

## MEMORANDUM

### Section A:

#### Question 1.

- 1.1 A
- 1.2 A
- 1.3 B
- 1.4 A
- 1.5 C
- 1.6 A
- 1.7 D
- 1.8 A
- 1.9 D
- 1.10 C

#### Question 2.

- 2.1 TRUE
- 2.2 FALSE
- 2.3 TRUE
- 2.4 FALSE
- 2.5 FALSE
- 2.6 FALSE
- 2.7 TRUE
- 2.8 TRUE
- 2.9 FALSE
- 2.10 TRUE

#### Question 3.

- 3.1 Primary sector
- 3.2 Forward Link
- 3.3 Franchise agreement
- 3.4 The Human Resources Function
- 3.5 GANTT Chart
- 3.6 Prime interest rate
- 3.7 Administration Function
- 3.8 Tertiary Sector
- 3.9 Brainstorming OR Nominal Group Technique
- 3.10 Globalization

#### Question 4.

- 4.1 Macro Environment (E)
- 4.2 Mission (H)
- 4.3 Market Environment (A)
- 4.4 Entrepreneurship (F)
- 4.5 Nominal Group Technique (B)
- 4.6 Cultural Diversity (I)
- 4.7 Social Responsibility (C)
- 4.8 Franchisee (D)
- 4.9 Leasing (J)
- 4.10 Outsourcing (G)

#### Section B

##### 5.1

Environment definition	8 marks (max. 3 per environment)
Example from Case Study	6 marks (2 per example)

**Micro-** Also known as the internal environment. It is made up of a set of functional areas within which a business normally operates. The business has full control over the micro environment. The internal environment is strongly influenced by leadership and management styles and behavior of employees. It includes staffing issues, mission, vision etc.

#### Examples:

- The group employs 22 people who are assisted financially to improve their skills.
- A name change was necessary from Banditos to Mama Africa because international customers could not understand the slogan 'South of Mexico in Africa'
- Mr. Rozani who progressed from cleaner to production manager (forms part of staffing issues or HR/Management function)
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**Market-** External environment made up of the community directly outside the micro environment. It comprises of consumers, competitors, suppliers and intermediaries.

#### Examples:

- All the ingredients for their products are sourced locally.
- International customers (i.e. consumers) could not understand the slogan 'South of Mexico in Africa'

**Macro-** External environment made up of a set of other specialized environments that will directly influence both the micro and market environment. The business has no control over the macro environment.

Examples: MacRae said that he survived the strengthening of the rand since 2002.

Any other reasonable examples should be accepted

- 5.2 Strengths: (2 marks)
- Weaknesses: (2 marks)
- Opportunities: (2 marks)
- Threats: (2 marks)

Any reasonable examples that are correctly classified within the SWOT framework should be accepted.

5.3.1 An entrepreneur is a person who has a new idea from which they create a business venture. They are essentially risk takers who create new products or services in the hope of making a profit.

5.3.2

- Risk taker
- Positive
- Innovative and creative
- Made not born

5.4 Franchising:

ADVANTAGES	DISADVANTAGES
Easy to expand the business without requiring more capital	Franchising is not cheap, so it is not a form of ownership to take on if you have little or no capital
The franchisor provides training programmes, financial advice and other kinds of help in operating and managing the business	The better-known franchises are choosy about who they pick and the franchise you are interested in may already have been snapped up in your area.
Franchisees reap the rewards of corporate advertising campaigns that build name recognition and reputation	You probably won't be in charge of certain important aspects of the business
Minimised risk, proven systems, site selection, cost saving solutions etc.	You will continue to pay fees and royalties for the duration of the franchise agreement

Question 6 (10 marks)

- 6.1 Poverty; unemployment; HIV/AIDS; Crime and piracy; Education (lack of it!) (4)
- 6.2 Learner to choose 2 of the above and discuss (2x3=6)

Question 7 (17 marks)

7.1 A **forward link** exists when businesses sell their products or services, either within the same sector or to another sector, to businesses or to consumers, nationally or internationally.

A **backward link** exists when a business buys goods or services, from another business in the same sector, or from businesses in another sector, whether nationally or internationally.

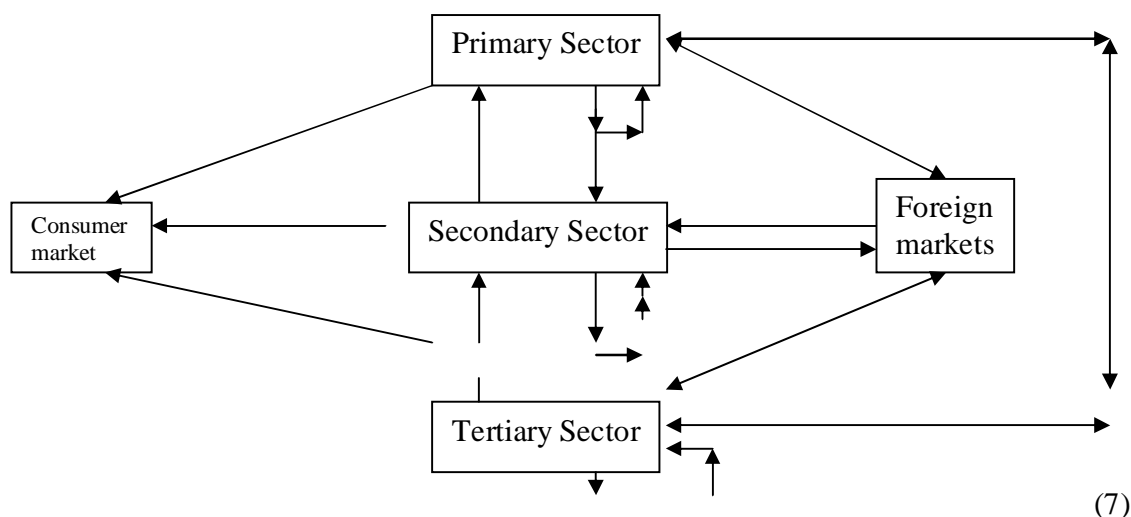
- It is clear that, even though there are three separate sectors into which all economic activities are divided, it does not mean these sectors are independent of one another. In reality, these sectors are completely interdependent on each other.

- The secondary sector is dependent on the primary sector for the raw materials that are processed into more useful products.
- They also rely on the tertiary sector for the provision of a variety of services.
- The primary sector in turn is dependent on the secondary sector for manufactured goods such as machinery, equipment, fertilizers and pesticides and also from the tertiary sector for its consumer needs and a variety of other services.
- The tertiary sector is also dependent on the secondary sector for manufactured goods such as office machines, office furniture, stationery and many more.

We also find that businesses within a sector are dependent on other businesses within the same sector.

- In the primary sector, there are farmers who need seed and food stock produced by other farmers.
- In the secondary sector, there are manufacturers of components that are used by other manufacturers in their final products e.g. the manufacturers of CD ROMs, display screens, graphic cards, motherboards, hard drives etc. provide these to the manufacturers of computers.
- In the tertiary sector, we find that retailers are dependent on wholesalers for the supply of their stocks, and also the various services of transport, communication, financing, insurance and advertising are provided not only to the primary and secondary sectors, but also to businesses within the tertiary sector. (10)

## 7.2



## Question 8 (18 marks)

- 8.1** The Close Corporation and the Company, as separate legal persons, by law would both currently have to pay 28% tax on profits and 10% STC (secondary tax) on dividends distributed to members/shareholders. (6)

**8.2** Set out in table format differences could be:

- The name: (Pty) Ltd vs CC at the end of it
- Number of owners: 1-50 vs 1-10
- Owners are shareholders vs owners are members
- Private Co owners have a shareholding vs members of the CC have a % membership
- Financial Statements: Private Co has to have financial Sts audited vs CC does not have to have Financial Sts audited at year end.

- There are more legal requirements for the Private Co to comply with than the CC
  - LEARNER MAY HAVE ADDITIONAL RELEVANT DIFFERENCES
- (3x2x2=12)

**Question 9 (15 marks)**

**9.1** Public Company (1)

**9.2** Characteristics:

- Name of Co must end with Limited or LTD
- Number of owners: min 7 max acc to the number of shares issued
- It is a separate Legal Person i.e. it has its own legal identity separate from its shareholders/owners
- Owners are Shareholders
- Listed on the JSE
- Shares are freely negotiable with the public
- The company is run by a Board of Directors elected by the shareholders at AGM
- There must be at least two (2) directors of the minimum 7 shareholders.
- The financial statements must be audited and published in the press.
- It has very complex and expensive legal requirements to comply with
- It may only start trading once it has complied with the minimum subscription and received the Certificate to Commence Business from the Registrar. (8)

**9.3** Control and Involvement (6)

- You, as the owner, are at risk of being voted out of office by shareholders at the AGM unless you hold the majority of shares, in which case you have the majority of voting rights.
- Shareholders are, in theory, owners of the company and therefore have a right to determine how the company will/must be run. You do not have exclusive right for yourself.
- You will be only one of the members of the Board appointed to run the affairs of the company and you may also be one of two (or more, of course) directors on the Board. You cannot be there only by yourself, meaning others have a say in how the business will be run.
- You do not have sole control and involvement in the business. There are others.

**Question 10 (10 marks)**

**10.1** A shareholder...is a natural or legal person who owns shares in a publicCompany. (2)

**10.2** When a company goes bankrupt it means that it has run out of money and it is unable to pay its debts. It is then liquidated (wound up). i.e. It owes more than it owns. (2)

**10.3** The most one can lose as a shareholder is the amount one has invested in the business to date because a shareholder enjoys limited liability. The business is a separate legal person and is responsible for its own debts. (4)

**10.4** Two duties of the Board of Directors are:

- There must be at least two directors on the board of directors;
- The board must hold an AGM to which all shareholders must be invited;
- Decisions taken at the AGM are by majority vote based on the number of shares voting
- The directors must have the books of account audited;
- The directors must publish the financial statements; (2)

**Question 11 x3 marks each = 6 marks**

**Outsourcing**...is when a business transfers the ownership of a process to a supplier.

- The buyer does not instruct the supplier on how to perform the tasks but instead focuses on communicating what results the business wants to buy.
- The business/buyer leaves the process of achieving those results to the supplier which controls its own operation and plans how it will meet its commitments.
- The supplier must deliver the necessary goods and services at the required time and place.

**Contracting out**...is when the business/buyer retains control over the process or tells the supplier exactly how, when, where and for how much a particular job, good and/or service should be made available to the business/buyer.

- The buyer, therefore, exerts considerable control over the operation of the contracting business.

**Question 12 (12 marks)**

12.1 Leasing is a contractual arrangement whereby one party (the lessee) uses an asset owned by the leasing business (the lessor) in exchange for specific periodic payments. (4)

12.2 Why do you think leasing offers a good business opportunity in a developing economy? (8)

- The important point in leasing is that the lessor retains ownership of the asset and if the lessee defaults on his payments, it is easy for the lessor to repossess the asset as it belongs to the lessor.
- The lessor focuses on the lessee's ability to generate a cash flow in the business in order to make regular payments. It does not rely on the credit history of the lessee.
- The lessee does not have to outlay huge sums of money to purchase the asset he needs, he only has to have enough cash to pay the monthly installment. This is very convenient for new, small or medium-sized businesses.
- Leasing contracts are, therefore, flexible and can be structured to meet the cash flow requirements of the lessee.
- Leasing can be arranged quickly and simply.
- Simple financial security arrangements mean that SME's can get lease finance more easily than bank loans.
- Lease payments are an operating expense that can be offset against income tax. Lessors may pass on tax benefits for asset value depreciation via reduced financing costs.

**Question 13 (12 marks)**

Mr Namreka should take into consideration the following points:

- Because he is presenting to some very important people in his audience, he must ensure that he is very well prepared.
- He should know where he is presenting, what equipment is available to him (or take his own) and try to get into the venue beforehand to ensure that all the equipment works.
- He should have a good basic structure. Give his main points first; give some practical examples and use visual aids if he needs to.
- A computer slide show is always a good idea.
- He should decide on a suitable basic design and layout and be consistent throughout the presentation.

- He should give his presentation a striking title, use bullets to organise his ideas, outline his slides, ensure that main points are larger than secondary points, ensure his grammar is correct and end with a punch line or closing message.
- Because of the importance of his audience, he should know his content/subject very well.
- He should be positive and cheerful.
- He should look and sound Cheerful, Credible, Competent, Convincing and Comfortable.
- He should make good eye contact with the important people in his audience.
- He should only talk when he is looking at someone.
- He should remember to vary his speaking volume. He should be mindful of his tone, pitch, pace and to colour his talk.
- He should not be monotonous.
- He should remember his body language is a very important part of the presentation. He must also be aware/mindful of his facial expressions, gestures, posture and body orientation, proximity to his audience.
- It might be a good idea to hand out a written summary of his presentation.

Lastly, at the end, he should allow some time for questions and not answer the questions with questions.