



## Interdependent Financial Relationships (1.3)

# Cheat Sheet & Study Guide

NCEA Level 1  
**Commerce**  
External

Updated for 2026

**TRAJECTORY**  
EDUCATION

### Title

Demonstrate understanding of how entities with interdependent financial relationships are affected by an event

### Credits

5 (external)

### Topics covered

Interdependent relationships, real and money flows, events, direct/flow-on effects, decisions and consequences.

### Exam layout

One case study questions with 2-3 parts describing how three interdependent relationships are affected by an event.

## How to study for this assessment

- 1 Learn the terminology (page 3 of this Guide)
- 2 Get familiar with the content (pages 4-7 of this Guide)
- 3 Practice (pages 8-11 of this Guide)



But before we get into it...

# Exam Tips & Tricks (1.3)

## How to get the grade you want

- **Know your terminology:** Real flows, money flows, interdependence, viability
- **Case study:** Read the case study carefully - highlight each entity and their links
- **Link processes:** Link each effect clearly to the event and entities involved
- **Language:** Use clear cause - and - effect language (“because”, “therefore”, “as a result”)
- **Structure your answers as ‘A/M/E’ answers:**
  - Start with definitions (**Achieved**).
  - Explain flow-on impacts (**Merit**).
  - End with evaluation/significance, and justify decisions (**Excellence**).
- **Evidence:** Support points with financial and non-financial evidence

## Use your time wisely

- **Time management:** You will get 3 hours for the exam. Make sure you divide the time evenly between parts, write concise focused paragraphs using cause and effect links, and leave some time for proofreading/editing.

- **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**)?

## Quick ‘Cheat codes’

- *Know your key terms* - they unlock merit and excellence
- *Map ripple effects clearly* - one event, multiple impacts
- *Justify smart decisions*, - show logic, not guesses

## Marking schedule (overview)

### Achieved

- Identify at least **two entities** (e.g., Sunny Scoops, CoolDairy Supplied, Coastbank, staff, tourists)
- Describe **one financial relationship**

*E.g., “Sunny Scoops relies on CoolDairy to supply them with with ice cream mix, and CoolDairy relies on Sunny Scoops to purchase their ice cream mix, providing CoolDairy with revenue.”*

### Merit

- Explain **how** the event affects **two entities**, showing a clear link between cause & effect  
*E.g., “The heatwave increases the number of tourists attracted to the Sunny Scoops’ ice cream shop, leading to higher sales and increasing their revenue.”*

### Excellence

- Identify impacts.
- Prioritise the most significant one, and justify why it is the most significant  
*E.g., “Although costs may rise due to needing more supplies, and there might be short-term stress for staff to ensure no shortages of stock, the long-term benefit of stronger financial stability is more important. This is because the increase in revenue will improve Sunny Scoops’ cash flow and all them to repay their loan faster.”*



# 1 Terminology

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

*Tip - Create flashcards to help you memorise!*

Term	Definition	Example
<b>Entity</b>	A person or organisation involved in the scenario	A café, a supplier, a bank
<b>Interdependent financial relationship</b>	When two entities rely on each other for money	A café buys bread from a bakery; the bakery relies on the café's orders
<b>Stakeholder</b>	Anyone affected by the event	Customers, owners, suppliers
<b>Revenue</b>	Money coming in	Sales from customers
<b>Costs</b>	Money going out	Wages, supplies, rent
<b>Cash flow</b>	Timing of money in vs money out	Paying bills before receiving sales
<b>Supplier</b>	Someone who provides goods/services	A bakery supplying bread
<b>Customer</b>	Someone who buys goods/services	People buying coffee

<b>Lender</b>	Someone who lends money	A bank providing a loan
<b>Event</b>	Something that changes normal operations	A storm, new law, price increase
<b>Financial impact</b>	How money is affected	Higher costs, lower revenue



## 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.

### Entities

An **entity** is any person, business, or organisation involved in the scenario.

In this standard, entities usually include:

- **Businesses** (including suppliers, contractors, etc)
- **Households** (including families, customers, employees, etc)
- **Financial institutions** (including banks and lenders)
- **Government**

Entities are connected through **financial relationships**.

If one entity is affected, others usually are too.

#### Why Entities Matter

You must identify:

- who the entities are
- how they rely on each other
- how the event changes their money situation

## Interdependent financial relationships

### What You Need to Know

Entities don't operate alone. They rely on each other for money, goods, and services.

This is called an **interdependent financial relationship**.

If one entity is affected by an event, the others often feel it too.

### Why This Matters

The exam expects you to show how money flows between entities and how an event disrupts these flows.

**Take a look at the diagram below. This diagram shows the various relationships that take place in an economy.**

For example, there is a financial relationship between **Financial Institutions** and **Businesses**.

- **Financial Institutions** provide **businesses** with **bank accounts** for the business to keep their money, and also to earn a bit of interest off the money they deposit in bank accounts.
- **Financial Institutions** also provide **businesses** with **loans**, which businesses could use to open new locations, or hire more staff (to hopefully grow their business).

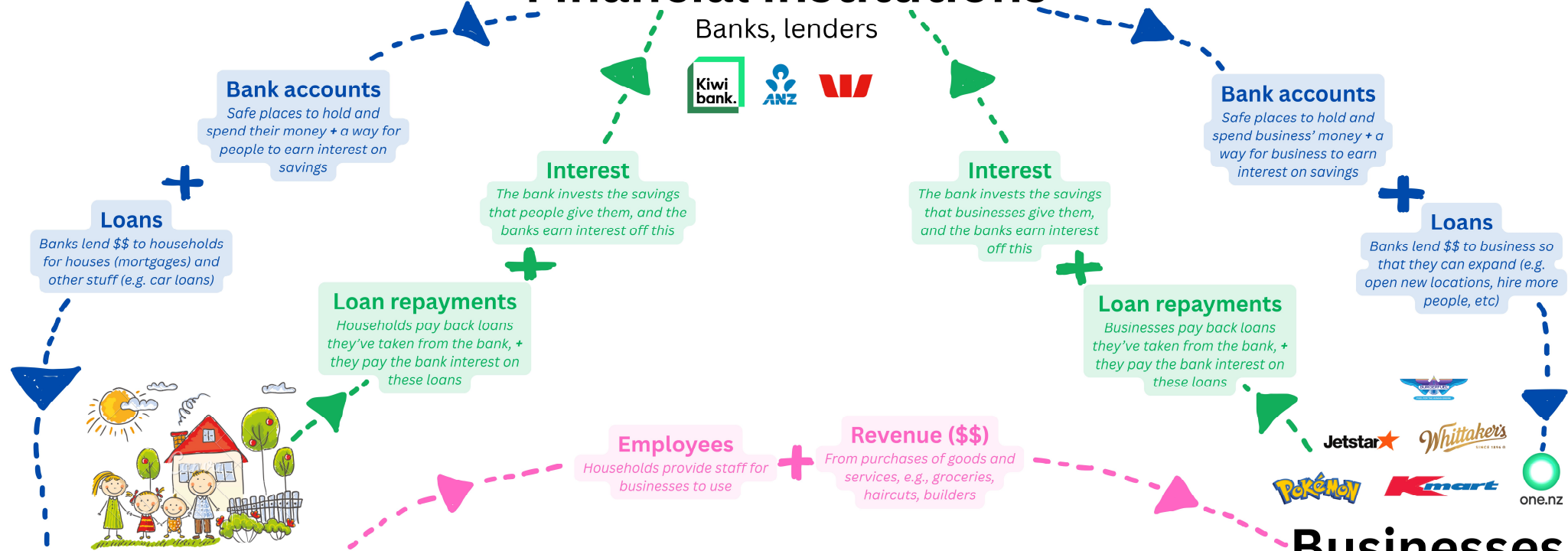
In return...

- **Businesses** provide **financial institutions** with **loan repayments**, which brings the financial institutions revenue/profit (because the businesses also pay interest to the bank).
- **Businesses** also provide **financial institutions** with **interest**, because the financial institutions invest the money that businesses deposit with them to earn interest.



# Financial institutions

Banks, lenders



**Employees**  
 Households provide staff for businesses to use

**Revenue (\$\$)**  
 From purchases of goods and services, e.g., groceries, haircuts, builders

**Wages**  
 Businesses pay staff wages/salaries

**Goods/services**  
 E.g., groceries, haircuts, builders

**Households**  
 Employees, families (whanau)

**Businesses**  
 E.g., Supermarkets, restaurants, suppliers, contractors

**Services**  
 Roads, police, environment protection, and much, much more

**Services & Support**  
 Businesses, subsidies, roads, police, environment protection, and much, much more

**Taxes**  
 GST, Income tax

**Taxes**  
 GST, Company tax

**Government**  
 Including local councils

## ANSWER TEMPLATE

Explaining interdependent financial relationships  
between two entities

Entity 1 relies on Entity 2 to \_\_\_\_\_.

Entity 2 relies on Entity 1 to \_\_\_\_\_.

Therefore they have an interdependent financial relationship.

### Example:

The household relies on the grocery store to provide them with necessities (bread, milk, meat). The household also relies on the grocery store to provide them with employment for the son, who works as a checkout operator at the grocery store and gets paid a wage.

The grocery store relies on the household to purchase goods from the grocery store, which enables the grocery store to make revenue and profit. The grocery store also relies on the household to provide them with labour, since the son works as a checkout operator which helps the grocery store run the business.

Therefore, they have an interdependent financial relationship.

## Events

### What You Need to Know

An **event** is something that changes the normal operations of entities.

It can be:

- **Natural** (storm, flood, earthquake)
- **Economic** (inflation, interest rate rise)
- **Social** (population change, trend shift)
- **Technological** (new software, automation)
- **Regulatory** (new law, tax change)

The event is the *trigger* that causes financial impacts.

### Why Events Matter

Your job is to explain:

- what the event is
- how it changes money coming in or going out
- how it affects each entity differently



## Impacts of events

### What You Need to Know

Events create **financial impacts**. These can be:

#### Revenue Impacts

- Fewer customers
- Lower sales
- Cancelled orders

#### Cost Impacts

- Higher supplier prices
- Repairs or replacements
- Increased wages or compliance costs

#### Cash Flow Impacts

- Bills due before income arrives
- Difficulty paying suppliers
- Needing loans or overdrafts

#### Operational Impacts

- Delays
- Staff shortages
- Supply chain issues

#### Short-Term vs Long-Term Impacts

Short-term = immediate effects

Long-term = ongoing consequences

## Evaluating impacts

### What You Need to Know

To reach **Excellence**, you must **evaluate** impacts — not just describe or explain them.

Evaluation means:

- prioritising impacts
- deciding which impact matters most
- justifying your reasoning

### How to Evaluate

Use these steps:

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

### What are some useful phrases for Excellence?

- “The most significant impact is...”
- “This is more important because...”
- “In the long term, this will affect the entity by...”
- “Although X is an impact, Y is more significant because...”



# 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 entities

- Name three entities in your local community that rely on each other.
- Choose one entity and describe who it depends on financially.
- Explain why a business cannot operate without its suppliers.

- **Achieved:** Name three entities and describe one clear financial link between them.
- **Merit:** Explain how the chosen entity depends on others and how that affects its operations
- **Excellence:** Justify why businesses rely on suppliers and discuss wider consequences if that link breaks

### Q2: Interdependent financial relationships:

- What does “interdependent” mean?
- Using examples of a firefighter and the government, explain how the firefighter and government rely on each other financially and operationally.
- Explain why the interdependence between the firefighter and government is important.

- **Achieved:** Define “interdependent” to mean that each entity relies on the other financially.
- **Merit:**
  - Explain how a firefighter relies on the government financially (to pay the firefighter wages) and also operationally to help the firefighter do their job (the government builds roads, pays for water services, etc).
  - Explain how the government relies on the firefighter operationally (to put out fires and prevent damage/loss of life) and also financially (to pay taxes to the government for the income they make).
- **Excellence:** Justify why this interdependence matters and discuss wider consequences if either side fails.



### Q3: Understanding events:

- What is an 'event' in the context of this standard?
- Give an example of a technological event.
- Explain how an economic event could affect customers.

- **Achieved:** Define what an event is and give one clear technological example.
- **Merit:** Explain how an economic event could affect customers financially or through their choices.
- **Excellence:** Justify the wider consequences of an economic event for customers and related entities.

### Q4: How events affect entities:

- What is a financial impact?
- Explain what the impact of increasing oil prices (because of an overseas war) might be on a tourism business in NZ.

- **Achieved:** Define what a financial impact is (an event which impacts a business's revenue, costs, profit, or cash flow).
- **Merit:** Explain how the increasing oil prices might mean less overseas travel (because plane tickets are higher), which decreases revenue for the tourism business or how increasing oil prices might add more costs for the tourism business (especially if they do bus tours or boat tours).
- **Excellence:** Justify how the event affects the tourism business in the *long-term*. This could be lower profits in the long-term which means the business has to shut down, or it could be that the business might need to let go of staff or close down a location, etc.



### Q5: Evaluating impacts:

- What does “evaluate” mean in this standard?
- Explain why prioritising impacts is important.

- **Achieved:** Define “evaluate” and show basic understanding of judging significance.
- **Merit:** Explain why prioritising impacts helps identify what matters most.

*Note: you'll get a chance to actually evaluate impacts in the next question!*

## Long-answer, exam-style practice question

### Case study: “Sunny Scoops Ice Cream”

Sunny Scoops is a small ice cream shop located in a busy tourist town. It buys its ice cream mix from CoolDairy Supplies, a local supplier. Sunny Scoops employs three part-time staff and has a loan with CoastBank to pay for its equipment. A sudden heatwave hits the region. Temperatures rise much higher than usual for two weeks. Tourists flock to the town’s beaches.

- **Identify** the entities in the scenario and **describe** one financial relationship between any two of them.
- **Explain** how the heatwave affects **two** entities in the scenario. Your explanations should show cause → effect links.
- **Evaluate** the most significant financial impact of the heatwave on **Sunny Scoops**. Justify your answer.



## Marking Guide:

- **Achieved:**
  - Identify at least **two entities** (e.g., Sunny Scoops, CoolDairy Supplies, CoastBank, staff, tourists)
  - Describe **one financial relationship**
    - e.g., “Sunny Scoops buys ice cream mix from CoolDairy Supplies, giving the supplier revenue.”
- **Merit:**
  - Explain **how** the heatwave affects two entities
  - Show clear cause → effect links

Example Merit explanation:

“The heatwave increases the number of tourists, which leads to higher sales for Sunny Scoops. This increases their revenue.”

- **Excellence:**
  - Identify impacts
  - Prioritise the most significant one
  - Justify why it is the most significant

Basic example Excellence reasoning:

“The most significant impact is the increase in revenue because it improves Sunny Scoops’ cash flow and allows them to repay their loan faster. Although costs may rise due to needing more supplies, the long-term benefit of stronger financial stability is more important.”

