 years which is 2.5 years shorter than option one therefore they are debt free earlier and are able to focus on profitability. //

The solution I recommend is option 1 as the average rate of return is higher, although the payback period is longer, ~~but~~ once the 7 year duration is over they have a higher chance of receiving more income and are increasing their profitability, rate of return and are able to focus on increasing their profitability and for the present and future. //

More space for this answer is available on the next page.





## QUESTION TWO: PROBLEMS CAUSED BY OUTSOURCING CALL CENTRES

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Use the information in Resources E and F, and the box below, in addition to your business knowledge, to answer this question.

Weka TV's expansion into online content required an increased level of administrative and technical support for new and existing customers. The senior managers decided to outsource their call centre to a firm in India. This soon ran into problems.

- (a) Discuss the possible causes and effects of the problems resulting from outsourcing to the Indian call centre.

In your answer, fully explain:

- TWO factors which may have caused the problems
- TWO possible effects of the decision to outsource the call centre on the business, and on its stakeholders, such as investors, employees, and suppliers.

The two factors that may have caused the problems are language barriers as the workers in India may not have efficient English and the time difference distance and as calls may be delayed to get through and there may be technical difficulties more frequently due to the amount of calls sent out to India.

One effect of the decision to outsource the call centre is the decrease in expenses as labour may be cheaper therefore Weka TV are able to extend the profit margin. However the consumer loyalty and staff loyalty would have decreased dramatically as Weka TV would not be looked at the same as this action would have been looked at as Weka TV as a business not having any interest in their New Zealand community. This would upset consumers and employees and ruin their reputation as an ethical, NZ cultural business which would potentially decrease their profitability.



- (b) Suggest TWO possible solutions (other than returning the call centre to New Zealand) that the senior managers at Weka TV could employ to solve the problems presented by the decision to outsource the call centre.

(1) Provide redundancy packages for employees that have lost jobs.

(2) ~~Send~~ Send a quality circle to India to ensure the call centre is up to standard. //

- (c) Evaluate how the TWO possible solutions you named in (b) would address the problems presented by the outsourcing of the call centre.

In your answer:

- fully explain ONE positive effect that each solution would have on the business
- state the solution you recommend
- justify your recommendation by explaining why it is better than the other solution.

A positive effect of providing redundancy packages for employees that have lost their jobs due to the outsourcing of the call centre is that Weka TV would show their consumers, employees, <sup>investors</sup> ~~stakeholders~~ that they are more interested in the happiness of their workers and ~~is~~ their New Zealand ~~business~~ culture rather than profit margins. //

A positive effect of sending a quality circle to India to ensure the call centre is up to standard at all times is that there will always be extra support with technical issues or language barriers therefore the delays will decrease and the customers will be satisfied with the service they are receiving and Weka TV will not lose their consumer base. The solution I recommend is sending a quality circle to India. Although providing

Redundancy packages is focussing on the people of NZ and improving the reputation of Web TV but quality circles will benefit the company in the long run as the amount of issues will be reduced ~~is due~~ due to the professional help therefore Web TV is able to keep their existing customers and focus on ~~improving~~ broadening it further to potentially increasing their profitability rather than increasing costs and reducing their potential profit margin for redundancy packages. //

N2



### QUESTION THREE: PROBLEMS ASSOCIATED WITH LOCATION OF A WAREHOUSE

Use the information in Resources G, H and I and the box below, in addition to your business knowledge, to answer this question.

*Weka TV imports its set-top boxes and stores them in a warehouse in central Auckland before distribution. However, deliveries are becoming more expensive, and delivery times are increasing.*

(a) Discuss the possible causes and effects of the increasing delivery times and costs.

In your answer, fully explain:

- TWO factors which may have caused the increasing delivery times and costs
- TWO possible effects of the increasing delivery times and costs on the business, and on its stakeholders, such as investors, employees, and suppliers.

One ~~effect~~ factor which may have caused the increasing delivery times and costs is the population increase in Auckland and the other factor is that 69.9% drive independently therefore there is an increase in traffic and there ~~are~~ is more demand due to population increase. //

One possible effect of the increasing delivery times and costs is the reduced profit margin. Weka TV would be increasing their costs which is affecting the potential profit they could be making. //

The second effect is upsetting consumers as they may turn to competing companies to find the cheaper option therefore there would ~~be~~ a potentially be a loss in sales therefore a loss in profitability. //



- (b) Weka TV has found two possible options for new warehousing; these are described in Resource I.

Evaluate the TWO possible solutions in terms of how they would address the issue of increasing delivery times and costs.

In your answer:

- fully explain ONE positive effect that each solution would have on the business
- state the solution you recommend
- justify your recommendation by explaining why it is better than the other solution.

One positive effect of option 1 is that it contains drive through truck access and a container friendly space therefore distribution of the products would be more efficient.

One positive effect of option 2 is that it is located close to motorway therefore delivery of the products would be easy and Weka TV would not have to increase costs on extra transportation.

I would recommend option 2 as the layout of the warehouse is more user friendly for Weka TV as it contains enough space as for ~~as~~ ~~warehouse~~ productivity, office space and areas for managing stock. It is also located near motorway links. Option 2 would be suitable for Weka TV as if the company grows, they have enough space for an increase in productivity with no issues of cramming. It is a spacious, efficient working spot where Weka TV can produce their products to high quality and distribute

More space for this answer is available on the next page.

easily. Web TV would be able to focus on more productivity in this work space which can increase in sales and increase their profitability.



Extra space if required.

Write the question number(s) if applicable.

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QUESTION  
NUMBER

\* is the increase in watching videos on the internet and smartphones and the decrease on the amount of people watching traditional TV. //

Not Achieved exemplar for 91381, 2015		Total score: 6
Q	Grade score	Annotation
1	2	<p>In part (a) the candidate fully explains a cause (keeping up with market trends). The one effect attempted is only a description and does not meet the criteria for explained (i.e. What is the effect, and why is this an effect?).</p> <p>In part (b) the candidate only describes the positive effect for option 1, but does partially explain option 2 – although a discussion on profitability is erroneous. The conclusion contains no additional information that may have helped to improve the grade.</p>
2	2	<p>In part (a) one cause is partially explained, and the other (technical difficulties caused by phone line issues) is an incorrect interpretation of the resource. The two effects do not discuss the problems resulting from outsourcing, as required by the question.</p> <p>In part (b) the first solution will not solve the outsourcing problem, so is incorrect – this flows into part (c). The second solution is fully explained in part (c) if you ignore the “technical issues” part of the answer. There is some additional information in the attempted conclusion, which helps confirm a grade of N2 rather than N1.</p>
3	2	<p>In part (a) both causes are only described (and one does not use the data from the resource), as they do not explain how this increase in demand or traffic will increase delivery times and costs, or what impact it will have on <i>Weka TV</i>. The first effect does not explain why cost would have increased for the consumer, and the impact is not fully explained, as it is likely to be future customers – not current ones – who will purchase from a competitor due to increasing costs.</p> <p>In part (b) the candidate does not state why Option 1 will be more efficient or what impact that will have on delivery costs and times. The positive effect of the second option is not explained to show why costs will not have to increase.</p> <p>In the conclusion, discussion of office space is irrelevant to the question, and the answer regarding managing stock needs to be explained in the context of delivery times. Discussion of “improved productivity” is not relevant to the question on delivery times and costs, unless there is discussion on this specifically.</p>