

SECTION A

[50]

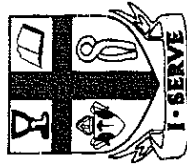
QUESTION 1

(20)

Choose the most correct answer. Mark with a cross (X) on the answer sheet provided.

- 1.1 To repeal discriminatory laws is the core part of the _____ contract (2)
A Labour Relation Act
B Affirmative-Action
C Skills Development Act
D **Employment Equity Act**
- 1.2 Disciplinary rules and procedures form part of the _____ contract (2)
A insurance
B leasing
C hire-purchase
D **employment**
- 1.3 Which one of the following statements regarding creativity is true? (2)
A Only intelligent people are creative.
B **Knowledge does not assist creativity.**
C Creativity is an innate ability that can be learnt.
D Only artistic people are creative.
- 1.4 The Labour Relation Act provides for maternity leave as follows. (2)
A Four months paid leave
B Four months unpaid leave
C Two months unpaid leave
D **Maternity leave not provide for in the LRA**
- 1.5 An advantage of using team work in business is _____ (2)
A **greater output through collaboration is attained**
B it is time-consuming
C technology is a requirement to succeed
D it encourages individualism
- 1.6 Which one of the following could be regarded as unethical and unprofessional behaviour? (2)
A Increasing prices in line with competitors.
B **Selling second-hand goods for new.**
C Finding a substitute for the competitor's product.
D Employing unskilled workers.
- 1.7 If R2m is invest in ABSA at an interest rate of 8% p.a. compounded monthly, calculate the interest on the investment after 2 months. (4)
A R26 666,66
B R160 000,00
C **R26 755,55**
D R13 422,22
- 1.8 A BMW factory with a current market value of R250 million was recently damaged in a small fire. Assessors have estimated that the damage to the building amounted to R100 000. The factory is insured for R150 million. How much will the insurance company pay out to BMW (SA)? (4)
A R150 million
B R100 000
C R75 000
D **R60 000**

ST DUNSTAN'S COLLEGE
PRELIMINARY EXAMINATION 2008



GRADE 12 BUSINESS STUDIES - PAPER 1

MARKING GUIDELINES

LEARNING OUTCOME 1 – BUSINESS ENVIRONMENTS
LEARNING OUTCOME 2 – BUSINESS VENTURES
LEARNING OUTCOME 3 – BUSINESS ROLES
LEARNING OUTCOME 4 – BUSINESS OPERATIONS

QUESTION 2

(20)

Match the concept in Column A with explanation in Column B. Write only the correct letter from Column B next to the appropriate question number of Column A in the space provided on the answer sheet.

Column A	Column B
2.1 Articles of association	A Sold to raise long-term borrowed capital.
2.2 Memorandum of association	B Joint problem solving and decision-making in the workplace with regard to labour relations.
2.3 Secondary research	C Monitors unfair discrimination.
2.4 King Code	D Paid out to shareholders as compensation.
2.5 Lockout	E Research done of the internet to investigate new safety features of competitors vehicles.
2.6 Workplace forum	F Evaluation of BMW (SA) in terms of corporate governance, as well as economic, environmental and social sustainability.
2.7 Debenture	G BMW management physically excludes employees from the workplace.
2.8 NEDLAC	H BMW (SA) funds an HIV/AIDS clinic offering free services to the community who need it.
2.9 CSI	I BMW makes the working environment impossible for a difficult employee to handle, resulting in him/her resigning.
2.10 Constructive dismissal	J Employers, employee and government are brought together in terms of labour relations.
	K Employees who refuse to work.
	L The neutral third party who makes decisions about who is right and wrong in labour disputes.
	M Used to determine the nature and scope of BMW.
	N States the internal rules of BMW.

2.1	M
2.2	N
2.3	E
2.4	F
2.5	G
2.6	B
2.7	A
2.8	J
2.9	H
2.10	I

QUESTION 3

(10)

Choose the correct term from those in bold terms in brackets to complete the statement. Write only your choice next to the question number on your answer sheet.

- 3.1 It is **unethical** for an employee to pretend that he/she is sick and stay home from work.
- 3.2 In an employment contract the **employer** is responsible for paying the salary.
- 3.3 Appointment from within BMW is known as **internal** recruitment.
- 3.4 As a private company it is **difficult** to adapt to change.
- 3.5 BMW increase wages and salaries by 5% across all levels for the current year indicates a/an **strategic** management decision.

SECTION B Answer these questions on the folio paper provided. [150]

QUESTION 1

1.1 Corporate social responsibility has become a part of big business such as BMW in South Africa since 1990 when apartheid was abolished. [50]

1.1.1 Describe how corporate social responsibility benefits BMW and the community. (8)

- Benefits to BMW
- The community supports the business by purchasing its products and thereby contributing to its profitability. ✓✓
 - Business enjoys goodwill.
 - Attracts workforce.
 - Improves image of business.
 - Any other relevant answer. (Any 2 x 2)

- Benefits to community
- Improves welfare of society. ✓✓
 - Uplifts standard of living.
 - Poverty alleviation.
 - Any other relevant answer. (Any 2 x 2)

1.1.2 Quote a line from the text that indicates that BMW believes in sustainable CSI programmes. (1)

"The company does not believe in handouts, but rather in investing in ways which help communities to help themselves." ✓

1.1.3 Design a short CSI programme in one of the five key areas identified by BMW. (10)

0	1 – 2	3 – 4	5 – 6	7 – 8	9 – 10
Not done.	Attempt to draft a CSI programme, but inappropriate or one of the 5 identified key areas was not used.	Many improvements must be made. One of the key areas was used. Programme may not be sustainable.	Satisfactory programme, but improvements could be made. One of the key areas was used. Programme is sustainable.	Good programme, but slight improvements could be made. One of the key areas was used. Programme is sustainable.	Excellent programme. One of the key areas was used. Programme is fully sustainable.

1.2 Distinguish between the different management styles used within BMW. (4)

- 1.2.1 Autocratic**
- This form of leadership allows for no negotiations. ✓✓
 - The leader tells people what to do and how to do it without any input from the people regarding their thoughts or suggestions.
 - This is a top – down one way communication.
 - Directives and instructions are given.
 - Any other relevant answer. (Any 2 x 2)

1.2.2 Democratic

- This form of leadership allows all stakeholders to have a say in the decision making process of the organization. ✓✓
- Managers retain the responsibility and authority in making the final decision.
- Any other relevant answer. (Any 2 x 2)

1.2.3 Laissez-faire

- This form of leadership allows subordinates to make all the decisions but within the policy of the business. ✓✓
- The manager must take responsibility for the decisions made.
- Any other relevant answer. (Any 2 x 2)

1.3 BMW (SA) is compelled to pay 1% of their salary/wage bill as part of the Skills Development Levy. (6)

1.3.1 Explain the purpose of the Skills Development Act, 1998.

- To develop the skills of the South African workforce. ✓✓
- To increase the levels of investment in education and training in the labour market and to improve the return on that investment.
- To encourage employers to use the workplace as an active learning environment.
- To provide employees with the opportunities to acquire new skills.
- To provide opportunities for new entrants to the labour market to gain work experience.
- To employ persons who find it difficult to be employed.
- To encourage workers to participate in learnership and other training programmes.
- To improve the employment prospects of persons previously disadvantaged by unfair discrimination and to redress those disadvantages through training and education.
- To ensure the quality of education and training in and for the workplace.
- To provide and regulate employment services. (Any 3 x 2)

1.3.2 Illustrate the progress of this Act in South African industry. (4)

- Clear evidence that designated workers have acquired the necessary skills through training programmes. ✓✓
- Previously disadvantaged workers with the necessary skills becoming eligible for promotion.
- Companies that are not complying are being fined.
- Learnerships are being made available.
- Any other relevant answer. (Any 2 x 2)

- 1.4 When the prime interest rate is increased, BMW and their consumers are affected. Discuss the above statement, making use of examples. (6)
- BMW will have to pay more interest on their loan accounts, decreasing profitability. ✓✓
 - Their consumers will have less buying power, as they will be paying more interest on their loans (including vehicle finance). ✓✓
 - Any relevant answer accompanied by an example.
- 1.5 Name three elements in the macro environment that would affect BMW. (3)
- Political
 - Economic
 - Social
 - Technological
 - Environmental
 - Legal

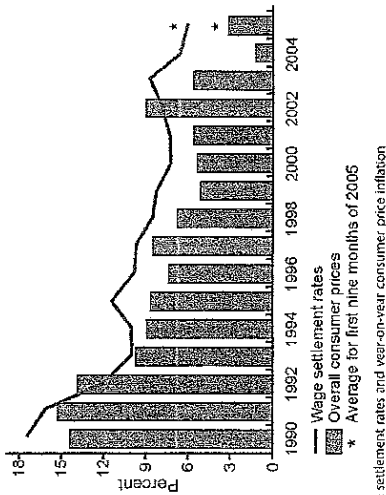
(Any 3 x 1)

QUESTION 2

150]

2.1 Study the graph below and answer the questions that follow.

The graph below illustrates the ratio between wage settlement rates that were achieved during collective bargaining agreements and consumer price inflation from 1990 to 2005.



- 2.1.1 During which period was the lowest wage settlement rate achieved? (1)
- 2005 ✓
- 2.1.2 During which periods does the consumer price inflation exceed the wage settlement rate? (2)
- 1992 ✓
2002 ✓
- 2.1.3 Studying the wage settlement trend from 1995 to 2001, what conclusions do you draw? (4)
- A constant downward trend is shown. ✓✓
A plateau is only between 2000 and 2001. ✓✓

- 2.1.4 What conclusion can be drawn regarding 1992 and 2002? (2)
- This is the period where there is the biggest gap between consumer price inflation and wage settlement rates. ✓✓
- 2.1.5 During which year was the wage settlement rate and consumer price almost on par? (1)
- 1993 ✓

2.2 Read the fictitious information below and answer the questions that follow.

Gerry Newland is the managing director of BMWW (SA)'s production plant in Rosslyn, Pretoria.

Administration and finance: Alan Kenwood is the accountant and has two assistants (one needs constant supervision as she is careless and often makes mistakes). This department also houses the receptionist/secretary.

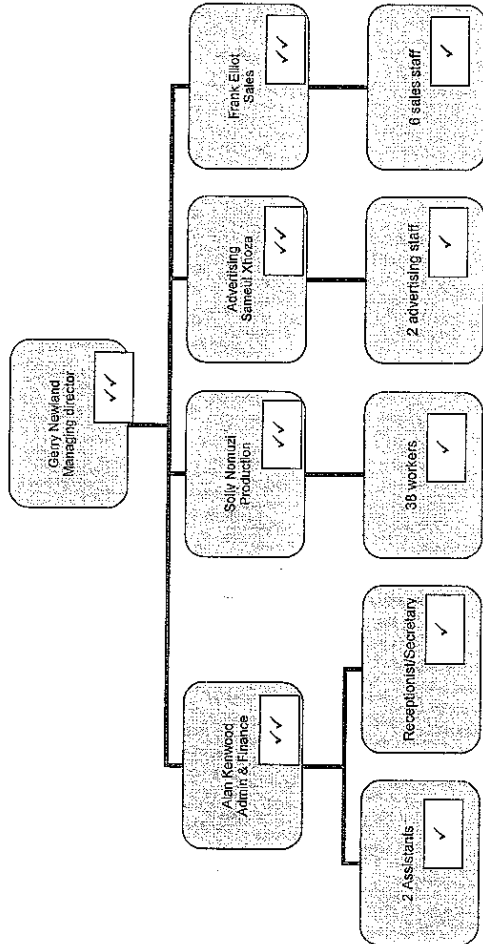
Production: Solly Nomuzi is the factory manager and has excellent ideas on how to improve the products, but is frustrated at not being given the opportunity to share these. He finds it difficult to motivate the 38 workers under his supervision who are not completing work according to deadlines.

Advertising: Samuel Xhosa is the creative designer who heads up the advertising department. There are two other members in his team.

Sales: Frank Elliot heads the sales team. He has six sales people who work well as a team under Frank. Frank has regular department meetings and he and his staff have been collating information obtained from their customers.

Gerry has e-mailed Frank to say that he feels Frank spends too much time in meetings with his staff when they could be out selling.

2.2.1 Draw an organogram using the information above. (15)



- 2.2.2 What is Gerry Newland's span of control? (1)
53
- 2.2.3 Do you think Gerry is using an appropriate management style? Motivate your answer. (5)
- No ✓
- There are people in management positions with ideas that could improve the business but he will not listen to them. ✓✓
 - People are getting frustrated and good staff could resign.
 - Any other relevant answer. (Any 2 x 2)
- OR
- Yes ✓
- He may have his own ideals that he wishes to achieve. ✓✓
 - The managers could be inexperienced and need more experience before he involves them in management decisions.
 - Any other relevant answer. (Any 2 x 2)

2.2.4 Is the e-mail that Gerry sent to Frank justified? Motivate your answer. (4)

0	1	2	3	4
Not answered.	Simple "yes" or "no" answer.	Correctly answered that e-mail was not justified. Motivation of answer was unsuccessfully done.	Correctly answered that e-mail was not justified. Not all the relevant facts about Frank given as motivation.	Correctly answered that e-mail was not justified. All the relevant facts about Frank given as motivation.

- No
- Gerry does not seem to have all the facts.
 - Even though Frank has a lot of meetings, his staff is motivated and meeting sales targets and has good team spirit.
 - Any other relevant answer.

2.2.5 Frank has requested to employ a seventh sales person. Prepare a suitable job description of the position Frank wish to fill. (6)

0	1	2 - 3	4 - 5	6
Not answered.	Learner needs a lot of assistance with this. No evidence of understanding job description.	Some indication that learner understands what a job description is, but still needs improvements.	A suitable job description devised, but improvements could be made.	Excellent, all encompassing job description devised.

- 2.3 Classify each of the following descriptions under compulsory insurance or non-compulsory insurance. Write the appropriate category next to the question number and give a reason for your answer. (3)
- Example:**
Shoplifting – Non-compulsory insurance
Reason: The owner has the right to absorb the risk.
- 2.3.1 Safety of employees traveling in a taxi on a public road to BMW plant. (3)
- Compulsory insurance ✓
This would be covered by the Road Accident Fund which is a compulsory insurance paid by motorists through the fuel levy legislated by Government. ✓✓
- 2.3.2 BMW dealership destroyed by fire. (3)
- Non-compulsory insurance ✓
This depends on the ability of the business to overcome the losses resulting from a fire. ✓✓
- 2.3.3 Protection of BMW employees against injury in the factory. (3)
- Compulsory insurance ✓
This refers to the Occupational Injuries and Disease Act which applicable to all businesses employing more than 50 workers. ✓✓

QUESTION 3

- 3.1 Read the newspaper article above and answer the questions that follow. [50]
- 3.1.1 Explain BBEE in your own words. (6)
- BBEE – Broad Based Black Economic Empowerment
 - Refers to actively creating opportunities for previously disadvantaged individuals (PDI's) in SA to have ownership in businesses. ✓✓
 - To increase skills of PDI's.
 - Give preference to BEE companies for contracts / tenders.
 - Any other relevant answer. (Any 3 x 2)
- 3.1.2 What is the scorecard, and how is it used. (4)
- It is a list of criteria for BEE status. ✓✓
 - Points are awarded for each criterion met.
 - Used to assess BEE status.
 - Used when giving preference to BEE companies based on their status.
 - Any other relevant answer. (Any 2 x 2)
- 3.2 BMW's Employment Equity Programme must follow the provisions of the Employment Equity Act. Briefly outline the provisions of this Act. (4)
- Eliminate unfair discrimination in employment. ✓✓
 - Provides for affirmative action to correct imbalances of the past.
 - Provides for employment, training, promotion and equitable remuneration of PDI's. (Any 2 x 2)
- 3.3 The financial manager of BMW wants to invest R2 million rand in either unit trusts or a fixed deposit. She has investigated the following options.

Option A
R2 million to be invested in Old Mutual Unit Trust at 10% interest per annum over a period of 2 years. Interest is payable at the end of the two year period.

Option B
R2 million to be invested in an ABSA fixed deposit account where interest (8% p.a.) is compounded annually.

3.3.1 Calculate the interest earned on each investment option after two years. (10)

Option A
 $R2\text{ m} \times 10\% \times 2$ ✓✓
 = R400 000 interest ✓

Option B
 Year 1: $R2\text{ m} \times 8\% = R160\ 000$ ✓✓

Year 2: $R2\text{ m} + R160\ 000 = R2\ 160\ 000$ (✓) $\times 8\%$ ✓
 = R172 800 ✓

Total interest: $R160\ 000 + R172\ 800$
 = R332 800 interest ✓✓

3.3.2 Advise the financial manager of BMW which of the two options she should consider? (2)

Option A offers the best return on investment. ✓✓

3.4 When purchasing a BMW vehicle, Kim Knowles took out an insurance policy with OUTsurance. She opted for an excess of R1 000. (2)

3.4.1 What does excess mean? (2)

- Excess refers to the amount of each claim that the insurer does not cover. ✓✓
- The insured bears the loss for this amount.

3.4.2 What is the purposed of excess? (2)

- It prevents the insured from claiming for every minor loss. ✓✓
- It is a means of keeping premiums low. The higher the excess, the lower the premium.
- Insurers also apply an excess when the risk is high. (any 1 x 2)

3.5 BMW's marketing team needs to be constantly aware of the influence of the market environment challenges on its product. Making use of Porter's Five Force Model will enable them to do this successfully.

- 3.5.1 Identify the five challenges presented in Porter's Model. (5)
- 3.5.2 Indicate the impact of each of these challenges on BMW, i.e. low, medium or high. (5)
- 3.5.3 Discuss the impact each of these force would have on BMW. (10)

USING PORTER'S FIVE FORCES MODEL FOR BMW

3.5.1 Porter's five challenges	3.5.2 Impact of each challenge on BMW (low, medium, high)	3.5.3 Discussion of impact
Threat of New Entrants (✓)	Low (✓)	In order to enter the automotive market a huge amount of capital is required. In addition, an entering firm would need to have a tremendous amount of tacit and explicit knowledge to design and manufacture products. ✓✓
Threat of Substitutes (✓)	Medium (✓)	Available substitutes include public transportation such as buses, trains, boats, and aircraft. In addition, consumers can use other conventional means of transportation such as bicycling or walking. ✓✓
Power of Suppliers (✓)	Medium (✓)	Some suppliers are smaller and as such do not have that much power over the pricing and distribution of their products. However, there are not that many small parts manufacturers in this market and therefore, the majority of suppliers to major automotive makers are medium to large businesses. As a result they have some flex in determining product pricing, delivery, and distribution. ✓✓
Power of Buyers/Consumers (✓)	Medium (✓)	While buyers are individuals and are not grouped together, they still have an immense amount of information available to them regarding the pricing and cost to manufacture a BMW. As a result, buyers do have some leverage in being able to negotiate a purchasing price from BMW. ✓✓
Competitive Rivalry (✓)	High (✓)	Any competitor in this market is generally a global company with billions of dollars in assets and can compete on any level that BMW can. Furthermore, there is intense competition on all fronts in the car market in general, not to mention the luxury car market. Major manufacturers such as Toyota and Honda are punching BMW with their luxury segments (Lexus & Acura) in terms of quality product and reliability. ✓✓

(For discussion of impact, any relevant answer will be accepted)