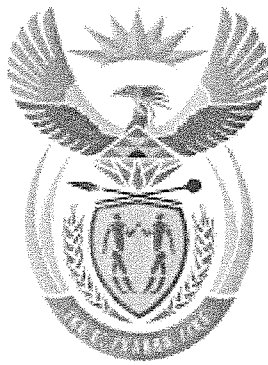


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higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N450(E)(J3)H
JUNE EXAMINATION

NATIONAL CERTIFICATE

**ENTREPRENEURSHIP AND BUSINESS
MANAGEMENT N5
(Second Paper)**

(4090315)

**3 June 2014 (X-Paper)
09:30–12:00**

OPEN-BOOK EXAMINATION

This question paper consists of 6 pages.

DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA
NATIONAL CERTIFICATE
ENTREPRENEURSHIP AND BUSINESS MANAGEMENT N5
(Second Paper)
TIME: 2 ½ HOURS
MARKS: 150

NOTE: If you answer more than the required **THREE** questions, only the first three questions will be marked. All work you do not want to be marked must be clearly crossed out.

INSTRUCTIONS AND INFORMATION

1. Answer only **THREE** questions.
 2. Read **ALL** the questions carefully.
 3. Number the answers according to the numbering system used in this question paper.
 4. Marks will **NOT** be allocated for copying directly from textbooks.
 5. Neatness and systematic presentation of facts are required.
 6. Write neatly and legibly.
-

SECTION B**QUESTION 1**

Caroline Ndlovu lost her job shortly after recession. After this she struggled for years to find a decent job, without success. She started dressmaking which makes bed linen, comforters, school uniforms, chair covers and curtains. She started to work from her dining room table. Today her clothing company is a well established and highly regarded business. She has secured contracts for schools uniforms and ABSA bank in Gauteng. Now the company has eight employees who help to meet large orders.

- 1.1 Explain how the following environmental factors can affect Caroline's business:
- 1.1.1 Political
 - 1.1.2 Environment
 - 1.1.3 Government
- (3 x 4) (12)
- 1.2 Name EIGHT methods that Caroline could employ to motivate her staff. (8 x 2) (16)
- 1.3 Which FIVE elements should Caroline consider when formulating her mission statement? (5 x 2) (10)
- 1.4 Caroline offers products for credit.
Draft a credit policy comprising SIX objectives for the business. (6 x 2) (12)
- [50]**

QUESTION 2

- 2.1 Caroline's success proved her to be an effective entrepreneur and manager.

Explain effective self-management based on the following aspects:

- 2.1.1 Beginning with an end in mind
 - 2.1.2 The other view point
 - 2.1.3 Synergy
- (3 x 4) (12)

- 2.2 Name and briefly explain FOUR practical steps that Caroline can take as an entrepreneur to maintain or improve her personality. (4 x 3) (12)
- 2.3 Draft an organogram for Caroline's business. (6)
- 2.4 Entrepreneurs are socially responsible for their employees, customers and their communities.
- How can Caroline be socially responsible for the following people?
- 2.4.1 Her employees
- 2.4.2 Her community (2 x 6) (12)
- 2.5 State FOUR important principles that Caroline must bear in mind when delegating task to a subordinate. (4 x 2) (8)
- [50]

QUESTION 3

Isabel has a business known as Isabel Cookware Company. The company's main production is the three-legged pots. These are sold to individuals and shops. Isabel's dream is to expand the business to renting out of tents, chairs, tables and three-legged pots for functions such as funerals, parties and weddings.

- 3.1 Define each labour legislation below and explain how each legislation will impact on Isabel's business:
- 3.1.1 Unemployment Insurance Fund
- 3.1.2 Labour Relation Act
- 3.1.3 Machinery and Occupation Safety Act
- 3.1.4 Women's Compensation Act
- 3.1.5 Basic Conditions of Employment Act (5 x 4) (20)
- 3.2 Name and explain THREE types of powers that can be identified in the business process. (3 x 2) (6)
- 3.3 Explain to Isabel what is meant by the term *ethics*. Name FOUR ethical principles that she must adhere to. (9)
- 3.4 Name FIVE factors of operations control management. Explain how Isabel would use each to improve quality of service at Isabel Cookware Company. (5 x 3) (15)
- [50]

QUESTION 4

Study the financial statements below and answer the questions.

NOTE: Make use of figures before taxation and show ALL calculations.

INCOME STATEMENT OF FISHION FITTERS FOR THE YEAR ENDED 28 FEBRUARY 2014		
Sales		R 600 000
Less: Cost of Sales		<u>200 000</u>
Gross Profit		400 000
Less: Selling Expenses		45 000
Overheads	R 35 000	
Administrative Expenses	10 000	
Net income before tax		355 000
Less tax	135 000	
Net income after tax		<u>220 000</u>

BALANCE SHEET OF FISHION FITTERS ON 28 FEBRUARY 2014			
CAPITAL EMPLOYED			
Owner's equity			R 370 000
Capital	R 150 000		
Net profit	220 000		<u>15 000</u>
Long-term liabilities			<u>R 385 000</u>
EMPLOYED OF CAPITAL			
Fixed Assets			R 240 000
Land and Buildings	R 210 000		
Machinery	30 000		
NET CURRENT ASSETS			R 145 000
Current Assets		<u>R 300 000</u>	
Stock	R 100 000		
Debtors	90 000		
Cash	110 000		
Less: CURRENT LIABILITIES		R 155 000	
Creditors	R 155 000		<u>R 385 000</u>

- 4.1 How well is the business compensating the owner for the risk that she took?
HINT: RETURN ON INVESTMENT (5)
- 4.2 Was it worthwhile to take the risk? Give TWO reasons for your answer. (6)

- 4.3 Does the business have enough cash to pay its debts?
Calculate average collection period and comment on this:
HINT: Acid test ratio, average collection period (50% of sales is on credit) (10)
- 4.4 Work out the short-term liquidity position of the business.
HINT: Current ratio. (5)
- 4.5 Name and explain FIVE criteria that Fashion Fitters would consider when choosing supplies. (5 x 2) (10)
- 4.6 Name and explain SEVEN steps that Fashion Fitters would follow when employing a salesperson. (7 x 2) (14)
- TOTAL SECTION B: 150**
GRAND TOTAL: 200
- [50]**

BUSINESS STUDIES



higher education & training

Department:
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REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

JUNE EXAMINATION

**ENTREPRENEURSHIP AND BUSINESS MANAGEMENT
N5**

3 JUNE 2014

This marking guideline consists of 6 pages.

QUESTION 1

- 1.1 1.1.1 Political
- Legal, trade unions, Political parties, Economic system.
 - Public holidays.
- 1.1.2 Environment
- Ventilation, Cleanliness, General carelessness regarding ecosystem of pollution.
- 1.1.3 Government
- Tax, Leave, Laws, Tenders, Registration of business.
- (3 x 4) (12)
- 1.2
- Awards
 - Bonuses
 - Promotions
 - Training and Development of staff
 - Offer enough wage/salary
 - Ensure safe and healthy working conditions
 - Promote family welfare
 - Provide motivational workshops
- (8 x 2) (16)
- 1.3 Mission statement
- Name of business
 - Target market
 - Purpose of business
 - Product/Service
 - Image
 - Technology
- (5 x 2) (10)
- 1.4
- Credit policy
 - Credit period
 - Credit Standards
 - Collect policy
 - i-Discounts
 - Bad debts
 - I-Interest
 - Follow up cost
- (Any 6 x 2) (12)
[50]

QUESTION 2

- 2.1 2.1.1 Beginning with an end in mind
- She knew what she wanted to achieve, that is why she started a business.
 - Caroline needs to be focused and have a mental image of where her business will be in the future

- 2.1.2 The other view point
- She must respect employees' views and consider their opinions.

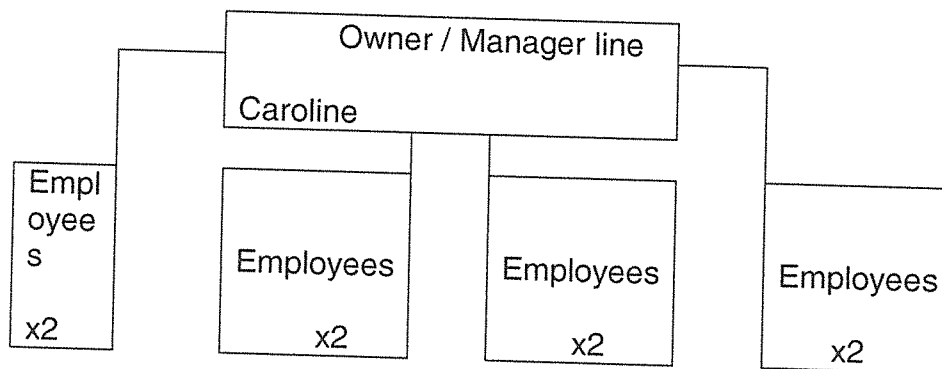
- 2.1.3 Synergy
- She must connect all the resources in a logical ways so that it can function as a whole e.g. Materials, equipment and skilled people.
 - Team work

(3 x 4) (12)

- 2.2
- Physical – exercise, eat right
 - Mentality – Study, read magazine, consult other medics
 - Spiritually – for example. have religion or believe in something not necessary a religion.
 - Socially - belong to a family, sports etcetera.

(4 x 3) (12)

- 2.3 Organogram.



(6)

- 2.4.1 Employees
- Train and develop staff
 - Offer bursaries to their children
 - Medical assistance

(6)

- 2.4.2 Community
- Employment
 - Donate clothes to old age/orphanages
 - Offer discounts to regular customers

(6)

- 2.5
- Assign the task to the subordinate and provide background information of the task
 - Give the subordinate the authority to do the task
 - Create accountability; make sure that the person is made responsible
 - Monitor the subordinate to make sure that he/she is doing the task correctly

(4 x 2)

(8)

[50]

QUESTION 3

- 3.1
- 3.1.1 Unemployment Insurance Fund
- Ensure employees should contribute to this fund
 - Ensure employees must contribute to this fund
- 3.1.2 Labour Relation Act
- Reference of agreement on how employers and employees should deal with each other.
 - Improve process of collective bargaining
- 3.1.3 Machinery and Occupational Safety Act
- Ensure that working conditions are safe and environment is health
 - Protect workers from the threat of other workers
- 3.1.4 Works men's Compensation Act
- Workers are compensated for loss or income as a result of disability or death by accident at work.
 - Business must contribute to this fund
- 3.1.5 Basic Conditions of Employment Act
- Provides minimum conditions of service for employee, working hours, working on Sundays and sick leave.

(5 x 4)

(20)

- 3.2
- Human skills- business knowledge and knowledge of the clothing industry and its people is very important
 - Technical skills – Ability to manufacture and run a business operation in terms of negotiating.
 - Conceptual skills – Experience in clothing industry and business environment will allow her to be successful. (Problem solving skills)

(6)

- 3.3 Ethics are set of rules that instruct people about right and wrong. Written values, morals which must be communicated to a society. This guides the right and wrong practices in the society.
 - Ethics principles
 - She should not exploit the workers.
 - Pay them fair wages/salaries
 - Pay government taxes and levies (9)
- 3.4 - Workforce – Employees must be trained and developed
 - Inventory – The proper stock must be ordered in the correct quantities
 - Layout – Goods must be stored in department and easily accessible
 - Competitive choices – choice must exist for customers.
 - Staffing plans – clear job descriptions must be defined to provide efficient services (5 x 3) (15)
 [50]

QUESTION 4

- 4.1 Return on Investment $= \frac{\text{Net Income before tax} \times 100}{\text{Total assets}}$
 $= \frac{355\,000}{540\,000}$
 $= 66\%$ (5)
- 4.2 Yes
 -Return on investment is 66% this is greater than what would receive on an investment from a bank
 -The return is higher than the prime lending rate (6)
- 4.3 Acid test ration $= \frac{\text{Current assets} - \text{Stock}}{\text{Current Liabilities}}$
 $= \frac{300\,000 - 100\,000}{155\,000}$
 $= 1, 29.1$
 Accounts receivable turnover ratio $= \frac{\text{credit sales}}{\text{Debtors}}$
 $= \frac{300\,000}{90\,000}$
 $= 3, 3 \text{ times}$
 Average collection period $= \frac{365}{\text{Accounts receivable ratio}}$
 $= 110; 6 \text{ days}$
 Average collection period is 111 days which is not a good cash flow procedure (10)

- 4.4 Current ratio
$$\begin{aligned} &= \frac{\text{Current Liabilities}}{\text{Current assets}} \\ &= \frac{300\,000}{155\,000} \\ &= 1,93.1 \end{aligned}$$
 (5)
- 4.5
- Price - Reasonable price
 - Quality – Good Quality products
 - Credit – Offer credit facilities
 - Distance – Must be located closed to suppliers
 - Reputability – Suppliers must have good reputation in industry
 - Delivery – Deliver on time
 - Service – Excellent service
- (5 x 2) (10)
- 4.6
1. Initial interview - when all the applicants have submitted their application form/ curriculum vitae, evaluate them, select the best and put them on a shortlist.
 2. Application form- provides the business with personal information about the candidate.
 3. Interview - It is a very important part between the business and the candidate because it is usually the first time they meet face to face.
 4. Tests – Can be used to test the application skills.
 5. Approval by the supervisor – They know what personal qualities are necessary for the job.
 6. Physical Examination – Evaluates the candidate mental or physical health of the position.
 7. Orientation induction – process of introducing the new employee to the business.
- (7 x 2) (14)
- TOTAL SECTION B: 150**
GRAND TOTAL: 200