



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2008

BUSINESS STUDIES: PAPER II
MARKING GUIDELINES

Time: 2 hours

100 marks

These marking guidelines are prepared for use by examiners and sub-examiners, all of whom are required to attend a standardisation meeting to ensure that the guidelines are consistently interpreted and applied in the marking of candidates' scripts.

The IEB will not enter into any discussions or correspondence about any marking guidelines. It is acknowledged that there may be different views about some matters of emphasis or detail in the guidelines. It is also recognised that, without the benefit of attendance at a standardisation meeting, there may be different interpretations of the application of the marking guidelines.

The following aspects may be considered when marks are allocated in this paper:

- Format:
 - If the question is not specific in this regard, you may use any format, e.g. mind maps, power point presentation, report, dialogue etc.
 - Where applicable an introduction and conclusion should be included.
 - Use headings and sub-headings.
- Terminology: Correct Business terminology should be used.
- Content: Must be sufficient, i.e. either a large number of issues mentioned in context or fewer issues discussed in greater detail.
- Substantiating (justification for statements made).
- Application to case study/ context.
- Creative problem solving rather than just giving theoretical facts.
- Synthesis and sequencing.

Higher Order Thinking Assessment Grid

CRITERIA	0	1	2	3	4	Marks
Substantiation (justification for statements made)	No attempt at justification.	Attempt at substantiation but incomplete or incoherent	Less than half of the statements are well substantiated.	The majority of the statements are well substantiated OR Main themes thoroughly explored.	All statements are thoroughly substantiated showing breadth and depth of understanding. The main themes are thoroughly explored	
Application to context	No application to the case study	Superficial reference to the case study or examples not related to the case study.	Isolated examples related to the case study are given but are not integrated into the response	Most of the examples relate to the case study and are adequately applied.	All examples are relevant to the case study and fully integrated into the response showing understanding of the issues at hand.	
Creative Problem Solving	No understanding of the problem.	Correct identification of the problem, but irrelevant solution.	Some insight into the problem, with a partially relevant solution, which is not explored in depth.	Good understanding of the problem, with a viable solution discussed in some detail.	Superb insight into the crux of the problem, and pertinent solutions offered which are fully discussed.	
Synthesis	Isolated facts with no cohesion and no conclusion	Attempt at arguments but loss of focus leading to waffling and unable to link facts and form a logical conclusion.	Arguments are partially developed with some focus evident in the arguments but conclusion is unclear.	Arguments are logically presented leading to a legitimate conclusion but with minor loss of focus.	Arguments logically presented in a thoroughly cohesive manner where threads are clearly drawn together leading to a legitimate conclusion.	×2
SUB-TOTAL						/20

Content and format grid

	0	1	2					Marks
Format	Not meeting the correct standard	Partially correct format	Correct format					
	0	2	4					
Terminology	No use of business terminology	Isolated use of business terminology	Good use of business terminology					
X 4	0	1	2	3	4	5	6	
Content (number of relevant facts)	0	1 – 11	12 – 19	20 – 27	28 – 31	32 – 39	40 facts or more	
SUB – TOTAL								/30

'Facts' should include naming the concept in a full sentence, explaining (which may be more than one mark if it's a detailed explanation) and/ or examples.

QUESTION 1: LO 1 and LO 3**Suggested content:****Definition:**

- **Social responsibility** can be defined as management's obligation to protect and promote the welfare of **all stakeholders** (financially or otherwise). **Stakeholders** refer to any individual or group of people that have an interest in or that will be affected by a business.
- Learner may also refer to King Report, Tripple bottom line.

Principles/ Guidelines on Social Responsibility:

- Should be aligned with the organisation's Business Policy and preferably in their Vision and Mission Statement.
- Organisation culture should support CSR through programs encouraging and rewarding employees to get involved in CSR issues.
- Promoting the interest of all stakeholders is also described by the African principle of Ubuntu which can be translated with 'Humanity towards others' or 'I am because we are'.
- 'Buy-in' from Top Management to support and drive CSR.
- CSR goals should be understood by all and be realistic (ensures buy-in from all).
- CSR should be aimed at promoting the interest of all stakeholders through the involvement in society as a whole.
- Any other valid point.

Interest groups and the demands placed on business by each interest group:The organisation's **primary social responsibility:**

- The owners the business have a direct interest in the financial performance of the business
- Employees of the business at all levels have an interest in the financial performance of the business as this impact on their remuneration.
- Suppliers expect prompt payment from the business.
- Consumers have expectations in terms of a good quality product that should be available at a reasonable price. But also packaging that is environmentally friendly, prevent and counter-act global warming.
- Competitors – not sell counterfeit goods/ Intellectual Property/ advertising.
- The Government – tax/ transformation.
- Any other valid point.

The **broader social responsibility** includes activities aimed at the local community as well as the country as a whole.

- Ecological control and nature conservation
- Involving local community in entrepreneurship activities
- Sponsorships for sports activities.
- The creation of infrastructure.
- Broad Based Black Economic Empowerment (BBBEE)
- Upliftment of the poor through training and development
- Health and safety: AIDS prevention and treatment, Anti-drug abuse campaigns, Air (factory emissions), Water (pollution by mines), Noise pollution (especially near living areas).
- Any other valid point.

(Max 10: 7 – 3 or 3 – 7)

Arguments for and against Social Responsibility:**Arguments in favour of CSR may include:**

- If society suffers, business will not prosper
- Moral duty of the business to lend a helping hand where it can to improve standard of living.
- If the Corporate Sector gets involved in CSR, it is less likely that Government will enforce the issue through legislation.
- CSR can promote the image of the business and gain goodwill.
- Any other valid point.

(Max 5)

Arguments against CSR may include:

- Providing goods and services that meet the needs of consumers is, according to some, already socially responsible.
- Shareholders are the only real stakeholders and they suffer as their profits are spent on CSR.
- Involving employees in CSR distracts them from their duties.
- Spending money on CSR means the business has to recover it somehow and this will lead to higher prices and inflation which has a negative impact on the economy.
- CSR programs are not always sustainable and then communities are 'let down'
- Any other valid point.

(Max 5)

This section max 30**How the proposed CSR program incorporates professional, responsible, and ethical business practice in a changing and challenging business world.**

- In broad terms *ethics* can be described as the human values that describe how one should live when keeping in mind what is seen as 'correct' behaviour. (Max2)

Reference can be made to Moral Absolutism vs. Moral Relativism.

- **Moral Absolutism** states that there is only *one ethical solution* to any problem.
- **Moral Relativism** on the other hand believes the solution to the problem at hand will *depend on* the situation and who is involved. This means that there can be more than one “moral” solution to a problem, depending on different cultures for example. Obviously from this it will follow that due to values differing from person to person and from society to society, it will become difficult to set up a universal code of ethics. (Max 4)

Some basic questions a manager could consider when making a business decision:

- What does the law say and do we agree with this law?
- What about choices regarding economic and social issues not covered explicitly by legislation or where the legislation is not enforced?
- The issue of self-interest vs. the interest of the broader society also raises some ethical dilemmas.
- Any other valid point. (Max 4)

Levels of business ethics can relate to primary vs broad social responsibility:

- Individual level i.e. each employee or manager's responsibility and the associated ethical aspects:
 - I.e. is it acceptable to cheat on an expense account if it is a Social Responsibility issue?
 - Is it OK to call in sick when one fulfills a CSP action on that day?
 - Is it OK to offer a bribe if it is to benefit the CSR program? (Max 4 each)

- **Organisational level:**
 - To ask an employee to perform an unethical or illegal act to promote the business' CSR program.
 - Ignoring laws, norms and customs because it 'will promote our CSR'.
- **International level**
 - E.g. using child labour in another country to improve profits that can then be used to implement a CSR in South Africa.
 - Ignoring economic sanctions against countries if it suits the business because it may help to get resources to implement a CSR program.
- **Any other valid point**

Why ethics?

- Adam Smith (a well known economist), stated that the only responsibility of a business is to maximise profits based on the principles of demand and supply, albeit obviously within the constraints of the law. If this is, however, the only responsibility of the business, there are obvious negative implications and businesses should incorporate mechanisms to regulate the impact of their actions on society.
- There is a growing awareness that employees are more productive and creative if they find their work meaningful and if they are able to maintain a healthy balance between a professional and personal life. This may provide an incentive to the business to implement programs that will help employees to achieve this. As a result the business acts more ethical by looking after the well being of their employees. This therefore relates to the popular argument that the best way to serve one's own interest is to take the interests of others seriously. Following the logic of 'putting the customer first', serving the interests of all stakeholders will ultimately have the most beneficial effects on the business.
- Enabling conditions are created when the business does more than merely staying within the letter of the law, which is not always sufficient. Businesses have to take into account the needs and requirements of all its stakeholders. For example, bad publicity can have a negative impact on the business and harming the environment may affect the long-term sustainability of the business. In short, the business has to play according to the written and unwritten rules, which will result in enabling conditions for the business to perform better.
- The vast majority of South Africans would classify themselves as being religious. For those who are really committed and practising a particular religion, it is clear that their actions will have a wider impact on role-players outside of the religious institution, including that of the business environment. This may provide the incentive to the manager/ owner to act in an ethical manner or to embark on ethical programmes.
- In the context of deregulation (removing restricting laws), businesses need to demonstrate that they can act as responsible citizens without being forced to do so. It is therefore in the interest of businesses to introduce ethical programmes to ensure that it can continue to operate without external interference.

In this regard we also have to keep in mind that in today's environment businesses are becoming increasingly powerful, in many cases more powerful than governments. The business should therefore act in a responsible manner by contributing to create a 'good' society. For example, before introducing the Skills Development Act, the South African Government tried to get businesses to voluntarily share the (moral) responsibility of training and up skilling both employees and others in the community. But the rate of change did not impact significantly on unemployment, as businesses were loath to spend money without an identifiable benefit to them. Ultimately, it has now become law and is slowly getting buy-in from businesses and affecting change.

- Increased globalisation leads to businesses operating across national boundaries. In these global transactions, it may often become difficult to fall back on shared cultural or religious values to ensure acceptable behaviour. There is a growing need for a global set of moral values that can be shared by all businesses, regardless of where they operate.

(Max 6)

Ethical theories:

- **Consequence based theories** states that it is the consequence of an action that determines whether the action is right or wrong. The only way to judge if behaviour is 'right', is to look at the consequence of the action. If the consequence is positive, then there cannot be anything wrong with the action. Does this not sound like Robin Hood?
- According to **Principle based theories** (predetermined rules) one's principles or values will determine whether the action is right or wrong. The consequences have no influence and there are no exceptions to the rule e.g. it is always unethical to cheat regardless of the consequence.
- **Virtue based theories** emphasise that moral behaviour pre-supposes a well formed character. This means it is the character of a person that is judged, rather than his actions. Criticism of this theory states that the focus of virtue ethics is on what makes a 'virtuous person' but that this differs between different societies.
- **Narrative based theories:** Different **narratives**/ stories are used to complement each other in order to lead to an understanding of the difference between right and wrong.

(Max 10)

50 marks

QUESTION 2: LO 2 and LO 4

TASK 1 (Max 25)

Prepare a dialogue between the Financial Manager and yourself on how to use insurance to manage financial risks.

Suggested content:

Businesses face a **variety of uncertainty and risks** every day. These risks may result in significant **financial losses** which could destroy an individual or business. For this reason insurance is taken out to **cover potential losses** such as loss of assets due to theft or damage, loss of income, fraud or physical losses such as the loss of a limb or life of an individual.

INsurance: The insurer takes out **INsurance IN** case something happens. He/ she will then be **INdemnified** (put in the same financial position he/ she was in before the incident). Insurance covers short-term risks, e.g. fire, theft.

ASsurance: **AS** sure as we are alive, each one will retire or die. We need **ASsurance** to provide **Security** to the insured or his/ her family. Assurance covers long-term risks, e.g. retirement or death.

Insurance is a contract (additional 2 marks can be earned for referring to general contractual requirements and principles) between an insurance company (insurer) and an individual or business (insured) where the insurance company promises to **compensate the insured** for any insured loss that may occur. The insured will however have to pay an insurance premium in order to be covered for the specified event. The premium is based on the **value of the insurable interest** and the **risk involved**. The main aim of insurance is to provide protection for assets.

Assurance, unlike insurance, is taken out as **cover for a risk that is certain** e.g. loss of life is covered by life assurance. The aim of assurance is to provide security and covers long-term risks e.g. life or retirement.

Types of assurance that the business can take out on behalf of OR help employees to take out, include inter alia:

- **Life assurance** which is cover for the loss of life. The policy exists for as long as you are alive and paying the premium.
- **Endowment** is an investment policy which pays out after a specified time period e.g. 10 years
- **Retirement annuity (RA)** is a policy taken out to provide an income (pension) on reaching retirement age (usually from 55 – 65).
- **Disability cover** means the insured will be paid out a certain predetermined amount on disability which may include the permanent loss of the use of a limb (leg, eye etc) covered by the policy.
- **Trauma cover or Dread-disease** is a policy that covers a list of serious illnesses e.g. cancer, heart attacks etc. Should the insured suffer one of these specified illnesses the policy will pay out the predetermined amount of cover?
- **Funeral cover** is used to pay for funeral costs.

Insurable risks:

- Fire
- Damage/ theft of vehicles
- Business policies, e.g. theft, burglary, storm damage, natural disasters.
- Insurance of money in transit,
- Fidelity insurance

Compulsory insurance:

Unemployment insurance (UIF):

- Unemployment insurance covers employees against loss of income if they don't have a job, e.g. if the worker is retrenched due to economic circumstances. A

worker may not claim if they quit their job. However, according to the UIF Act a worker may claim UIF benefits if they are fired or if their contract was terminated.

- UIF contributions are made by the employer and the employee. The employer deducts an amount equal to 1% from the employee's salary and is then responsible to pay this deduction together with his equal contribution to the UIF fund. UIF is payable by all employees irrespective of the salary earned. The UIF contribution is calculated at as 1% of the employee's salary. The maximum amount that can be deducted from the employee's salary per month as a UIF contribution is adjusted from time to time but is specified in the UIF Act.
- Changes in legislation that came into affect on 1 April 2003 now specify that domestic workers are also covered by UIF. Public servants, foreigners on contract and people employed for less than 24 hours per month are however excluded. The exclusion also applies to people earning commission only.
- Pregnant women can also claim but will only receive benefits for 17 weeks.

Workmen's compensation:

- The Compensation for Occupational Injuries and Diseases Act requires that employers take out workmen's compensation on behalf of the employees to protect employees against injuries or death at work.
- Workmen's compensation protects the employer from claims made against him by the employee.
- Compensation is provided to the employee or his family in the case of the employee being unable to work due to an accident whilst being at work. Medical expenses and loss of earnings will also be covered. Should it be a serious accident and the employee is disabled he/ she may also claim benefits and if he/ she dies, his/her dependants will qualify for compensation.
- Workmen's compensation does not apply to military staff, the Police Force, domestic workers and casual workers.

Road Accident Fund (RAF):

- The RAF is a compulsory insurance that applies to motor vehicles.
- Innocent drivers and passengers are covered against financial losses suffered due to injuries as a result of an accident on the road.
- The contribution towards this fund is made in the form of a levy on petrol and diesel.
- Compensation includes:
 - hospital and medical expenses
 - future hospital and medical expenses anticipated
 - loss of income
 - future loss of income anticipated
 - general compensation for pain and suffering

Requirements of a valid insurance contract.

- **Insurable interest:**
Insurable interest means that the insured must be able to prove that he/ she will to lose financially if the object is destroyed or damaged. The person or object at risk forms the basis of the contract. The following are examples of insurable interest:
 - A person has an insurable interest in his own life and health
 - Partners have insurable interest in the lives of co-partners
 - A creditor has insurable interest in the life of his debtor
 - A married person has insurable interest in the life of the spouse
 - A person has insurable interest in his own property

Good faith/ absolute honesty

- The insured must disclose to all relevant information that may affect the risk. All questions asked by the insurer must be answered honestly and accurately, otherwise the policy will be declared null and void.

50 marks

TASK 2 (Max 25)**Suggested content:**

This dismissal was **UNFAIR!**

Dismissal for misconduct is **substantively fair** if:

- The employee broke a rule of conduct in the workplace → **Mary broke a rule because she was late (twice)**
- The rule was valid or reasonable → **To expect an employee to be on time is reasonable**
- The employee knew of the rule or should have known of the rule → Mary knew about the rule because it was in the contract and she had been warned
- The employer applied the rule consistently → **There is no evidence in this regard on how other employees were treated**
- Dismissal is the appropriate step to take against the employee for breaking the rule instead of less serious action like a final written warning or a suspension → **Dismissal is NOT an acceptable step to take if an employee is late for the second time. Probably verbal warning, first written warning, second written warning and then final warning!**

(Max 8)

Procedural fairness refers to the correct procedure being followed when an employee is disciplined. It includes amongst other:

- The employee must be notified of the reason for the disciplinary action (usually in writing) → **No disciplinary hearing was held**
- Although the disciplinary procedure needs to take place as soon as possible (no unnecessary delays), the employee must be given sufficient time to prepare himself for the disciplinary hearing → **No disciplinary hearing was held**
- The employee has the right to state his case at the disciplinary hearing or he can be represented by a fellow employee, a Trade Union representative or in extreme and serious disciplinary procedures such as serious misconduct, a lawyer or other legal representative. → **Mary was never given an opportunity to state her case the second day she was late. She was simply forcefully removed from the premises**
- If so required, the employee has the right to an interpreter.
- Any witnesses may be cross examined.
- The employee has the right to be informed of the outcome of the disciplinary hearing and to appeal should he wish to do so. → **No opportunity given to appeal. Forcefully removed from the premises.**

(Max 12)

Employers should keep records of disciplinary action for each employee, stating the nature of the misconduct, the disciplinary action, and the reasons for the action.

Mitigating and aggravating circumstances

Mitigating:

- Hard worker
- Loyal
- Never before late.
- Both these occasions was difficult for her to avoid/ manage

Aggrevating:

- She has been warned earlier in the week.
- Twice in one week
- Mary knew about the importance of the meeting → Power failure is relatively common occurrence and she should have made provision that there could have been another power failure.

Marks can also be earned for referring to reasons for substantive dismissals:

- Misconduct
- For incapacity (if an employee cannot perform duties properly owing to illness, ill health or inability);
- For operational reasons e.g. retrenchment.

Remedies:

- Warnings (verbal and written)
- Training (to stress importance of time management)
- Re-instatement
- Apology
- Trade Union
- Labour Court
- CCMA

50 marks

Total: 100 marks