

Memorandum:

Section A:

Question 1: 20 marks

1.1 d; 1.2 a; 1.3 d; 1.4 a; 1.5 c; 1.6 a; 1.7 a; 1.8 d; 1.9 d; 1.10 c

Question 2: 10 marks

2.1 True; 2.2 True; 2.3 False; 2.4 True; 2.5 False; 2.6 True; 2.7 True; 2.8 True; 2.9 False; 2.10 False

Question 3: 10 marks

3.1 Primary sector

3.5 Flow chart

3.8 Tertiary sector

3.2 Forward link

3.6 Bar graph

3.9 Interpersonal skills

3.3 Risk taking

3.7 Backward link

3.10 Timeline

3.4 Gantt chart

Section B:

Question 4: 50 marks

Introduction

A. Write a report explaining the factors he would have taken into account in order to make the best choice of ownership. (28 marks)

Factors Mashaba would have considered when choosing a form of Ownership:

1. Size and Nature

If the size and type of business Mashaba was doing was small, then it would probably have better to go into a partnership or be part of a CC. If the business was bigger, it would be better to be part of a private company where he would own shares privately.

2. Control and Involvement

In all three instances, Mashaba would have been able to maintain tight control as a partner, a member of a CC or a private shareholder as he would still have a personal say and be involved in everything that happened in the business on a day to day basis.

3. Capital

The capital contribution he would have had to make, would probably be the same whichever one of the three forms of ownership he entered. It would only really make a difference if he were considering forming a public company.

4. Whether the business needs to be a Separate Legal Person or not.

The partnership is not a separate legal person, so Mashaba would not have enjoyed the benefits of limited liability for debt, continuity of existence and being taxed as a separate person that the CC and Private Company offer as separate legal persons.

5. Liability for Debt

If Mashaba had formed a partnership, he would have had unlimited joint and several liability for debt as the partnership is not a separate legal person. This would have meant that he was completely and personally exposed for total liability for the business's debts. Whereas with a

CC or Private Company, he would have enjoyed limited liability for debt to the extent of his investment in the business. The businesses are separate legal persons and so are responsible for their own debts.

6. Continue of existence

With a partnership, if there was any change of ownership in the business for any reason, the business would have to be terminated and reconstituted between the new partners, because it's not a separate legal person. With the CC or Private Company, the business would be able to continue even if there was a change of ownership and survive on its own because it's a separate legal person.

7. Taxation

The owner of a Sole Trader and/or the partners of a Partnership, are taxed on personal income/profits from the business and could be taxed up to a maximum of 40% based on the progressive tax system applicable to individuals in South Africa. In a CC and company, the business is responsible to pay income tax on profits generated. Currently a fixed percentage of 28% tax applies on all profit, with a secondary tax of 10% on profits distributed to members/shareholders.

8. Legal requirements

There are no legal requirements with regard to forming a partnership and thus it is relatively easy and inexpensive. There are legal requirements and a procedure for the forming of a CC or Private Company and this involves time and money.

B. If you had the opportunity to form the above business, which of the three forms of ownership would you choose and why? (6 marks)

The learner would have to choose **one** of the three options of a Partnership, CC or Private Company based on the factors discussed in A above.

C. You might be asked to present this report either to future partners, members or shareholders. How would you go about planning your presentation and what points would you take into consideration when making a professional business presentation? (16 marks)

When preparing the presentation, you would clearly need to keep your audience in mind.

One would be expected to give one's audience information on the subject of:

- the factors (above) one would need to consider and
- the choice that you would make under the circumstances.

Therefore, you will need to know the material very well. You will need to:

- practise your performance before the time
- be positive and cheerful
- look and sound confident, credible, competent, convincing, comfortable
- maintain good eye contact with your audience but don't stare at one person
- vary your speaking volume and the pitch of your voice
- add body language; use natural gestures
- simply talk without needing to use a script or just have brief notes on your points
- keep your presentation reasonably short, allowing time to resolve misunderstandings
- possibly give a handout of the main points of your presentation.

In developing a basic structure for the presentation you should:

- summarise your key points first;
- then give your presentation, during which you would spell out the details of the factors;
- finally, you should give your own recommendation of choice of ownership.

Other points to consider before beginning the preparation of your presentation would be:

- Where will the presentation be given? Is it suitable for your needs?
- What equipment will you need to use? Are you comfortable using these items?
- Do you have access to the room and the equipment some time before the presentation to make sure that everything works?
- A computer slide show has several advantages over other media:
 - (i) slides can be displayed immediately and easily changed;
 - (ii) the room doesn't have to be darkened;
 - (iii) visual information holds the attention far better than mere talk. It can simplify difficult and confusing information.
 - (iv) you would easily be able to use a table to relational data and comparisons between the three forms of ownership.

Conclusion.

Question 5 (6 + 4 = 10 marks)

- 5.1 Experience, patience, hard-work, perseverance, vision and risk-taking are all evident here.
5.2 ...any sensible answer relating to the above points will be acceptable!!

Question 6 (2 + 2 + 12 = 16 marks)

- 6.1 Action plans guide management and workers through the day-to-day tasks that eventually build the business envisioned by the entrepreneur. Action plans clarify the time frames for important activities.
- 6.2 Timelines, graphs and charts show each step to be taken, with the expected time to be taken for each step, in 'picture' form. A graphic like this is easy to refer to and check the actual progress on against the plan.
- 6.3 Learner should give three of the following four illustrations:
- Line graph + example
 - Bar graph or histogram + example
 - Pie Chart + example
 - Table + example

Question 7 (6 + 4 = 10 marks)

- 7.1 ***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.

- 7.2 Some underlying reasons as to why some businesses resort to outsourcing: (4
- Large businesses are trying to downsize their workforce in order to concentrate on their core business
 - This reduces the monthly salary bill as well as there is less permanent staff
 - Businesses may lack the necessary internal resources, ie, they may not be large enough to offer these additional resources
 - Certain services such as cleaning, catering, finance and accounting, healthcare, information technology, human resources offer popular outsourcing opportunities.

Question 8 (8 marks)

- The franchisee benefits from the experience and expertise of the franchisor. Franchising therefore reduces the risk.
- Franchisees have access to certain resources that they may not be able to afford on their own, eg, expensive advertising and/or expert financial advice.
- The franchise agreement offers the franchisee legal protection.
- Franchisees have easier access to start-up capital, as the financial institutions are more likely to approve loans.
- The franchisee owns his franchise and works for himself.

Question 9 (8 marks)

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.

- 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 it needs, it 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.

Question 10: (15 marks)

In the South African context in particular, discuss, *in report format*, why is it so important that businesses and individual citizens buy into and should invest in the concept of CSR. Amongst the many things you should mention in your discussion, you should also include: definitions of citizenship and corporate citizenship; the moral arguments for and against CSR from a business

as well as from a governmental point of view; the advantages and any disadvantages of CSR for businesses.

The learner's answer should include some or all of the following points, to a greater or lesser degree, but these are not exclusive and any other sensible, reasonable, relevant answer may be accepted as long as it relates to the question.

- South Africa has many socio-economic problems and challenges, many of which were brought about through the inequalities of the past, and businesses as well as individuals have an important citizenship role to fulfill in rectifying and meeting these challenges.
- Everybody who lives in the country has a role to play in maximizing the potential of our resources.
- Citizens of a country have social, civil and political rights which should be (but sometimes are not) guaranteed by the government.
- Corporate citizenship is often seen exclusively as the business acting in a corporate socially responsible manner by making charitable donations and encouraging employee involvement in poor communities.
- Good corporate citizenship involves responsible actions being taken by businesses in terms of economic involvement through day-to-day business activities, fulfilling legal obligations, acting in an ethical manner and by giving something back to society.
- Responsible citizenship also requires corporations to act in a manner that shows respect towards not only the people of the country, but also toward the resources of the country, eg, through limiting pollution and responsible use of the internet, etc.
- The challenge is to get businesses to move away from the “cheque-book approach” where simply money and food is donated, to an “involved approach” of giving skills, time and everyday effort to make a difference in the lives of the people of the country.
- Pressure must be brought to bear on businesses to do what is considered to be ethical.
- On the other hand, however, albeit that government is calling on businesses to do the morally correct thing and, voluntarily, to contribute towards the upliftment of poor communities, business is saying that, because they/it pays taxes to the government, as well as produce and sell products to the public and, in so doing, contribute to the improvement in the standard of living amongst all citizens, they are doing their bit for the community and it is, therefore, government's job to look after the poor communities.
- Advantages for business of getting involved in CSR is that it gets lots of advertising and positive publicity exposure to the public and it is, therefore, a very good public relations exercise for the business.
- A disadvantage is that the business's bottom line profit is reduced and shareholders are deprived of some of the increased dividend that otherwise might have accrued to them.

12 – 15 marks	Learner has given a comprehensive explanation and shows a clear conceptual understanding of the whole debate surrounding the needs of or benefits to the South African community relating to Corporate Social Responsibility. He is able to discuss the merits and demerits of CSR by citizens and businesses alike relating to the King II report and the directives of government.
8 - 11 marks	Learner's discussion shows clear understanding of the above explanation, but either lacks depth, insight or clarity of expression with regard to the debate or issues surrounding CSR as required by the question.
4 - 7 marks	The discussion is vague and shows little understanding of the needs of or benefits of CSR to the South African community or makes little or

- 1 - 3 marks
- no mention of the debate surrounding CSR offered by business in relation to the King II report and the directives of government.
The discussion is off the point and/or shows no understanding or appreciation of the needs of or benefits to the local community of CSR and disregards the debate surrounding business' reaction to the directives of government.

Acknowledgement is made of the use of the following books as a source of reference for this test:
Focus Study Guide – Business Studies Grades 10, 11 & 12: Maskew Miller Longman (Pty) Ltd
Studying Business – NSC Business Studies; Excom Publishers CC

Question 11 (4 + 9 + 4 = 17 marks)

11.1 x4 characteristics of a service:

Intangible; Inseparable; Flexible/Adaptable; Perishable; Quality differs.

11.2 Convenience Good:

- Everyday consumer good
- Normally cheap
- Readily available
- Substitutes/Alternatives are readily acceptable
- Consumers are not brand loyal

Shopping/Select good:

- Only purchased after a certain amount of shopping around/careful consideration
- Is not going to be repeated often
- Is reasonably expensive and consumer wants value for money
- The customer, therefore, will be prepared to accept an alternative

Speciality Good:

- This is a once-off purchase
- It is expensive
- One knows exactly what one wants to buy
- Alternatives are absolutely not acceptable/consumers are very brand loyal.

11.3 Packaging should be...

- Eye-catching and attract the attention of the consumer
- Be suitable for display purposes
- Suit the product
- Be well-designed and strong so that it is easy to handle and does not damage the goods
- Promote the image of the business (as well as the product)
- Be different from that of competitors
- Promote sales of the product
- Be designed for the target market
- Satisfy the requirements of the dealers selling that product

Question 12: (12 + 6 + 4 + 4 = 26 marks)

- 12.1 Name three pricing methods/techniques and, in a sentence or two for each method, give a brief description/explanation of how the seller uses these techniques when working out his prices.
- i) **Cost-based pricing**...this is where the manufacturer bases his price on how much it cost him to make the good. He has four scenarios: *cost-plus* pricing where he works out his cost and puts on a predetermined markup; *Mark-up* pricing (the normal method used by most wholesalers and retailers) where he puts on a variable mark up depending on what its just cost him; *Target*-pricing used by capital intensive businesses to recover the investment outlaid on the product; *breakeven analysis* where the price is set above the breakeven point in order to ensure a profit.
 - ii) **Demand-based pricing**...this is where the seller bases his price on pre-determined levels of demand at certain prices. He, therefore, has to do some research beforehand because he knows that demand is inversely proportional to price, and therefore he cannot set his prices too high.
 - iii) **Competition-based pricing**...this is where the seller bases his price on how much his competitors are selling their goods at. He has three scenarios: he can sell *cheaper than* his competitors but his quality should be the same as theirs; he can sell *at the same price* but then his quality should be better than theirs; he can sell *more expensive* but his quality must then be much better than theirs.
- 12.2 Explain how the following factors can influence the price of a product:
- 12.2.1 The nature of the demand: here the price is affected by the elasticity of demand. The demand for necessities, eg food and petrol, is not elastic because consumers will have to buy these products regardless of the price. Therefore, a change in price will not affect demand. The demand for luxury goods, eg overseas holidays, will be affected because any change in price will lead to a change in demand.
 - 12.2.2 The availability of substitute goods will affect the price because if the price of your good is considered too high and there is a substitute good available, they will buy that and not yours. If there are no substitute goods available, it will give the seller more freedom to increase his prices as the consumer then doesn't have much of a choice.
 - 12.2.3 Perfect competition is the ideal form of the market where there are many sellers and many buyers and the price is then determined by supply and demand, ie. there is lots of competition between sellers for the consumers money. This form of the market is therefore to the consumer's advantage.

Question 13: (8 + 8 = 16 marks)

- 13.1 Discuss the importance of the informal sector in the South African economy.
- The informal sector is that sector where people create their own jobs and earn a living while developing their own entrepreneurial skills.
 - It's important because it helps to create jobs - this is all the more important in RSA because of the huge proportion of our population which is disadvantaged and unemployed.
 - It helps to supplement income of the poor.
 - It helps to develop entrepreneurial skills amongst people who are unable to be employed in the formal sector through lack of education and/or training.

- Informal sector undertakings can serve as good competition for businesses in the formal sector thereby bringing lower prices and better quality.
- It's usually easy to start such a business because the capital requirements are small.
- No official business premises is required so these businesses can exist anywhere at a small cost
- Any other sensible, relevant answer is acceptable.

13.2 Explain four (4) reasons why the seller might use the services of an intermediary.

- There may be a lack of adequate financial resources to finance the distribution of the goods
- There may be a need to use the available capital to provide a better return on investment elsewhere
- There may be a lack of knowledge and experience in affecting the final distribution
- There may be a lack of a sufficiently wide assortment of own goods, or related lines, to ensure economical marketing of the goods.
- There may already be the existence of distribution channels which are intended specifically to deal in related lines and to break bulk.
- The consumer market may be too widely scattered around the country which makes it difficult for the manufacturer to distribute his own goods.
- Many manufacturers cannot supply the necessary auxiliary services, such as transport, insurance or storage.

Question 14: (4 marks)

Four (4) differences between advertising and publicity:

- Advertising is paid for Publicity is not.
- The Advertiser is totally in control of the advert/his message, in Publicity the business has no control of the message about it.
- Advertising is always positive, Publicity may be positive or negative
- Advertising is sales talk, Publicity is news talk.
- Advertising is less credible than Publicity.

