

New Zealand Made?



Key financial ideas

- People in business pay GST on their spending in New Zealand and import charges on some items purchased overseas.
- Sometimes it's cheaper to buy from overseas suppliers than to buy in New Zealand.

You need: a calculator

ACTIVITY ONE

Whana thinks that he might save costs by importing his T-shirts rather than buying them off a “middleman”.

1. Find out what is meant by a “middleman”.
2. Whana finds that cheap, good-quality T-shirts can be bought online. He finds four suppliers, each of whom will supply a minimum of 80 shirts:

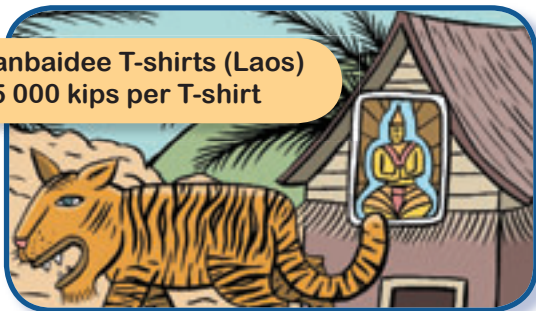
Typhoon T-shirts (Hong Kong)
HK\$18.00 per T-shirt



Gracias T-shirts (Mexico)
21 pesos per T-shirt



Sanbaidee T-shirts (Laos)
35 000 kips per T-shirt



Tiger T-shirts (Malaysia)
9 ringgitts per T-shirt



Whana checks the exchange rates to work out the cost of each company's T-shirts in New Zealand dollars.

These exchange rates change every day.

Exchange rate for 1 New Zealand dollar
(NZ\$1.00)

Hong Kong dollar	4.76
Mexican peso	6.99
Laos kip	10 014
Malaysian ringgitt	2.24

Which company has the cheapest T-shirts? Explain your working.



3. Whana decides to import the T-shirts. He checks the freight costs in New Zealand dollars from each company for a package of 80 T-shirts:

Typhoon: \$48.00

Gracias: \$108.00

Sanbaidee: \$56.00

Tiger: \$32.00



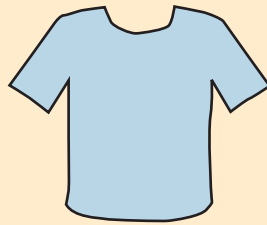
Do the freight costs make any difference to which company is cheapest?

4. Whana gets a phone call from the Customs Office.

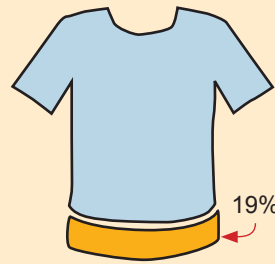


Do you know you need to pay import duty as well as GST on the T-shirts? You can claim the GST back later.

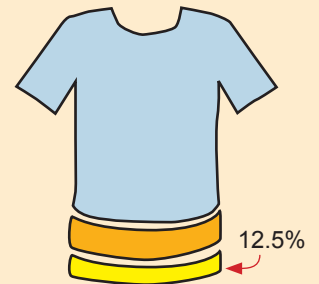
The Customs Office sends him this helpful diagram to explain.



Take the cost to you of the T-shirt (in New Zealand dollars).



Add on 19 percent of that cost for import duty.



Add on 12.5 percent of the duty-included price for GST.

- What is the cost of a Sanbaidee T-shirt now?
- Is it still worthwhile for Whana to import the T-shirts?

ACTIVITY TWO

Whana's dad loves the Māori designs that Whana creates and wants to give some of the T-shirts to his whānau for Christmas. He decides that he would rather be paid in T-shirts for the rent for the garage and the use of his computer and printer.

- Is Whana better to pay in T-shirts or money?
 - How many T-shirts would be fair exchange for the rent and the use of the computer and printer? Show how you worked out your answer.
- What will make a difference to how successful Whana's business is?

Reflective question

- What might happen if a person in business forgets to allow for taxes in their calculations?

