



BUSINESS STUDIES: PAPER I

Time: 2 hours

200 marks

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This paper consists of 11 pages and an Answer Booklet of 4 pages (i – iv). Detach the Answer Booklet from the centre of the question paper. Please check that your question paper is complete.
 2. Read the questions carefully.
 3. All the questions are compulsory.
Section A must be answered in the **Answer Booklet supplied**.
Section B comprises of THREE shorter answer type questions to be answered in your Answer Book. **In this section, some of the questions must be answered in the supplied Answer Booklet.** This will be clearly indicated in the question.
 4. Refer to the case study when required.
 5. Where applicable, demonstrate insight when answering questions.
 6. Answer each new question on a new page.
 7. Number your answers exactly as the questions are numbered on the question paper.
 8. Candidates are advised to pay particular attention to the use of language and the allocation of marks.
 9. It is in your own interest to write legibly and present your work neatly.
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This exemplar paper covers the four learning outcomes for Business Studies

LO 1 – Business Environments

LO 2 – Business Ventures

LO 3 – Business Roles

LO 4 – Business Operations

The following case study applies to many of the questions in the exemplar:**Edgars Consolidated Stores Limited (Edcon)**

Edgars Consolidated Stores Limited (Edcon Ltd) is the leading clothing, footwear and textiles (CFT) retailing group in Southern Africa, trading through a range of retail outlets such as Edgars, CNA, Boardmans, Prato, Red Square and Temptations (serving middle and upper income markets) and a Discount Division including Jet, Jet Mart, Jet Shoes, Legit and Blacksnow (serving middle to lower income markets).

Edcon's Vision:

- To be the consumers' store of choice for the products we sell, in the markets we trade.
- To create wealth for the benefit of all stakeholders.

Edcon recognises that the sustainability of our success lies in our employees. The human resources department consolidated its position as a strategic business partner within the Group by accelerating the development of human resource. As a result of the skills shortage in the retail industry, the 'war for talent' intensified in the past year. Edcon responded by acknowledging the value of our staff and building internal capacity through staff development and retention.

The HR Team has also developed expert knowledge and skills in understanding human behaviour and has used this capability to advise on team dynamics and individualised counselling to improve capabilities.

The focus of Edcon's sustainable CSI is on the positive transformation and upliftment of communities by supporting education, health and social development. The Group has continued to strengthen partnerships with different stakeholders (government departments, employees, NGO's, CBO's and communities), while exploring opportunities for new partnerships. 'The focus of our sustainable CSI is on the positive transformation and upliftment of communities by supporting education, health and social development.'

Edcon is committed to addressing the inequities of the past while ensuring sustainable competitiveness. Employment equity is regarded as both a strategic and business imperative and therefore aims to maximise the potential of a diverse workforce.

Edcon strives to create an organisation culture that is conducive to diversity and sustainable growth.

- A Code of Ethics applies to all staff and compliance to the code is facilitated through effective communication to all staff in the Group.
- The Disability Committee convenes bi-monthly to address the challenges faced by the disabled. Sensitisation training of staff has been conducted at some stores and an environmental analysis of all new stores is being completed to ensure that they are 'disabled friendly'.
- Edcon believes equal opportunities should exist for all women and to achieve this, a gender sub-committee continues to identify and address obstacles that are preventing women from fulfilling their potential.
- Edcon states very clearly that they strive to meet all legislative requirements regarding employment equity. In 2006 full consensus was achieved with stakeholders on the Employment Equity Progress and Edcon submitted this report to the Department of Labour.

Edcon has implemented a well-defined leadership framework in their quest to enhance and sustain a culture of leadership in the Group. To further reinforce the importance of leadership, 15% of the performance goals of supervisors and managers continue to be based on leadership.

Edcon aims to promote open communication through personal contact, posters, intranet, newsletters, roadshows and video briefings by the CEO. Structured consultation forums exist to address issues with labour.

Edcon believes in the principles of freedom of association and continues to expand and reinforce a comprehensive set of progressive employee relations practices. A wage agreement with SACCAWU, the largest union in the Edcon Group, was concluded in April 2005 for a two-year period. The Group was also successful in concluding an agreement with ICHAWU, a union that is active within Boardmans. Dialogue with trade unions is transparent and regular and this contributed to the low rate of participation by our staff in stay-aways during 2006. Training for shop stewards is undertaken regularly to enhance their knowledge of employee relations policies and procedures, labour legislation and conflict management.

[Adapted from <www.Edcon.co.za>]

SECTION A ANSWER THESE QUESTIONS ON THE ANSWER BOOKLET SUPPLIED**QUESTION 1**

Indicate the **most correct** answer by making a cross (X) in the column over the corresponding letter for each question on the supplied Answer Booklet.

- 1.1 Which one of the following scenarios could be considered unethical in an ever changing and challenging business environment?
- A Strike action by cashiers at an Edgars branch.
 - B Appointing family members to senior management positions in the name of affirmative action.
 - C Reporting cases of sexual harassment to the CCMA.
 - D Monitoring and tracking employee's access to Internet sites on Edcon Ltd owned computers.
- 1.2 Which one of the following are areas of the South African Constitution that affects how Edcon Ltd runs its business?
- A Human rights, Inclusivity and Environmental issues
 - B Bargaining councils, Statutory councils and Workplace forums
 - C Environmental challenges, Environmental awareness and Environmentally friendly production techniques
 - D Second generation, Third generation and Fourth generation rights
- 1.3 In controlling the quality of performance of a business, managers at Edcon Ltd would ...
- A compare actual with planned performance.
 - B develop the organisational structure.
 - C introduce a new accounting system.
 - D establish a human resource department.
- 1.4 Edcon Ltd has changed its employees' leave entitlement to enable either men or women to take leave on the arrival of a new child. This would be in response to which of the following responsibilities of management to stakeholders?
- A Total quality management
 - B Compliance with the Employment Equity Act
 - C Social Justice
 - D Black Economic Empowerment initiative
- 1.5 The store manager of the Northgate Edgars wishes to expand the branch. He has identified a range of alternatives to achieve this goal. Which type(s) of creative planning tool(s) would he most likely use in his endeavour?
- A Delphi technique
 - B Scenario analysis
 - C Decision trees
 - D All of the above



- 1.6 The process whereby the human resources department has strategies in place to ensure that highly skilled and managerial staff do not leave Edcon Ltd is referred to as ...
- A induction.
 - B recruitment.
 - C placement.
 - D retention.
- 1.7 A public company like Edcon Ltd has a greater chance of success in a business environment than a sole trader, because ...
- A the shareholders of the company have access to the financial records of the business.
 - B upon liquidation, company assets are used to pay the debts of the business and not the private assets of the owners.
 - C when Edcon Ltd acquires property it needs the consent of the shareholders.
 - D the management of the company is in the hands of an expert board of directors.
- 1.8 A manageress at CNA takes into account the opinion of workers when deciding how tasks should be allocated. Which one of the following styles of management has she adopted?
- A Autocratic
 - B Bureaucratic
 - C Democratic
 - D Laissez-faire
- 1.9 A strategy employed by management at Edcon Ltd to improve the quality of literacy and numeracy of learners at school level, especially in the rural areas, thus ensuring greater access to employment opportunities, is part of the ... environment.
- A physical
 - B social
 - C technological
 - D international
- 1.10 Which form of industrial action do employers have as recourse to workers on a protected strike?
- A Retrenchment
 - B Picketing
 - C Referral of action to arbitration
 - D A go-slow



20 marks

QUESTION 2

Indicate whether the following statements are **TRUE** or **FALSE**. If **FALSE**, correct the statement.

- 2.1 At Edcon Ltd there is a social responsibility to ensure there is no violation of competitors' rights as secured by copyright.
- 2.2 Attracting job applicants with the necessary skills to cover job shortages refers to job placement.
- 2.3 At Edcon Ltd the management of the business is delegated to the shareholders, thus having a critical impact on the success of the business.
- 2.4 Intrapreneurs at Edcon Ltd are creative thinkers who challenge conventional ways of dealing with day-to-day problems.
- 2.5 The Occupational Injury and Diseases Act covers employees against the loss of income if they are retrenched due to the downsizing of Edcon Ltd.
- 2.6 Poor work performance implies that work standards have not been met.

12 marks


GET IT FIRST 

 **Edgars**


GOOD FOR LIFE

QUESTION 3

Match the concepts in Column A with the explanations in Column B. Write only the correct letter from Column B, next to the appropriate question number of Column A on the space provided in the Answer Booklet.

Column A	Column B
3.1 SRI	A. Compensating shareholders for investing funds and taking a financial risk.
3.2 Secondary research	B. Responsible for ensuring that health and safety standards are maintained in the textile industry.
3.3 Bonds	C. Interest-bearing securities issued by the government or companies in order to borrow money.
3.4 King Code	D. Provides members with an Industrial Relations expert when required/ or on a contractual basis of one or two days per week.
3.5 NAPE	E. Using material from the Internet to add to resource material needed by shop stewards.
3.6 Learnerships	F. Evaluation of Edcon in terms of corporate governance, as well as economic, environmental and social sustainability.
3.7 Misconduct	G. A work-based education and training programme that is linked to a qualification registered on the NQF with SAQA.
3.8 Environmental scanning	H. Where raw materials are processed into semi-finished goods that need more processing and would then be ready to be transported to Edgars stores countrywide.
3.9 Secondary	I. A transgression of a rule by an employee, e.g. defiance by a shop assistant to follow the orders of senior management.
	J. Investigating whether Edcon Ltd is able to control its business functions.
	K. When disputing parties come together and decide on a feasible solution with the aid of a third neutral person.
	L. Keeping a watchful eye on what is happening in the retail industry so that Edcon can develop strategies to cope with changing market trends.
	M. When the rights that an insured has in a policy may be transferred to another person.
	N. Recommended standards of conduct for the directors of Edcon and the need for responsible corporate activities having due regard for the society in which the company operates.

18 marks

Total for Section A: 50 marks

SECTION B

Answer these questions in your answer book. In some cases, questions have to be answered on the answer booklet supplied. This will be clearly indicated in the question.

QUESTION 4

4.1 'The focus of Edcon's sustainable CSI is on the positive transformation and upliftment of communities by supporting education, health and social development.'

4.1.1 List FOUR interest groups/ stakeholders that Edcon Ltd could focus on in its CSI programme. For each interest group/ stakeholder give ONE example of a typical demand that they could make.

Answer this question **on the table provided in the Answer Booklet supplied** that has the following headings:

Interest group/ stakeholder	Typical demand
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(12)

4.1.2 Outline FOUR arguments against social responsibility programmes in the context of activities at Edcon Ltd.

(8)

4.2 'Edcon strives to create an organisation culture that is conducive to diversity and sustainable growth.

- A Code of Ethics applies to all staff and compliance to the code is facilitated through effective communication to all staff in the Group.'

4.2.1 List and describe any TWO ethical theories that the management at Edcon Ltd could subscribe to in their Code of Ethics.

(10)

4.2.2 Consider the following scenario:

The board of directors of Edcon Ltd has outsourced its catering division to Mega Catering (Pty) Ltd. It is company policy for all outsourcing contracts to go to the lowest bidder. The contract is valued at R30 million. There is a rumour that the daughter of the director is a major shareholder in Mega Catering (Pty) Ltd.

(a) Evaluate whether it would be ethically appropriate for Edcon Ltd to continue with the contract; and

(6)

(b) Recommend an ethical improvement to the process of granting outsourcing contracts at Edcon Ltd.

(2)

4.2.3 Explain how the effective communication of the code of ethics to all staff is seen as effective 'leading' and not 'bossing'.

(4)

4.3 'Edgars Consolidated Stores Limited (Edcon Ltd) is the leading clothing, footwear and textiles (CFT) retailing group in Southern Africa, ...'

Describe the impact of the following factors on the success of Edcon Ltd:

4.3.1 legal personality

4.3.2 management/ control aspects

(8)

50 marks

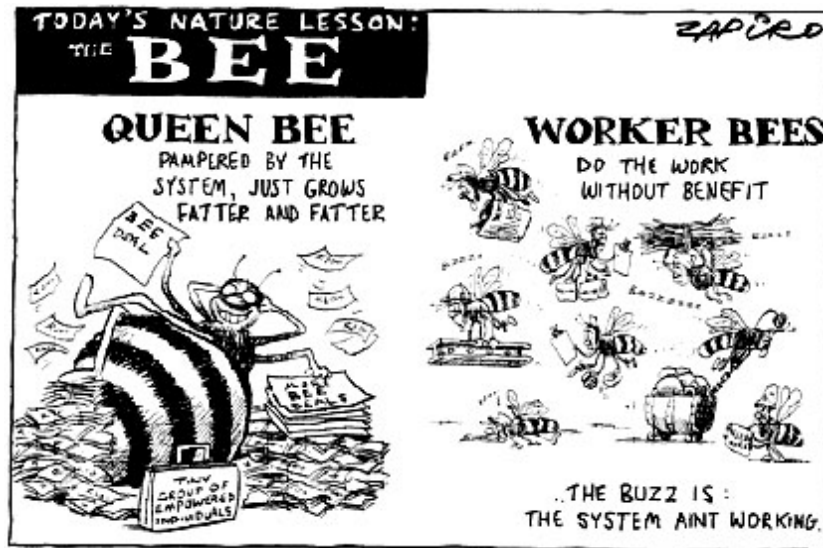
QUESTION 5

5.1 'Edcon is committed to addressing the inequities of the past while ensuring sustainable competitiveness. Employment equity is regarded as both a strategic and business imperative and therefore aims to maximise the potential of a diverse workforce.'

5.1.1 In order to achieve employment equity Edcon Ltd must follow the provisions of the Employment Equity Act.
Briefly outline the provisions of the Employment Equity Act. (6)

5.1.2 The Black Economic Empowerment (BEE) Act is an extension of the Employment Equity Act.

- (a) List TWO positive outcomes from the implementation of the BEE Act. (4)
- (b) Zapiro, a cartoonist for the *Mail and Guardian*, satirised (made fun of) the implementation of the BEE Act in the cartoon below.



Briefly describe what the cartoonist is satirising and suggest ONE way in which Edcon Ltd could avoid what the cartoon depicts. (6)

5.2 'Edcon's Vision:

- To create wealth for the benefit of all stakeholders.'

Management at Edcon Ltd considered a range of investment opportunities in order to maximise the return on capital contribution of shareholders.

5.2.1 Explain the meaning of the following terms as they relate to investment opportunities:

- (a) diversification
- (b) equities
- (c) off-shore investments (6)

5.2.2 The financial manager at Edcon Ltd was offered the following two investment options:

OPTION A: R10 m to be invested in an Investec Unit trust at 12% interest per annum over a period of 2 years. Interest is payable at the end of the two year contract.

OPTION B: R10 m to be invested in a Nedbank fixed deposit account where the compound interest rate would be as follows:
First year – 4%
Second year – 6%

- (a) List ONE shortcoming of each of the investment options mentioned above. (4)
- (b) Advise, with appropriate calculations, which of the two options the financial manager at Edcon Ltd should consider. (7)

5.2.3 To safeguard the shareholders' investments in Edcon Ltd, management has taken out the necessary insurance contracts. Explain how the following terms relate to an insurance contract:

- (a) over-insurance
- (b) re-insurance (4)

5.3 'The human resources department consolidated its position as a strategic business partner within the Group by accelerating the development of human resources.'

5.3.1 Briefly explain the following human resource activities:

- (a) induction of staff
- (b) job evaluation (4)

5.3.2 Training is a vital component in the development of the human resource. Describe THREE steps involved in developing a training process, prior to determining training needs. In each case relate your answer to an example relevant to Edcon Ltd. (9)

50 marks

QUESTION 6

- 6.1 'Dialogue with trade unions is transparent and regular and this contributed to the low rate of participation by our staff in stay-aways during 2006.'
- 6.1.1 Describe FOUR functions of a trade union. (8)
- 6.1.2 'Edcon staff participated in strikes that were unprotected.' Mention TWO conditions necessary for a strike to be regarded as unprotected. (4)
- 6.1.3 Problems often arise owing to action that needs to follow when an employee is accused of poor job performance.
- (a) Give an example of what would be regarded as poor job performance by an employee at Edcon Ltd. (2)
 - (b) State THREE requirements that must be satisfied for any action taken on the poor job performance mentioned in question 6.1.3 (a) to be regarded as procedurally fair. (6)
 - (c) Evaluate how a probation period can eliminate the problems that arise in action based on a poor job performance. (4)
- 6.2 There is often a conflict between those who advocate affirmative action and those who value the upholding of human rights as per our constitution.
- 6.2.1 Explain what is understood by the concept 'affirmative action'. (2)
- 6.2.2 Explain how the Labour Relations Act upholds both the principles of affirmative action and maintains the protection of human rights. (6)
- 6.3
- 6.3.1 Edcon Ltd needs to have appropriate strategies to deal with influences from the market environment. Porter's Five Forces Model is often a good technique to use when dealing with these challenges.
- Identify TWO challenges that Edcon Ltd could face in the market environment.
 - Discuss, by using any one of the elements from Porter's Five Forces Model, how you would come up with an appropriate strategy to deal with the mentioned challenges. Mention the strategy that you have opted for.
- Answer this question **on the table provided on the Answer Booklet supplied** that has the following headings:

Challenges from the market environment	Appropriate strategy using Porter's Five Forces Model
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(12)

- 6.3.2 Describe a specialised creative thinking technique that the management at Edcon Ltd could use to assist the development of appropriate strategies to deal with the challenges from the market environment mentioned in question 6.3.1. (6)



50 marks

Total Section B: 150 marks

TOTAL FOR THIS PAPER: 200 MARKS