

<u>KZN DEPARTMENT OF EDUCATION</u>		
<u>GREENBURY SECONDARY SCHOOL</u>		
<u>FIRST QUARTERLY TEST- 2017</u>		
<u>BUSINESS STUDIES- GRADE 11</u>		
EXAMINERS: S.DHOODHANATH/R.NAIDOO/R.GOVENDER		
MODERATORS: S.DHOODHANATH/R.NAIDOO/R.GOVENDER		
DATE: 23/03/17	DURATION: 1 HOUR	MARKS: 100
NAME/SURNAME		GRADE/DIV:

INSTRUCTIONS TO LEARNERS:

1. This paper consists of 4 printed pages
2. There are 3 sections:
 - SECTION A: Compulsory
 - SECTION B: Consists of 3 questions. CHOOSE ANY TWO QUESTIONS
 - SECTION C: Essay. Consists of 2 questions. CHOOSE ANY ONE QUESTION.
3. Use the special answer sheet for SECTION A
4. Write neatly and legibly
5. Start each question on a new page

SECTION A: COMPULSORY**QUESTION ONE: (20 MARKS)**

- 1.1. SELECT A TERM FOR EACH OF THE FOLLOWING DEFINITIONS BY CHOOSING THE CORRECT WORD FROM THE TEXTBOX BELOW:

REDUNDANCY	ECONOMIC DILEMMA	SCARCITY	MERGER	FRANCHISEE
DUMPING	OBSELTE			

- 1.1.1. The person who buys the franchise.
- 1.1.2. When two or more companies combine to form a new company.
- 1.1.3. A lack of natural resources.
- 1.1.4. The problem of balancing the unlimited needs and wants of society with limited resources available to satisfy them.
- 1.1.5. A product or process is no longer required and therefore does not have any use.

(5×2=10)

- 1.2. STATE WHETHER THE FOLLOWING STATEMENTS ARE TRUE OR FALSE. IF FALSE CORRECT THE UNDERLINED WORD /S TO MAKE IT TRUE.

- 1.2.1. Demographics is issues relating to a group and individuals culture and social background.
- 1.2.2. When an enterprise sells goods and services to the same sector or to other sectors, it is known as forward links.
- 1.2.3. The tertiary sector converts raw materials into finished goods.
- 1.2.4. Hedging is where you try to invest your money in such a way that its value grows at a faster rate than inflation.
- 1.2.5. The chamber of commerce is a local group that settles disputes, keeps a blacklist for members to reference and promote trade in the area.

(5×2=10)

P.T.O/SECTION B...

SECTION B

ANSWER ANY TWO QUESTIONS FROM THIS SECTION

QUESTION TWO :BUSINESS ENVIRONMENTS

2.1 Read the case study below and answer the questions that follow

Noni Mokwase is a potato farmer with a contract to McCain. Noni's business is situated in the Magaliesberg area in the Wesrand, where farming is the main business activity. She experiences a high rate of absenteeism. Productivity has declined due to employees suffering from HIV/AIDS related illnesses. The company is expected to comply with the minimum wage requirements of the government. Noni's farm business is situated next to Shimmy's potato farm. Both farms buy expensive fertilizer from Magalies CC. Maintenance of farming equipment is expensive. Sharp increases in fuel prices have forced an increase in delivery expenses to McCain.

2.1.1 Noni's business falls under the primary sector. Define the primary sector (1)

2.1.2 Identify, from the case study above, one challenge from each of the business environments (micro; market; macro) (3)

2.1.3 Suggest THREE(3) ways in which Noni's business can deal with the challenges identified in 2.1.2. (6)

2.2 State the PESTLE elements illustrated in each scenario below

2.2.1 Businesses are promoting online trading to reduce paperwork.

2.2.2 The government introduced the affirmative action policy to address past imbalances.

2.2.3 The introduction of the Consumer Protection Act eliminates consumer exploitation by businesses.

2.2.4 The South African Reserve Bank decided to keep the repo rate unchanged.

2.2.5 Governmental incentives given to companies that sponsor nature conservation programmes.

(10)
TOTAL = 20

QUESTION THREE :BUSINESS VENTURES

3.1 Study the following advertisement and then answer the questions that follow

FINANCIAL MANAGER REQUIRED FOR FRANCHISOR

Retail group requires well-spoken financial manager.

Candidates should have relevant FET qualification and a proven track record.

Fax a 4-page CV to: (011) 555 1234
or email: accounts@diamondgroup.co.za

P.T.O/....3.1.1

3.1.1 Tabulate the difference between a franchisor and a franchisee? (4)

3.1.2 Discuss THREE(3) contractual obligations that the financial manager will have to deal with in the franchise agreement (6)

3.2 Copy and complete the table below

	PARTNERSHIP	CLOSE CORPORATION
No. of owners		
Name ending		
Establishing documents		
Liability		
Continuity		

(10)

TOTAL = 20

QUESTION FOUR : MISCELLANEOUS

4.1 Read the case study and answer the questions that follow

Southfork Ranch is a cattle farm near Ifafa. Southfork Ranch recently opened the Ewings Meat Butchery which is popular for manufacturing sausages and biltong. John Ross Stores sells a wide range of veterinary products for use on Southfork Ranch, as well as on other cattle farms across the country. Social issues may be impacting business. Employees feel that its time to join a trade union.

BUSINESS ENVIRONMENTS

4.1.1 Identify the business sectors which the various business enterprises mentioned above belong to. Use the template below to structure your answer. (3)

	BUSINESS SECTOR
SOUTHFORK RANCH	
EWINGS MEAT BUTCHERY	
JOHN ROSS STORES	

BUSINESS VENTURES

4.1.2 John Ross Stores has decided to use another company to transport their products.

4.1.2.1 Identify the term used for this avenue of business. (1)

4.1.2.2 State ONE(1) advantage of this avenue of business. (2)

BUSINESS ROLES

4.1.3 Explain how a 'Lack of skills' may affect the :

4.1.3.1 Operations of a business (2)

4.1.3.2 Productivity of a business (2)

4.1.4 Discuss TWO(2) functions of a Trade Union (4)

4.1.5 John Ross Stores has come up with a new invention with regards to the health of the animals. They are afraid that someone will steal their idea.

4.1.5.1 List and explain THREE(3) solutions to piracy. (6)

TOTAL = 20

P.T.O/...SECTION C

SECTION C
[ANSWER ANY 1 ESSAY]

QUESTION 5 – [BUSINESS ENVIRONMENTS]

Texan Manufacturers has been in operation for the past 10 years. Over the past year the owner, Dillon, has noticed the following challenges:

- His workers have become very difficult
- Competition on the market has increased.
- Constant industrial action by trade unions
- Shortage of supply of raw materials
- Lack of management skills from his manager.
- A change in consumers tastes and habits

You are required to assist Dillon by doing the following:

- List and explain Porter's Five Forces.
- Identify THREE (3) Micro Environment challenges from the above scenario, and discuss the impact each challenge, would have on Dillon's business.
- Identify THREE (3) Market Environment challenges from the above scenario, and discuss the impact that each challenge, would have on Dillon's business.
- Explain how Dillon can solve the problem/challenge of:
 - Difficult workers
 - Lack of management skills
 - Shortage of supply

[40 marks]

QUESTION 6 – [BUSINESS VENTURES]

Jeremiah wants to start a company. One of his friend's suggested that he should consider starting a public company.

In order for Jeremiah to decide on a Public company, he requires the following information:

- Identify the characteristics of a Public Company
- Explain the similarities of a Private and Public company
- Discuss the differences between a Private and Public Company
- Discuss the advantages and disadvantages of a Public Company

[40 marks]

TOTAL MARKS: 100

ALL THE BEST!!!

Page 4 of 4

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MEMORANDUM

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MODERATORS: S.DHOODHANATH/R.NAIDOO/R.GOVENDER

DATE: 23/03/17

DURATION: 1 HOUR

MARKS: 100

FOR EDUCATORS USE ONLY:

	QUESTION 1	QUESTION 2	QUESTION 3	QUESTION 4	QUESTION 5	QUESTION 6	TOTAL
LEARNERS MARK							

SECTION A: COMPULSORY

QUESTION ONE: (20 MARKS)

1.1. PROVIDE A TERM FOR EACH OF THE FOLLOWING DEFINITIONS BY CHOOSING THE CORRECT WORD FROM THE TEXTBOX BELOW:

1.1.1. FRANCHISEE ✓✓
1.1.2. MERGER ✓✓
1.1.3. SCARCITY ✓✓
1.1.4. ECONOMIC DILEMMA ✓✓
1.1.5. OBSOLETE ✓✓

10

1.2. STATE WHETHER THE FOLLOWING STATEMENTS ARE TRUE OR FALSE. IF FALSE CORRECT THE UNDERLINED WORD /S TO MAKE IT TRUE.

1.2.1. FALSE. <u>PHYS</u> COGRAPHICS ✓
1.2.2. TRUE ✓✓
1.2.3. FALSE, <u>PR</u> IMARY ✓
1.2.4. TRUE ✓✓
1.2.5. TRUE ✓✓

10

20

SECTION B

QUESTION TWO

2.1.1 Primary Sector. - *Responsible for the extraction of raw materials from the ground.* ✓ 1

2.1.2

- **MICRO** - High absenteeism; ✓ Productivity has declined
- **MARKET** - Shimmy's potato farm, a competitor ✓
- **MACRO** - Increase in fuel prices; ✓ complying with minimum wage requirements 3

2.1.3 **STRATEGIES**

1. Give verbal warnings ✓✓
2. Provide medical care for employees ✓✓
3. Improve product quality ✓✓
4. Aggressive advertising
5. Reduce the amount of deliveries done

3x2 = 6

2.2

- 2.2.1 TECHNOLOGICAL ✓✓
- 2.2.2 POLITICAL ✓✓
- 2.2.3 LEGAL ✓✓
- 2.2.4 ECONOMIC ✓✓
- 2.2.5 ENVIRONMENTAL ✓✓/SOCIAL

10

TOTAL = 20

QUESTION THREE

3.1.1

FRANCHISOR	FRANCHISEE
<ul style="list-style-type: none"> • The person who sells the right to trade in the products or services. ✓✓ 	<ul style="list-style-type: none"> • The person who purchases the right to use the idea. ✓✓

4

3.1.2 **CONTRACTUAL OBLIGATIONS**

- The obligations of the franchisor and franchisee ✓✓
- The training and operational support the franchisor will provide ✓✓
- Initial duration of the franchise ✓✓
- Total investment
- What royalties and services fees will be payed
- Tax requirements
- Advertising policies
- Settlement of disputes

6

3.2

	PARTNERSHIP	CLOSE CORPORATION
No. of owners	2 - unlimited ✓	1 - 10 ✓
Name ending	No name restriction ✓	Ends with CC ✓
Establishing documents	Partnership Agreement ✓	Founding Statement / MOI
Liability	Unlimited ✓	Limited ✓
Continuity	Lacks continuity / Limited ✓	Has continuity / Unlimited

10

TOTAL = 20

QUESTION FOUR

4.1

4.1.1

	BUSINESS SECTOR	
SOUTHFORK RANCH	Primary sector	✓
EWINGS MEAT BUTCHERY	Secondary sector	✓
JOHN ROSS STORES	Tertiary sector	✓

3

4.1.2

4.1.2.1 Outsourcing ✓

1

4.1.2.2 ADVANTAGES OF OUTSOURCING ✓

- Allows you to focus on important business activities ✓
- Staffing flexibility is possible ✓
- Provides continuity during periods of high staff turnover ✓

2

4.1.3

4.1.3.1 OPERATIONS OF A BUSINESS ✓

- Slows down the development of new products, technologies and employees. Less competitive. ✓

2

4.1.3.2 PRODUCTIVITY OF A BUSINESS ✓

- Makes employees slower, less responsible, less capable of making decisions and less productive. ✓

2

4.1.4 FUNCTIONS OF A TRADE UNION ✓

- To enter into collective bargaining agreements ✓
- To advise employers on human resource policies ✓
- To formulate and represent workers rights at statutory level ✓
- To promote greater participation of workers in management decisions ✓
- To organise strikes and other industrial action ✓
- To represent workers in disputes and grievances ✓

10

4.1.5

2.4 SOLUTIONS TO PIRACY

• COPYRIGHT ✓

- ✓ Protects IP so that artistic creations and written, recorded or filmed ideas cannot be copied or pirated. ✓

• PATENT ✓

- ✓ A certificate that verifies that an invention is new or novel and is protected from piracy. ✓

• TRADEMARK ✓

- ✓ Is a sign, logo or graphic representation that is used to distinguish one brand from another. ✓

6

TOTAL = 20

SECTION C

QUESTION 5 – [BUSINESS ENVIRONMENT]

INTRODUCTION

The Micro environment of the business is known has the internal business environment and therefore, the business has full control. ✓

The Market environment exists directly outside of the business and therefore, the business has partial control over the components. ✓

In order to be successful it is important for a business to identify challenges of these environments and find ways to overcome and adapt to these challenges. (max. 2)

6.1 PORTER'S FIVE FORCES

FORCES	EXPLANATION
POWER OF SUPPLIERS✓	Ability of suppliers to influence potential buyers. ✓ Tend to drive up prices. ✓
POWER OF BUYERS✓	Ability of buyers of the product/services in an industry to influence suppliers. ✓ Tend to drive down prices. ✓
THREAT OF NEW ENTRY✓	The extent to which a new competitor can enter the market. ✓
THREAT OF SUBSTITUTION✓	The extent to which alternative products/services may diminish the for existing products. ✓
COMPETITIVE RIVALRY✓	The competitive relationship between dominant companies in the industry. Businesses selling the same/similar goods and services. ✓

Identification of forces (1 x 5 = 5)
Explanation (1 x 5 = 5)
Maximum (10)

6.2 MICRO ENVIRONMENT CHALLENGES

6.2.1 HIS WORKERS HAVE BECOME VERY DIFFICULT/DIFFICULT WORKERS/EMPLOYEES✓ (max. 1)

Difficult workers tend to demoralize✓ co-workers. ✓

They will create tension✓ in the workplace ✓and hamper productivity. ✓ (max. 4)

ACCEPT ANY OTHER RELEVANT ANSWER/S

6.2.2 CONSTANT INDUSTRIAL ACTION BY TRADE UNIONS/UNIONS/STRIKE✓ (max. 1)

Corrupt union officials✓ could influence workers negatively✓ into taking part in strikes✓ and other industrial actions. ✓

This will lead✓ to loss in production✓, tension✓ and stress✓ in the workplace.

Strikes ✓not only cost the business money✓, but also affect✓ the workers negatively. ✓ (max. 4)

ACCEPT ANY OTHER RELEVANT ANSWER/S

6.2.3 LACK OF MANAGEMENT SKILLS FROM HIS MANAGER/LACK OF MANAGEMENT SKILLS✓ (max. 1)

This usually is the reason✓ why many businesses close down. ✓

This also leads✓ to a business having no sense✓ of direction ✓and workers often become demoralized✓ because of poor management. ✓

Business procedures and processes ✓could be inefficient. ✓ (max. 4)

ACCEPT ANY OTHER RELEVANT ANSWER/S

6.3 MARKET ENVIRONMENT CHALLENGES

6.3.1 COMPETITION ON THE MARKET HAS INCREASED/COMPETITION (max. 1)

They are businesses that sell the same or similar goods and services.

There will be direct competition when goods and services are identical and similar.

They try to capture the same target market and market share as the business.

They lower prices and have promotional sales to attract customers. (max. 4)

ACCEPT ANY OTHER RELEVANT ANSWER/S

6.3.2 SHORTAGE OF SUPPLY OF RAW MATERIALS/SHORTAGE OF SUPPLY (max. 1)

Suppliers provide a business with goods and services and raw materials so that the business will have the means to trade.

Suppliers have the tendency to drive up/increase prices, especially if they are the sole provider of a particular raw material.

If suppliers are unable to supply raw materials on time, it will hamper the production process and decrease business profits. (max. 4)

ACCEPT ANY OTHER RELEVANT ANSWER/S

6.3.3 A CHANGE IN CONSUMERS TASTES AND HABITS/CHANGE IN CONSUMER TASTES AND HABITS (max. 1)

NEGATIVE IMPACT

This will cause businesses to incur more expenses, has a business will have to develop new products that consumers would want to buy.

This could result in the business having obsolete products, which could lead to losses.

POSITIVE IMPACT

Such as the rise of new businesses.

Expansion of current businesses. (max. 4)

ACCEPT ANY OTHER RELEVANT ANSWER/S

6.4 SOLUTIONS TO CHALLENGES

6.4.1 DIFFICULT WORKERS

These people have to be dealt with by the book.

Issue verbal warnings, letters of warning and disciplinary hearings.

Have team building activities/sessions to address certain issues. (max. 2)

ACCEPT ANY OTHER RELEVANT ANSWER/S

6.4.2 LACK OF MANAGEMENT SKILLS

Send managers for skills development training to build management skills.

When choosing managers, check experience and skills before recruitment and selection.

Have a meeting with the manager and explain to him/her the business vision/mission, and explain all policies and procedures that need to be followed in the business. (max. 2)

ACCEPT ANY OTHER RELEVANT ANSWER/S

6.4.3 SHORTAGE OF SUPPLY

Business should look for new suppliers✓ on the market, so that they can buy raw materials✓ at reasonable prices. ✓

Be in constant contact✓ with suppliers✓ to ensure that the correct quantity of goods✓ are ordered and delivered on time✓, so that production is not delayed. ✓ (max. 2)

ACCEPT ANY OTHER RELEVANT ANSWER/S

CONCLUSION

If a business is able to implement these solutions to the above challenges, this will allow for the business to be successful and sustainable in the future. ✓

Being able to apply Porter's forces will help a business eliminate its competition on the market and capture the most of the market share. ✓ (max. 2)

BREAKDOWN OF MARK ALLOCATION

Details	Maximum	Total
Introduction	2	Max 32
Porter's forces	10	
Challenges and impact of difficult workers/employees	5	
Challenges and impact of trade unions	5	
Challenges and impact of lack of management	5	
Challenges and impact of competition	5	
Challenges and impact of shortage of supply	5	
Challenges and impact of changes in consumer taste and habits	5	
Solutions to difficult workers	2	
Solutions to lack of management skills	2	
Solutions to shortage of supply	2	
Conclusion	2	
INSIGHT		
Layout		2
Analysis, interpretation		2
Synthesis		2
Originality/Examples		2
TOTAL MARKS		40

LASO - FOR EACH COMPONENT:

- Allocate 2 marks if all requirements are met.
- Allocate 1 mark if some requirements are met.
- Allocate 0 marks where requirements are not met at all.

QUESTION 6 – [BUSINESS VENTURES]

6.1 INTRODUCTION

When considering a form of ownership some of the aspects that one should look at is, continuity of the business, liability, cost to establish, taxation etc. ✓

Companies are generally able to generate a lot of capital, and it is therefore for Jeremiah to consider the advantages and disadvantages of the form of ownership he is deciding to use. ✓ (max. 2)

6.2 CHARACTERISTICS OF A PUBLIC COMPANY

The name of the company must end with "Ltd". ✓✓

The liabilities are limited in a public company. This means that shareholders will only lose their initial capital contributed in the event of a loss. ✓✓

A public company has continuity. ✓✓

Must have the memorandum of incorporation and prospectus. ✓✓

This company invites the public to buy shares. ✓✓

Able to raise a lot of capital. ✓✓

Financial statements must be published ✓✓

Requires 3 or more directors ✓✓

The minimum number of shareholders is 1 and the maximum is unlimited. ✓✓

It is a separate legal entity. ✓✓

Company pays taxes. ✓✓

(max. 10)

ACCEPT ANY OTHER RELEVANT CHARACTERISTICS

6.3 SIMILARITIES BETWEEN A PRIVATE AND PUBLIC COMPANY

Both companies ✓ have continuity ✓, if a shareholder dies ✓ company still functions ✓

Both companies ✓ have limited liability ✓, shareholders lose ✓ only initial capital contributed. ✓

Both companies ✓ have name restrictions ✓

Is has legal entity/legal status ✓. If the company is sued, the shareholders cannot be sued. ✓

Capital ✓ is easily raised ✓, invite private individuals and public to buy shares ✓

Managed ✓ by directors ✓, 1 or more in private, and 3 and more in public ✓

Shareholders ✓ are owners of the company ✓

Requires ✓ the memorandum of incorporation ✓ and in public prospectus as well ✓

Must be registered ✓ with the Companies and Intellectual Property Commission (CIPC) ✓

Company ✓ pays taxes at a fixed rate ✓

(max. 10)

ACCEPT ANY OTHER RELEVANT SIMILARITIES

6.4 DIFFERENCES BETWEEN A PRIVATE AND PUBLIC COMPANY

PRIVATE COMPANY	PUBLIC COMPANY
Name must end with (Pty)Ltd✓	Name must end with Ltd✓
Requires 1 or more directors✓	Requires 3 or more directors✓
Requires memorandum of incorporation✓	Requires memorandum of incorporation and prospectus✓
Does not invite public to buy shares✓	Invites public to buy shares✓
Financial statements do not have to be published✓	Financial statements have to be published✓
Shares are not freely transferrable✓	Shares are freely transferrable✓
ACCEPT ANY OTHER RELEVANT DIFFERENCES	
Mark any 5 differences	
Differences must complement one another, if not no marks awarded.	

(max. 10)

6.5.1 ADVANTAGES OF A PUBLIC COMPANY

Limited liability applies to the company✓. This means that if the company✓ becomes insolvent✓ each shareholder loses✓ only the amount that he/she paid for the shares they bought. ✓

Company has continuity✓. The death or retirement✓ of a shareholder ✓doesn't terminate the company. ✓

It is easier to raise capital✓. Shares can be sold to the public. ✓

Companies Act✓ makes provision✓ for a rescue scheme✓, forcing creditors to wait for the company to be fully operational before they apply for liquidation. ✓

Shareholders✓ can participate✓ in the running of a company and at meetings. ✓

It has legal status✓. If the company gets sued✓, the shareholders cannot be sued and vice versa. ✓

ACCEPT ANY OTHER RELEVANT ADVANTAGES

(max. 8)

6.5.2 DISADVANTAGES OF A PUBLIC COMPANY

Companies✓ have to comply ✓with many legal requirements ✓when they are established and during the company's lifetime. ✓

The tax burden✓ may be greater✓ than in the case of the other forms of ownership. ✓

There is little personal contact ✓between shareholders and customers. ✓

Registration procedure✓ can be time consuming✓ and costly. ✓

Directors ✓do not have a personal interest ✓in the company, could lead to inadequate management. ✓

Financial statements✓ will have to be published✓, which can sometimes work to the negative✓ of a public company. ✓

(max. 8)

ACCEPT ANY OTHER RELEVANT DISADVANTAGES

CONCLUSION

Based on the information supplied above, Jeremiah should be able to comfortably start a public company. ✓

The prospects of expansion of the company is also very evident in the near future. Therefore, this form of ownership should be suited. ✓

(max. 2)

BREAKDOWN OF MARK ALLOCATION

Details	Maximum	Total
Introduction	2	Max 32
Characteristics of Public company	10	
Similarities between Private and Public company	10	
Differences between Private and Public company	10	
Advantages of a Public company	8	
Disadvantages of a Public company	8	
Conclusion	2	
INSIGHT		
Layout		2
Analysis, interpretation		2
Synthesis		2
Originality/Examples		2
TOTAL MARKS		40

LASO - FOR EACH COMPONENT:

- Allocate 2 marks if all requirements are met.
- Allocate 1 mark if some requirements are met.
- Allocate 0 marks where requirements are not met at all.

GREENBURY SECONDARY SCHOOLDEPARTMENT OF COMMERCE
H.O.D. MRS. NAHARAJ

