

UNKNOWN - PRELIM 2008 Memo

QUESTION 1

- 1.1 A
- 1.2 C
- 1.3 B
- 1.4 C
- 1.5 B
- 1.6 D
- 1.7 C
- 1.8 A
- 1.9 C
- 1.10 C
- 1.11 D
- 1.12 D
- 1.13 B
- 1.14 D
- 1.15 B

QUESTION 2

- 2.1 FALSE ✓ Social responsibility is the duty that a concern has over the environment and its community. ✓
- 2.2 TRUE ✓
- 2.3 FALSE ✓ The employer must employ more than 50 employees ✓
- 2.4 TRUE ✓
- 2.5 FALSE ✓ The shareholders vote in a board of directors who manage the business. ✓
- 2.6 TRUE ✓
- 2.7 TRUE ✓

(10 marks)

QUESTION 3

- 3.1 C
- 3.2 E
- 3.3 A
- 3.4 L
- 3.5 K

(5 x 2 = 10)

QUESTION 4

(10)

Choose the correct alternative from the following sentences. Do not rewrite the sentence, write the word/s you have chosen.

- 4.1 Strategy
- 4.2 CK1
- 4.3 Transformational.
- 4.4 Moral absolutism
- 4.5 Retirement Annuity

QUESTION 5

5.1 The Employment Equity Act was passed by Parliament in 1998. Explain what the purpose of this Act is and why it was created. (10)

- The Act seeks to eliminate unfair discrimination in employment and provides for affirmative action to correct the imbalances of the past with respect to access to employment, training, promotion and equitable remuneration, especially for Blacks, women and the disabled.
- It was introduced to force businesses to employ more people from disadvantaged groups but also to promote said people to managerial positions as it was felt that business would not do this on their own without it being law.
- Businesses wishing to tender for government contracts must comply with the Employment Equity requirements.
- The Act also establishes an advisory Commission for Employment Equity to assist and advise businesses on the formulation of Codes of Good Practice.

5.2 Why does the Minister of Labour make the comment "the stick has to come out"? (4)

He feels that businesses are not making the effort to comply with the EE Act and therefore they will have to be forced to do so.

5.3 Why is it important that South African firms need to follow the constitution particularly related to Human Rights if they are involved in the global economy? (6)

- Human rights are basic and fundamental things that you are entitled to just because you belong to the human race. These rights belong to you and cannot be taken away. These rights have a huge impact on life in South Africa and it is important that firms treat everyone with dignity. In this way they earn the respect of foreign market who are then willing to trade with us.

5.4 Name and explain the type of reporting recommended by the King II report (6)

- Report on corporate governance that states that there should be a move away from "Bottom Line Reporting" to "Triple Bottom Line Reporting". (3 marks)
- Includes economic (profit), environmental (planet) and social (people) aspects (3 x 1 mark)

5.5 How does the Skills Development Act aim to deal with inclusivity which is one of the basic rights in the constitution? (4)

Inclusivity is the right to have equal opportunities and inclusion in all aspects of life within South Africa and not to be discriminated against. The Skills Development Act provides quality and access to learning at school and in the workplace. It gives all South Africans the opportunity to gain knowledge and skills for their benefit.

5.6 What does NEDLAC stand for and how does it play an important role in the formulation of the Labour Relations Act? (6)

The National Economic, Development and Labour Council brings employers, employees and government together at national level to bargain collectively in relation to determining items such as wages, terms and conditions of employment and matters that are of mutual interest to formulate policies.

5.7 Explain what impact the above legislative processes have on big businesses and whether they are behaving in an ethical manner in the business environment by not adhering to the laws set out by government. (10)

- The Labour Relations Act is based on the New Constitution which guarantees both employers and employees certain rights and they are guaranteed in the constitution.
- The Act contains the basic rules and mechanisms that can be used to control communication, bargain or negotiate relationship between employers and employees.
- Big businesses need to adhere to these Acts and be guided by them when dealing with their employees.
- It is in their best interest for growth and profits to maintain industrial peace through Industrial Relations.
- The law cannot prevent labour disputes, but they can create procedures which can help employers and labour to settle them as quickly as possible.
- If a business does not act in an ethical manner by following the rules and regulations set aside, they will find that employees will take action against them and cause major problems within the concern.

ANY VALID POINT

5.8 It is evident that large companies are all involved with Corporate Social Responsibilities. Do you believe that this is sufficient for the advancement of the people of South Africa. (4)

- The environment is in dire need of protection.
- More and more businesses are getting involved in solving social problems.
- Large businesses have become aware of the importance of supporting their community within which they do business.
- They also realize the importance of protecting and nurturing their staff, particularly with aspects such as HIV, education etc.
- They therefore involve themselves in many ways other than just making a profit.

QUESTION 6

6.1 Under the Labour Relations Act, indicate FIVE instances where an employee is unfairly dismissed by an employer. (10)

- An employer ends a contract of employment without notice to the employee
- An employer refuses to allow an employee to return to work after maternity leave
- Constructive dismissal takes place – the employer makes the working environment impossible for the employee to wish to stay
- An employee took part in the activities of a trade union or workplace forum
- An employee is dismissed when taking part in a protected strike or protest action
- An employee is dismissed due to pregnancy or any reason related to her pregnancy
- The employee is dismissed on arbitrary grounds, e.g. race, age, religion, sex, etc.

6.2 Explain how the Trade Union can assist and protect Mpofu. (5)

- Protect his rights and ensure fair treatment
- Represent him in negotiations
- Represent him in disciplinary issues
- Offer advice on labour relations issues e.g. procedure for retrenchment
- Assist to achieve industrial peace when making decisions regarding labour issues.

6.3 Mpofu claims that his suspension was unlawful due to procedural unfairness. Explain what is meant by this and what the correct procedure would include. (10)

- Mpofu claims that his suspension was unlawful because the correct procedures were not followed
- The employee must be notified of the reason for the suspensions
- A disciplinary procedure must take place as soon as possible and the employee must be given sufficient time to prepare for the hearing.
- The employee has the right to state his case and to be represented by a Trade Union representative

- The employee may cross examine witnesses
 - The employee has to right to be informed of any decisions taken
- 6.4 Discuss the procedure that an employee must follow if they feel that they have been dismissed unfairly. (6)
- Conciliation – parties in dispute must get together with a neutral third party. The conciliator does not decide who is right or wrong, but tries to help them reach an agreement.
- Arbitration – the dispute is referred to a third neutral party who makes a decision who is right or wrong. The decision is binding on both parties.
- The dispute can go to Labour Court instead of arbitration and this is known as Adjudication. If they are not happy, they can then go to the Labour Appeal Court if leave to appeal is granted.
- 6.5 List the THREE collective bargaining structures. (3)
- Bargaining councils
 - Statutory councils
 - Workplace forums
- 6.6 Distinguish between a protected strike and an unprotected strike. (4)
- If a dispute is not resolved and finally the CCMA or council issues a certificate that the dispute has not been resolved, 48 hours notice in writing of the proposed strike must be given to the employer or seven days notice if the state is the employer. Employees may not be dismissed unless they become violent and the employer cannot prevent the strike.
- An unprotected strike is one that is held without approval or if parties are engaged in discussions. During this strike the worker is not protected and can be dismissed.
- 6.7 Differentiate between misconduct and poor performance. (4)
- Misconduct refers to a situation where a worker has behave inappropriately e.g. defiance of authority, theft, dishonest, substance abuse etc.
- Poor performance refers to the worker not performing adequately. If this is due to lack of skill, the employer is bound to train and assist the worker and give them the opportunity to improve.
- 6.8 Explain why it is important to set work standards for employees. (2)
- Workers need clear guidelines of what is acceptable and what is not. Work performance and standards expected must be clearly defined so that it can be determined if the work is being done adequately.
- 6.9 Definition for the term ethics (2)
- Can be described as the human values that describe how one should live when keeping in mind what is seen as “correct” behaviour.
(Any good definition)
- ii) Emphasis of the virtue based theory (4)
- Emphasis is 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.
 - inadequate behaviour
 - ANY VALID POINT.

QUESTION 7

7.1

Graph

- x2 marks for Heading
- x2 marks for axis labeled
- x2 marks for “source”
- x2 marks for BAR graph
- x2 marks for Key
- x6 marks for accuracy in representing information

(16)

7.2 Formulas.

(6)

$$\text{Profitability} = \frac{\text{Net Profit}}{\text{Capital}} \times \frac{100}{1}$$

$$\text{Solvency} = \frac{\text{Total Assets}}{\text{Total Liabilities}}$$

$$\text{Acid Test Ratio} = \frac{\text{Current Assets} - \text{Trading Inventory}}{\text{Current Liabilities}}$$

- 7.3 Identify TWO macro environmental factors which has affected Astrapak negatively and explain the challenges they have created. (12)

Increase in interest rates

Astrapak invested heavily in the purchase of new acquisitions and to do so they increased their borrowed capital. With the increase of the rates by the Governor Of the Reserve Bank, the interest to be paid has increased substantially.

This affects the overall profit – sales have increased, yet profits have decreased and this is due to finance costs.
Due to this, more working capital is required to meet the running needs of the business.

Load shedding

The inability of Eskom to provide sufficient power has caused havoc in all businesses. Workers were unable to work the full time, fewer goods were produced, workers still have to be paid their salaries and profits have decreased. Astrapak were incapable of solving this problem without large expense involved by putting in generators etc.

7.4 Explain how the political instability within South Africa and the neighbouring states can affect businesses such as Astrapak. (11)

Political stability is very important for businesses. It ensures continuity, economic growth and an increase in employment.

If there is political instability, international confidence decreases. Overseas countries are reluctant to trade due to insecurities. Exports decrease and fewer goods need to be produced.

Profits decrease and job losses occur. In South Africa, a huge number of foreigners have entered the country and taken away jobs for local people. Lack of jobs and food in neighbouring states also causes an influx of people. This has created major chaos.

Astrapak has invested a huge amount of money for expansion purposes. With the slowing down of the economy, turnover will be greatly affected and profits will decrease. Jobs will be lost.

ANY VALID POINT

7.5 No
Inflation and increase in fuel prices are **non-insurable** risks.

7.6 Blue Chip Shares are shares in the most solid companies on the stock exchange, which usually have large market capitalizations and a steady growth pattern in share value