

FREE SAMPLE: THE FIRST QUESTION

Question One (13 marks)

(a) A cyclone damages a hapū-owned apple orchard. The orchard expected to earn \$300,000 from this season's apple crop but 35% of the crop is destroyed. It has insurance that pays 70% of the value of the lost crop, but the insurer first takes off a \$5,000 excess (the owner pays the first \$5,000 of any claim). The orchard planned to pay 12 seasonal pickers \$55,000 in total, and the pay falls in proportion to the crop lost. The orchard also repays a bank loan of \$2,800 a month and has other yearly costs of \$30,000.

Calculate the value of the crop lost and the amount the insurer pays. Describe the relationship between the orchard and the insurer.

Item	Amount
Expected crop income	\$300,000
Crop destroyed	35%
Insurance pays	70% of lost value, less \$5,000 excess
Pickers' planned pay	\$55,000
Bank repayments	\$2,800 a month
Other yearly costs	\$30,000

[3 marks]

(b) Case recap: a cyclone destroys 35% of a hapū-owned apple orchard's apple crop (expected income \$300,000). Insurance pays 70% of the loss less a \$5,000 excess; 12 pickers lose pay in proportion; the loan repayment is \$2,800 a month and other costs are \$30,000 a year.

Calculate how much less the pickers are paid in total and per picker, and describe how the pickers and the orchard are affected.

[3 marks]

(c) Case recap: a cyclone destroys 35% of a hapū-owned apple orchard's apple crop (expected income \$300,000). Insurance pays 70% of the loss less a \$5,000 excess; 12 pickers lose pay in proportion; the loan repayment is \$2,800 a month and other costs are \$30,000 a year.

Work out the orchard's income for the year after the cyclone and the insurance payout. After the pickers (who are still paid in proportion to the crop) and the other yearly costs are paid, and then the bank repayments, is there money left? Describe the relationship with the bank.

[3 marks]

(d) Case recap: a cyclone destroys 35% of a hapū-owned apple orchard's apple crop (expected income \$300,000). Insurance pays 70% of the loss less a \$5,000 excess; 12 pickers lose pay in proportion; the loan repayment is \$2,800 a month and other costs are \$30,000 a year.

Explain how the cyclone affects the orchard, the insurer, the pickers and the bank. Evaluate which relationship matters most for the orchard's survival.

[4 marks]

THE WORKED ANSWER TO THAT QUESTION

Question 1 (13 marks) [Interdependent financial relationships and an event]

(a) A cyclone damages a hapū-owned apple orchard. The orchard expected to earn \$300,000 from this season's apple crop but 35% of the crop is destroyed. It has insurance that pays 70% of the value of the lost crop, but the insurer first takes off a \$5,000 excess (the owner pays the first \$5,000 of any claim). The orchard planned to pay 12 seasonal pickers \$55,000 in total, and the pay falls in proportion to the crop lost. The orchard also repays a bank loan of \$2,800 a month and has other yearly costs of \$30,000. Calculate the value of the crop lost and the amount the insurer pays. Describe the relationship between the orchard and the insurer.

(a) Answer: Lost crop \$105,000; the insurer pays \$68,500.

- Evidence level: Achieved (finds the loss and the payout and says who pays whom).
- Value of crop lost = $\$300,000 \times 35\% = \$105,000$.
- Cover = $\$105,000 \times 70\% = \$73,500$; payout = $\$73,500 - \$5,000 \text{ excess} = \$68,500$.
- The orchard pays the insurer premiums and in return the insurer pays out when the event happens: each depends on the other.

KEY TAKEAWAY

Insurance payout = share of the loss covered, less the excess.

(b) Case recap: a cyclone destroys 35% of a hapū-owned apple orchard's apple crop (expected income \$300,000). Insurance pays 70% of the loss less a \$5,000 excess; 12 pickers lose pay in proportion; the loan repayment is \$2,800 a month and other costs are \$30,000 a year. Calculate how much less the pickers are paid in total and per picker, and describe how the pickers and the orchard are affected.

(b) Answer: \$19,250 less in total (\$1,604 per picker).

- Evidence level: Merit (calculates the fall in pay and links it to both entities).
- Pay lost = $\$55,000 \times 35\% = \$19,250$.
- Per picker = $\$19,250 \div 12 = \$1,604$.
- The pickers lose income because the orchard has less fruit to pick; the orchard saves wages but loses far more in crop income.

KEY TAKEAWAY

Workers' income depends on how much work the employer has; an event that hurts the employer hurts the workers.

(c) Case recap: a cyclone destroys 35% of a hapū-owned apple orchard's apple crop (expected income \$300,000). Insurance pays 70% of the loss less a \$5,000 excess; 12 pickers lose pay in proportion; the loan repayment is \$2,800 a month and other costs are \$30,000 a year. Work out the orchard's income for the year after the cyclone and the insurance payout. After the pickers (who are still paid in proportion to the crop) and the other yearly costs are paid, and then the bank repayments, is there money left? Describe the relationship with the bank.

(c) Answer: Income \$263,500; after pickers' pay and other costs \$197,750, and \$33,600 of repayments, the orchard is left with \$164,150.

- Evidence level: Merit (puts income, costs and repayments together and links the result to the bank).
- Income after the cyclone = \$195,000 remaining crop + \$68,500 payout = \$263,500.
- Pickers are still paid \$55,000 – \$19,250 = \$35,750, so costs = \$35,750 + \$30,000 other costs = \$65,750. Income – costs = \$263,500 – \$65,750 = \$197,750. Bank repayments for the year = \$2,800 × 12 = \$33,600.
- Money after repayments = \$197,750 – \$33,600 = \$164,150; the orchard can still pay the bank, so the bank relationship is not under immediate pressure.

KEY TAKEAWAY

Add income, take off costs, then check the loan repayments can still be met.

(d) Case recap: a cyclone destroys 35% of a hapū-owned apple orchard's apple crop (expected income \$300,000). Insurance pays 70% of the loss less a \$5,000 excess; 12 pickers lose pay in proportion; the loan repayment is \$2,800 a month and other costs are \$30,000 a year. Explain how the cyclone affects the orchard, the insurer, the pickers and the bank. Evaluate which relationship matters most for the orchard's survival.

(d) Answer: The orchard's loss is partly passed to the insurer (\$68,500) and the pickers (\$19,250); the relationship with the insurer matters most because its payout of \$68,500 covers 65.2% of the \$105,000 crop lost, while the bank can still be repaid (\$164,150 left after repayments).

- Evidence level: Excellence (shows how the loss is shared across entities and judges the most important link using the figures).
- Achievement: the orchard loses \$105,000 of crop; the insurer pays \$68,500; the pickers lose \$19,250.
- Merit: the orchard bears \$36,500 itself after insurance; its income of \$263,500 is \$197,750 after pickers' pay and other costs, then \$164,150 after the bank repayments.
- Excellence: the loss is shared, and the insurer's payout of \$68,500 makes the biggest difference to the orchard: without it the orchard would have \$129,250 after costs instead of \$197,750, leaving much less to meet the bank repayments of \$33,600 a year. The bank is not at risk now, and the pickers' loss of \$19,250 is the smallest part of the loss.

KEY TAKEAWAY

Follow the money: who pays, who receives, who is left carrying the loss, and which relationship the figures show is most at risk.

LOS: Interdependent financial relationships and an event (92030)

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