Financial viability (1.4)

Cheat Sheet & Study Guide

NCEA Level 1

Commerce

External

Updated for 2026

TRAJECTORY EDUCATION

Title

Demonstrate understanding of the financial viability of an organisation

Credits

5 (external)

Topics covered

Financial viability, factors affecting viability, financial and non-financial information, impacts on revenue, costs, profit and sustainability, actions to maintain or improve viability.

Exam layout

One case study question with 2-3 parts

How to study for this assessment

1. **Learn the terminology** (page 3 of this Guide)
2. **Get familiar with the content** (pages 4 - 5 of this Guide)
3. **Practice** (pages 6 - 8 of this Guide)

But before we get into it…

Exam Tips & Tricks (1.4)

How to get the grade you want

- **Know your terminology:** See page 3 of this Guide.
- **Case study:** Read the case study carefully. Bring a highlighter into the exam with you - highlight factors, evidence, impacts, and key bits of resource info that you want to include in your answers.
- **Language:** Use clear cause-and-effect language ("because", "therefore", "as a result")
- **Evidence:** Support points with financial ***and*** non-financial evidence. A common mistake is only focusing on financial evidence.

Use your time wisely

- **Time management:** You will have 3 hours for the exam (**unless you're doing *both* externals, 1.3 and 1.4)**. 3 hours is plenty of time – make sure you read the question slowly and carefully. If you finish early, don't go home! Spend some time proofreading.
- **Check against criteria:** Before leaving the exam, go back through your answers and ask yourself: Did I define (**Achieved**)? Did I explain (**Merit**)? Did I evaluate/justify (**Excellence**)?

Marking schedule (overview)

Achieved	Merit	Excellence
• Define financial viability • Describe how a factor affects the organization • Use basic financial or non-financial information	• Show how the factor influences revenue, costs, profit, or sustainability • Use evidence from the scenario • Explain cause & effect links	• Evaluate impacts. • Justify recommended actions using evidence • Show long-term thinking (sustainability, stability, risk) • Prioritise the most significant one, and justify why it is the most significant

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1 Terminology

Here are the key words you should be comfortable defining for the exam.

Term	Definition	Example
Financial viability	Ability of an organisation to survive financially over time	A business earning enough profit to cover costs
Revenue	Money coming in	Sales income
Costs/expenses	Money going out	Wages, supplies, rent
Profit	Revenue - costs	A business making $2,000 profit per week
Liquidity	Ability to pay bills on time	Having enough cash to pay suppliers
Assets	Things the organisation owns	Equipment, vehicles
Liabilities	Money the organisation owes	Loans, overdraft
Non-financial information	Qualitative data	Customer reviews, employee morale
Factor	Something that affects viability	Competition, inflation, weather event
Sustainability	Ability to operate long term	Stable revenue + controlled costs
Financial impact	How money is affected	Higher costs, lower revenue

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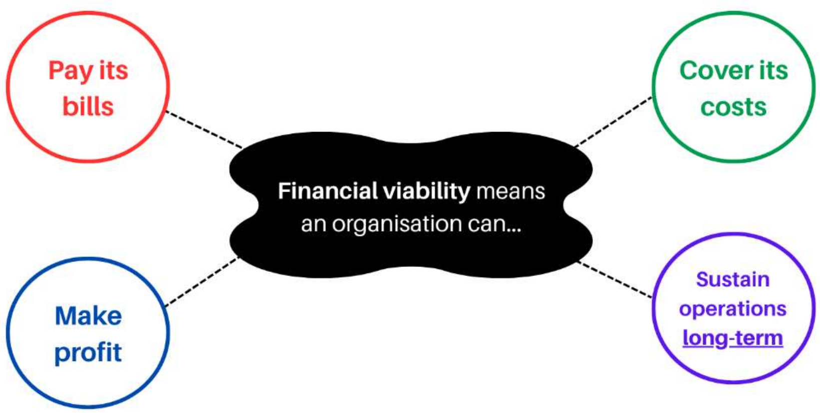
② The Content

Here is a 'cheat sheet' style summary of the main concepts to know for your exam.

Use these to find out the topics you should be focussing more on, or for quick revision on the lead-up to the exam.

What is financial viability?



You must show how ***factors*** affect these 4 areas.

Factors that affect viability

Financial factors

- Rising costs (suppliers, wages)
- Falling revenue
- Interest rate increases
- Loan repayment
- Cash flow shortages

Non-financial factors

- Customer satisfaction
- Staff turnover
- Reputation
- Competition
- Technology changes
- Community expectations

Impacts of factors

Revenue impacts;
- Few customers
- Lower Sales
- Seasonal Changes

Cost impacts;
- Higher supplier prices
- Increased wages
- Compliance costs

Profit impacts;
- Lower profit margins
- Risk of losses
- Reduced ability to reinvest

Cash flow impacts;
- Bills due before income arrives

- Difficulty paying suppliers
- Need for overdrafts or loans

Actions to sustain viability

Organisations may:

- Reduce costs (renegotiate suppliers, improve efficiency)
- Increase revenue (marketing, new products)
- Improve cash flow (shorter payment terms, better budgeting)
- Invest in staff training
- Adopt new technology
- Adjust pricing strategies

You must justify why your recommended actions will help.

Evaluating impacts

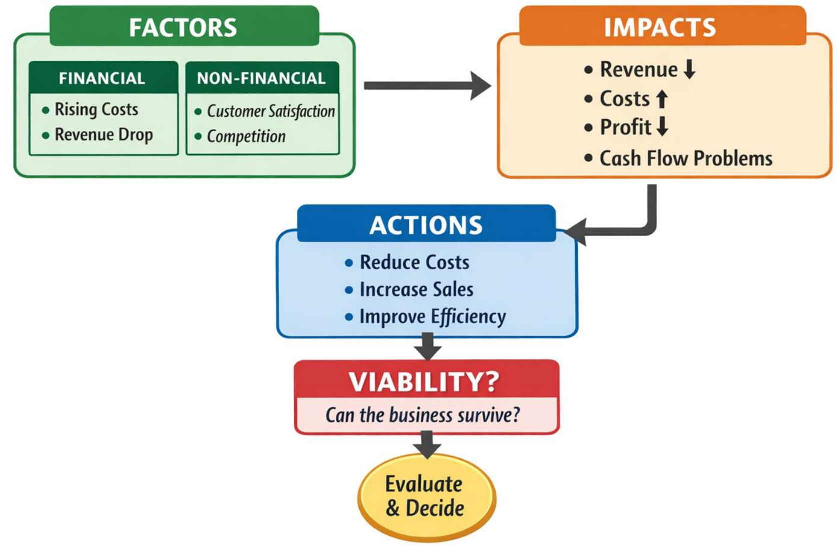
To evaluate, you must;

1. Identify impacts
2. Explain why they happen
3. Decide which impact is **most significant**
4. Justify your decisions using evidence

Useful phrases:

- "The most significant impact is…"
- "This matters more because…"
- "In the long term…" vs "In the short term"
- "Although X is an impact, Y is more significant because…"
- "Balancing these impacts up,…"

This diagram shows how financial and non-financial factors influence an organisation's viability. Each arrow represents the flow from cause → impact → action → evaluation, helping you visualise how decisions affect long-term sustainability.



3 Practice

Test your understanding

If you think you are comfortable with the topics, test yourself - write your best answer, and check the answer key to find your expected grade.

In addition to these practice questions, past exam questions are a great tool. Check our website for copies of past exams & answers.

Q1: Understanding viability:

- What does "financial viability" mean?
- Describe one financial factor that could affect viability.
- Explain how this factor affects revenue, costs, or profit.
- **Excellence:** Evaluate which impact is most significant and why.

- **Achieved:** Define *financial viability* and describe one factor that affects it.
- **Merit:** Explain how the factor influences revenue, costs, or profit.
- **Excellence:** Evaluate which impact is most significant and justify why.

Q2: Using financial and non-financial information:

- Identify one financial and one non-financial piece of information from the scenario below.
- Explain how each affects viability.
- **Excellence:** Justify which type of information is more important for decision-making.

A local café, *Bean & Brew*, is reviewing its performance after a quiet winter. Its **financial information** shows a drop in monthly revenue from $18,000 to $14,000, while its **non-financial information** (customer feedback) reveals complaints about slow service during busy hours. The owner considers hiring an extra barista to improve service quality and attract repeat customers, even though it will increase wage costs.

- **Achieved:** Describe one action the organisation could take to improve viability.
- **Merit:** Explain how this action affects revenue, costs, or cash flow.
- **Excellence:** Evaluate whether the action is sustainable for long-term and justify your reasoning.

Q3: Actions to sustain viability:

- Describe one action an organization could take to improve viability.
- Explain how this action affects revenue, costs, or cash flow.
- **Excellence:** Evaluate whether this action is sustainable for long-term.

- **Achieved:** Describe one realistic action an organisation could take to improve its financial viability (e.g. reducing costs, increasing sales, or improving efficiency).

- **Merit:** Explain how this action would affect the organisation's revenue, costs, or cash flow, showing cause-and-effect links.

- **Excellence:** Evaluate whether this action is sustainable for long-term, considering ongoing impacts, risks, and justification for why it would or wouldn't continue to support viability.

Long-answer, exam-style practice question

Case Study: "Harbour Bikes"

Harbour Bikes is a small bike-rental business located near a coastal trail. Recently, supplier prices for bike parts have increased, and customer numbers have dropped due to poor weather. Staff have reported feeling overworked during peak times.

- **Describe** how one financial factor and one non-financial factor affect Harbour Bikes' financial viability.
- **Explain** how these factors influence revenue, costs, profit, or sustainability.
- **Evaluate** the most significant impact on Harbour Bikes' viability and **justify** one action the business should take.

Marking Guide:

- **Achieved:**
- **Define financial viability** (ability to survive financially over time).

- **Describe** one financial factor (e.g. rising supplier costs) and one non-financial factor (e.g. fewer customers due to poor weather).
- **Show basic understanding** of how these factors affect the business.

  - *Example:* "Higher supplier prices increase Harbour Bikes' costs, and fewer customers mean less revenue. This makes it harder for the business to stay profitable."

- **Merit:**

- **Explain** how the factors influence revenue, costs, profit, or sustainability.
- **Show clear cause → effect → consequence** links.
- Use **financial and non-financial evidence** from the scenario.

  - *Example:* "Supplier price increases to raise Harbour Bikes' costs, reducing profit margins. Poor weather lowers customer numbers, decreasing revenue. Together, these factors weaken the business's financial viability."

- **Excellence:**

- **Evaluate** the most significant impact on viability.
- **Prioritize** which factor matters most and **justify** one recommended action.
- Show **long-term reasoning** (sustainability, stability, risk).

  - *Example:* "The most significant impact is the drop in customer numbers because it directly reduces revenue. Although supplier costs have risen, without customers the business cannot generate income. Harbour Bikes should invest in marketing and offer discounts during poor weather to maintain customer flow. This action supports long-term viability by stabilizing revenue."

ANSWER TEMPLATE

Explaining actions to sustain viability

The organisation could __*Action]*__ to improve viability.

This would __*[Impact on revenue / costs / cash flow]*__ by ____.

In the long term, this action is *[sustainable / not sustainable]* because _____.

Example:

A retail store could switch to energy-efficient lighting to reduce electricity costs.
This would *lower expenses, increasing profits.*

In the long term, this action is sustainable because it reduces costs without relying on limited resources.