



GRADE 11 EXAMINATION
NOVEMBER 2007

BUSINESS STUDIES: PAPER I

MARKING GUIDELINES

Time: 2 hours

200 marks

This exam paper covers the four learning outcomes for Business Studies:

LO1 – Business Environments

LO2 – Business Ventures

LO3 – Business Roles

LO4 – Business Operations

The marking guide is a working document prepared for use by teachers as they assess the Grade 11 externally set examinations.

There may be different interpretations of the marking guidelines but the teacher should keep as closely as possible to the suggested way of assessing. When in doubt, a teacher should check with another member of the cluster or with the relevant Assessment Specialist.

SECTION A COMPULSORY

QUESTION 1 Choose the most correct alternative. Make a cross (X) over the correct option in your answer book.

- 1.1 C would be determined by the number of shares available
- 1.2 D combination
- 1.3 A product mix
- 1.4 A product line
- 1.5 B (i) and (iii)
- 1.6 C conditional
- 1.7 A Overheads
- 1.8 D all of the above
- 1.9 B Inflation
- 1.10 B monopoly
- 1.11 B King II Report
- 1.12 D pro-active
- 1.13 B affirmative action
- 1.14 A Ethical behaviour will be linked to cultural values.
- 1.15 D all of the above

[30]

QUESTION 2 Indicate whether the following statements are true or false. If false, correct the statement. A statement that is "true" will carry a weighting of ONE mark while an incorrect statement may be TWO or THREE marks depending on the nature of the correction.

- 2.1 True (1)
- 2.2 True (1)
- 2.3 False – Individuals do not always react negatively to change and do not always resist it. (2)
- 2.4 False – Small, Medium and Micro Enterprise. (2)
- 2.5 True (1)
- 2.6 False – **Members** in a CC have **limited** liability. (3)
- 2.7 False – It may help to resist change or lead to group think. (2)
- 2.8 False – Legislation won't be aimed at reducing competition because this will lead to lower quality and higher prices. (2)
- 2.9 False – Mission is purpose of the organisation while vision specifies what the organisation wants to achieve (dream). (2)
- 2.10 False – Franchising is a method of distribution. (2)
- 2.11 True (1)
- 2.12 True (1)

[20]

50 marks

SECTION B COMPULSORY

QUESTION 3

3.1 Foreign Marketing

3.1.1 Define the term **FDI** that is in bold in the case study.
Foreign Direct Investment. A business investing money in a different country by starting a business there. (The technical definition of at least 10% investment is not required). (2)

3.1.2 Explain FOUR factors that might have been problematic to Bandito's to enter the Japanese market.

- ✦ *Different currency in Japan (Yen)*
- ✦ *Laws and customs differ between SA and Japan and may complicate the process of international trade*
- ✦ *The Japanese economy may have restrictions on foreign trade (e.g. quotas, permits, duties and currency control) that may hamper the trade*
- ✦ *Problems could be experienced with the granting of credit if the debtor and creditor are in two different countries (more so than if they are in the same country). I.e. it may be difficult for Bandito's to get credit/finance in Japan if they may need it*
- ✦ *Social, cultural and political customs could complicate foreign trade*
- ✦ *Problems could be experienced (and costs increased) as a result of vast distances between SA and Japan* (8)










3.2 According to the *Belbin theory*, there are nine different roles that people assume in a team. These roles are briefly outlined in the table provided. Choose any TWO roles and analyse the role by giving practical examples of what these two people would have done during the time when Bandito's considered entering the international market. (8)

Marking guidelines:

Criteria:	Marks:
Provides a detailed discussion of both roles with two good examples to illustrate the roles. The examples are integrated and clearly show how the roles would create synergy in a team situation.	8
Provides a detailed discussion of both roles with two good examples to illustrate the roles. The examples are integrated and attempt to show how the roles would create synergy in a team situation.	7
Provides a detailed discussion of both roles with two good examples to illustrate the roles. OR Provides a detailed discussion of both roles with a detailed example to illustrate the point.	5 – 6
Outlines in general terms two roles that would have been performed and attempts to give an example of each. OR Provides a detailed discussion on one role with a detailed example to illustrate the point.	4

Outlines in general terms one role that would have been performed and gives a solid example. OR Provides a detailed discussion of one role that would have been performed but the example does not clarify the role.	3
Outlines in general terms one role that would have been performed and attempts to give an example.	2
Outlines in general terms one role that would have been performed.	1

Possible content for individual roles may include some of the following:

Team roles	Possible answers:
Sipho the Shaper 	Could have been a leading role in the negotiation process where problems would have been identified. Would work closely together with the Plant that solves problems in a creative manner.
Ivan the Implementer 	Once the framework of the plan to export to Japan was on the table, The Implementer would be assigned the task to convert the plan into a reality. For example, logistical aspects would be his forte.
Carl the Co-ordinator 	Could have been appointed as a project manager that would ensure all elements/aspects of the plan are aimed at creating synergy (through cooperation rather than competition for resources in Bandito's).
Mary the Monitor 	Could have been assigned the responsibility of investigating and evaluating investment opportunities in Japan or other foreign countries and to then make a recommendation on best options.
Peter acting as a Plant 	Would work closely together with the Shaper to overcome obstacles such as cultural differences and language barriers in a creative manner.
Thabo the Team worker 	Cannot enter negotiations with businesses in a foreign country without somebody that understands the importance of listening to the needs of the other party and then responding in a manner that shows respect for all parties involved in the negotiations. Important role to play to reduce conflict in the negotiation process. Must be culturally sensitive.
Ruan the Resource Investigator 	Probably the marketing manager or in the marketing department. Investigates "gaps" in the market to create and sustain a competitive advantage. Once this has been done the resource investigator will work towards establishing contact with other parties that may assist in the export process.
Susan the Specialist 	Probably a specialist in international trade laws. Draft and review contracts.
Candy the Completer 	Will make sure that the Implementer sees the exporting program through to the end and constantly be in touch with the importers in Japan to ensure their needs are satisfied and that commitments are honoured.

Adapted from: <<http://www.belbin.com/belbin-team-roles.htm#>>

3.3 Acting in a professional manner may include some of the issues listed below. Explain these aspects of professional behaviour and illustrate your answer with practical examples of how Bandito's management and lower level employees should act for it to be considered professional.

3.3.1 Commitment to promises

- ✎ *Cannot make promises on behalf of colleagues*
- ✎ *Must follow up on all promises to ensure they are honoured*
- ✎ *Rather under-promise and over-deliver than vice versa*
- ✎ *Any other valid point*
- ✎ *Example of Bandito's* (4)

3.3.2 Enacting the mission, values and norms of the organisation

- ✎ *Employees (including management) should make these values and norms part of their daily individual behaviour (walk the talk)*
- ✎ *An organisation culture that will support what is promised in their mission, i.e. employees must re-enforce these through their collective behaviour*
- ✎ *Management should ensure training is provided to help employees understand the mission, values and norms*
- ✎ *Any other valid point*
- ✎ *Example of Bandito's* (4)

3.3.3 Specific guidelines with regard to the clothing and language policy of the organisation

- ✎ *No revealing clothing that will embarrass fellow employees or when dealing with customers*
- ✎ *Appropriate for situation (i.e. may be more revealing when it is an evening entertainment situation than in daily working environment OR the manager may have to wear a suit while the person operating the machine on the production line may dress more informally)*
- ✎ *No offensive language*
- ✎ *Any other valid point*
- ✎ *Example of Bandito's* (4)

3.4 The owner of Bandito's has approached you to act as a business consultant. He would like to raise more capital in order to expand but is not sure if he should establish a partnership or private company. Highlight the advantages and problems of each option. (20)

Possible marking guidelines:

Criteria	Marks
Has discussed and fully explained how these characteristics can be advantageous or problematic depending on the situation: ✎ Number of owners in terms of capital available for expansion ✎ Number of owners/managers in terms of decision making ✎ Owner's liability for the debt of the business ✎ Ease and cost of formation ✎ Continuity of existence ✎ Tax implications	18 – 20

<p>Has discussed and fully explained how at least FIVE of these characteristics can be advantageous or problematic depending on the situation:</p> <ul style="list-style-type: none"> ↺ Number of owners in terms of capital available for expansion ↺ Number of owners/managers in terms of decision making ↺ Owner's liability for the debt of the business ↺ Ease and cost of formation ↺ Continuity of existence ↺ Tax implications 	<p>16 – 17</p>
<p>Has discussed and fully explained how at least FOUR of these characteristics can be advantageous or problematic depending on the situation:</p> <ul style="list-style-type: none"> ↺ Number of owners in terms of capital available for expansion ↺ Number of owners/managers in terms of decision making ↺ Owner's liability for the debt of the business ↺ Ease and cost of formation ↺ Continuity of existence ↺ Tax implications 	<p>13 - 15</p>
<p>Has discussed and attempted to explain, though not in sufficient detail, how at least FOUR of these characteristics can be advantageous or problematic depending on the situation:</p> <ul style="list-style-type: none"> ↺ Number of owners in terms of capital available for expansion ↺ Number of owners/managers in terms of decision making ↺ Owner's liability for the debt of the business ↺ Ease and cost of formation ↺ Continuity of existence ↺ Tax implications <p>The mark allocated in the range will depend on the level of detail included in the explanation</p>	<p>10 – 12</p>
<p>Has discussed and attempted to explain, though not in sufficient detail, how at least THREE of these characteristics can be advantageous or problematic depending on the situation:</p> <ul style="list-style-type: none"> ↺ Number of owners in terms of capital available for expansion ↺ Number of owners/managers in terms of decision making ↺ Owner's liability for the debt of the business ↺ Ease and cost of formation ↺ Continuity of existence ↺ Tax implications <p>The mark allocated in the range will depend on the level of detail included in the explanation</p>	<p>7 – 9</p>
<p>Has discussed and attempted to explain, though not in sufficient detail, how at least TWO of these characteristics can be advantageous or problematic depending on the situation:</p> <ul style="list-style-type: none"> ↺ Number of owners in terms of capital available for expansion ↺ Number of owners/managers in terms of decision making ↺ Owner's liability for the debt of the business ↺ Ease and cost of formation ↺ Continuity of existence ↺ Tax implications <p>The mark allocated in the range will depend on the level of detail included in the explanation</p>	<p>4 – 6</p>

<p>Has discussed and attempted to explain, though not in sufficient detail, how at least ONE of these characteristics can be advantageous or problematic depending on the situation:</p> <ul style="list-style-type: none"> ↺ Number of owners in terms of capital available for expansion ↺ Number of owners/managers in terms of decision making ↺ Owner's liability for the debt of the business ↺ Ease and cost of formation ↺ Continuity of existence ↺ Tax implications <p>The mark allocated in the range will depend on the level of detail included in the explanation</p>	<p>0 – 3</p>
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Possible content:

Advantages of a Partnership:

- ↺ More capital is available than for a sole trader. This enables the business to expand and grow.
- ↺ More capital can be borrowed because each partner can sign surety in his personal capacity. This means more security is available.
- ↺ More than one person can decide on important issues. (Two heads are better than one).
- ↺ Productivity can improve because of division of labour. Each partner is performing the activity in which he is an expert.
- ↺ Partnership articles is the only document required to form a partnership, i.e. easy and cheap to start.
- ↺ Partners have unlimited liability and this may motivate partners to work harder to make the business successful.

Problems associated with a Partnership:

- ↺ The number of partners is limited to 20. This may limit expansion.
- ↺ The business does not have continuity of existence, i.e. the partnership must be dissolved when one partner dies or retires or if a new partner joins.
- ↺ Partners could be scared that if one makes a mistake, all have to pay (partners have jointly and severally BUT also unlimited liability for the debts of the business). This could make partners over-cautious and opportunities could be lost.
- ↺ All partners have to agree before a decision can be taken, i.e. slow decision-making may mean lost opportunities.
- ↺ Each partner pays tax on his personal income, i.e. the more profit he gets, the higher percentage tax the individual partner must pay (progressive tax at a maximum of 40%).
- ↺ A bad decision by one partner may cause financial losses to the other partners because one partner co-binds his other partners by his decisions when he acts as an agent of the business (partners are jointly and severally liable for the debts of the business).

Advantages of a Private company:

- ↺ The private company can raise more capital if shareholders increase to 50. This allows for better opportunities to expand the business.
- ↺ The company is a legal entity. This means that the company may enter into contracts in its own name and shareholders will not be held liable for the debts of the business.

- ↪ Limited liability for shareholders – they can only lose the capital invested in the business (personal belongings are not at risk).
- ↪ A private company has continuity of existence – the existence of the business does not depend on the life of shareholders.
- ↪ Unlike a public company, the private company does not require a minimum subscription and may start with business activities as soon as a Certificate of Incorporation has been received.
- ↪ Not subject to same restriction laid upon public companies, e.g. a private company does not have to publish financial statements or have books audited.
- ↪ The private company does not have to have statutory meetings if all shareholders agree.
- ↪ Fixed tax percentage irrespective of profits

50 marks

QUESTION 4

4.1 Re-draw and complete the table in your answer book. The table refers to changes and developments in the micro, market and macro environment. (18)

Event	Does the event impact on the micro, market or macro environment? (1)	Implications and how to manage/adapt to change. (4)
SPAR's biggest competitor introduces new technology where all the products in the shopping trolley are scanned at once as opposed to scanning individual items. It is very expensive to implement this type of technology but what would the long term implications be if SPAR does not follow suit?	Market environment	Will lose customers and go out of business as convenience factor is high on the list of priorities for consumers shopping for convenience goods. Will have to introduce same technology to maintain the competitive position/ advantage.
The workers at the local municipality are unhappy about their annual increase. The supervisor refuses to listen to their objections because increases were based on performance. He threatens to fire the next worker that complains.	Micro environment	Should have negotiated basis for increase with trade union upfront. Must consult with union ASAP to avert strike – can't fire workers without following procedures prescribed in the labour law (no need to explain procedures as it forms part of Grade 12).
A South African car manufacturer becomes aware that cars imported from China are priced much cheaper than most of the cars currently assembled in South Africa.	Macro environment	Will have to convince consumers they are getting value for money to buy the more expensive car (advertising can be used) and see on the LT how manufacturing costs can be reduced.

4.2 With reference to the above source, answer the following questions:

4.2.1 What is the GEM report, i.e. what does **GEM** refer to?
Global Entrepreneurship Monitor (1)

4.2.2 What is the significance of the GEM report for SA?
 ✎ *Helps to create an awareness that SA should improve in terms of entrepreneurial skills and activities*
 ✎ *Provides information on specific groups/characteristics of entrepreneurs, e.g. women, education levels*
 ✎ *Fosters an understanding of the importance of entrepreneurship and intrapreneurship*
 ✎ *Any other valid point* (3)

4.2.3 Identify SIX qualities that are usually associated with entrepreneurs or businesses that embraces entrepreneurial qualities.
 ✎ *An entrepreneur is a problem solver*
 ✎ *Often enjoys working independently from others*
 ✎ *Shows drive and energy in order to achieve goals*
 ✎ *Self-confidence, ambitious and motivated*
 ✎ *Optimistic*
 ✎ *Risk taker who likes challenges*
 ✎ *Has initiative and is very organised*
 ✎ *Original and creative*
 ✎ *Flexible, i.e. can adapt to changing circumstances*
 ✎ *Any other valid point* (6)

4.2.4 Identify FOUR socio-economic issues from the above case study and explain the impact of these issues on entrepreneurial activities in the South African context. (12)

Criteria	Marks
Four social-economic issues identified and a detailed explanation provided of how these issues hampers/promotes entrepreneurial activities in SA. The mark allocated in the range will depend on the quality of the explanation provided	10 – 12
Three social-economic issues identified and a good explanation provided of how these issues hampers/promotes entrepreneurial activities in SA. A fourth factor may also be listed but not explained. The mark allocated in the range will depend on the quality of the explanation provided	8 – 9
Two social-economic issues identified and an explanation provided of how these issues hampers/promotes entrepreneurial activities in SA. The learner may also have listed another two factors but did not explain these. The mark allocated in the range will depend on the quality of the explanation provided	6 – 7
Two social-economic issues identified but an incorrect explanation of the impact given OR All four correctly identified but no explanation on any of them. The mark allocated in the range will depend on the quality of the explanation provided	4 – 5
One social-economic issue identified but a limited or an incorrect explanation of the impact given. OR Social-economic issues identified but no explanation on any of them. One mark allocated for each one identified	0 – 3

Possible content:

- ↪ *Poverty – limits entrepreneurship as it limits available capital to start a business.*
- ↪ *Unemployment leading to entrepreneurship – Desperation leads to survival entrepreneurs that maybe too scared to take risks to grow ventures.*
- ↪ *Lack of education – limited skills to start businesses for own survival but also limited skills to create jobs for others. Poor self-esteem also limits entrepreneurship. Limited growth in new business ventures.*
- ↪ *Gender bias – more difficult for females to obtain loans, negotiate with suppliers.*
- ↪ *Any other valid point explained.*

4.2.5 Make recommendations on how some of the problematic issues facing SA entrepreneurs can be dealt with.

- ↪ *Although learners are not expected to mention problem solving techniques, they will be applying these techniques (e.g. drill down) to come up with creative methods to solve this problem presented.*
- ↪ *Education aimed at developing entrepreneurs, e.g. at school level.*
- ↪ *Skills development at all levels of society. Can be done through CSR projects.*
- ↪ *Government initiatives to provide infrastructure to potential entrepreneurs and to reduce administrative barriers to starting a business.*
- ↪ *Providing access to finance and advice (e.g. SBDC).*
- ↪ *Any other valid point explained.*

(10)

50 marks**QUESTION 5**

5.1 Sally Simons is a housewife and is planning on selling African crafts souvenirs during the 2010 Soccer World Cup. Sally believes she can make these crafts from home and has bought herself a sewing machine from her local Pick 'n Pay to make dolls with a variety of traditional African dresses. Sally has also employed her neighbour's daughter on a part time basis to help her to paint different patterns on 2 000 coffee mugs she has bought on a sale.

5.1.1 Identify the production system Sally would use to manufacture her crafts at home.

Batch production.

(1)

5.1.2 Compare, in table format (tabulate), SIX characteristics of this system and any other production system you have studied this year.

BATCH	JOBING	MASS
Smaller quantities Similar products Usually local demand Multi purpose machines Some skills levels required Sampling for quality control Any other valid point	Single items Unique products Produce on demand Multi purpose machines Workers often multi-skilled Inspection (expensive and time consuming)	Large quantities Identical products Large, stable demand Single purpose machines Monotonous jobs requiring limited skills if on conveyor belt Sampling (easier)

(12)

5.2 Refer to the source below and answer the questions that follow.

5.2.1 The manner in which Johnson & Johnson solved the dilemma was ethical beyond any doubt. Explain your recommendation how to deal with this situation in an ethical manner and indicate what your expectations are in terms of the market's reaction.

- ↪ *Cannot ignore situation - has to address pro-actively.*
- ↪ *Withdraw products from circulation to prevent further sales.*
- ↪ *Issue press report informing consumers to be aware of potential dangers.*
- ↪ *Set up support/consumer phone line if there are questions/concerns.*
- ↪ *Change containers to prevent similar problems in future.*
- ↪ *MARKET REACTION: Shock, but the fact that the situation was handled without withholding information should (and have) improved the image and ultimately the market share of Johnson & Johnson.*

(8)

5.2.2 Evaluate the possible short term and long term implications if Johnson & Johnson did not handle this situation in an ethical manner.

- ↪ *Short term profit maintained as it was very expensive to withdraw the product temporarily from the market.*
- ↪ *Long term disillusionment and losses as consumers will lose faith in this particular brand but also Johnson & Johnson overall.*

(4)

5.3 Use the information provided and perform the required production cost calculations for ABBA Alarm Clocks (a business operating in the secondary sector).

Show all your calculations.

Initial stock	R15 500
Purchases	R 7 500
Final stock	R 4 500
Direct labour	18 people working 180 hours each @ R7-00 per hour
Machine hours amounted to 2 000 hours	
Fixed overhead expenses	R 3 000
Variable overheads	R 2 500
650 alarm clocks were manufactured	

5.3.1 Direct Raw material
Initial stock R15 000
+ Purchases R 7 500
- Final stock R 4 500
R18 000 (3)

5.3.2 Direct Labour
 $18 \times 180 \times R7-00 = \underline{R22\ 680}$ (2)

5.3.3 Primary Costs
 $R18\ 000 + R22\ 680 = \underline{R40\ 680}$ (2)

5.3.4 Total costs
 $R40\ 680 + R5\ 500 = \underline{R46\ 180}$ (2)

5.3.5 Cost per unit
 $R46\ 180/650 = \underline{R71-05}$ (2)

5.3.6 What would be the impact on the price of the clocks manufactured by ABBA Alarm Clocks if the SABS (South African Bureau of Standards) performs an unannounced quality check and finds that the requirements to use the SABS mark of approval are not met and production has to be halted temporarily?
 ↪ *Delay in production would lead to idle time for workers and machines. This means resources are not optimally employed and would increase production costs.*
 ↪ *Production costs would also increase if the problem was a result of inferior quality material used and a better quality has to be purchased (at a higher cost).* (3)

5.4 As the financial manager of Great Goodies Ltd you have been assigned the task of preparing a report for the Board of Directors on the performance of the business. Considering that there are talks of a competitor wanting to take over Great Goodies, this is a matter of extreme urgency. You have instructed a number of your assistants to help you gather information that will enable you to prepare the presentation for the Board of Directors at the emergency Board Meeting at 20:00 tonight.

Read the following information that has been gathered by your assistants and **prepare a slide presentation for the Board of Directors**. Use all relevant information to do this presentation and to make recommendations how this crisis should be handled. Please note that the information may have to be re-arranged in a different order to make more sense. (Draw the slides and complete the appropriate information on each slide.)

(11)

- ↪ Sales at Great Goodies amounted to R500 000 in 2004. In 2005 it was R600 000 and this remained stable in 2006. Provisional figures for 2007 indicate that there is a 20% decrease in sales for the current year.
- ↪ Employees are unhappy because management has proposed some changes in working hours.
- ↪ There are rumours in the media that the CEO plans on resigning at the end of the month. These rumours are not true but have caused the share price to fall sharply.
- ↪ A survey in the organisation has shown that morale amongst employees is very low.
- ↪ The purchasing department has over spent by 15% on their 2007 budget while the marketing department still has more than 50% of their annual budget available despite the fact that there is only 2 months of the year left.
- ↪ Employees have been on a go-slow for the past month.
- ↪ Lower sales figures are impacting negatively on the profitability of the business.
- ↪ The Human Resources department has planned some team building exercises and has already started consulting with the Union on how to overcome the resistance to change. One of Directors is very involved with the Trade Union and you expect him to ask you for a recommendation in this regard.

Check list for the evaluation of this question:

Information:	No	Yes	Marks for "yes – answer"
Has re-arranged in logical order			1
Covered / used all information NOTE: 1 mark subtracted per bullet point of information not used			4
Pre-empting potential questions from Board of Directors AND proposing co contingency plan OR Only either of above mentioned done			2 OR 1
Info on slides not in LONG sentences but summarised/point form			2
Use of visual tools (e.g. graphs/histograms/pie chart) to illustrate relevant data			2

50 marks

Total: 200 marks