



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

NOVEMBER 2015

**BUSINESS STUDIES
MEMORANDUM**

MARKS: 300

This memorandum consists of 26 pages.

NOTES TO MARKERS

1. Candidates' responses must be in full sentences for SECTIONS B and C. This would depend on the nature of the question.
2. A comprehensive memorandum has been provided, but this is by no means exhaustive. Due consideration should be given to an answer that is correct but:
 - Uses a different expression from that which appears in the memorandum
 - Comes from another source,
 - Is correct and original, and
 - Relates to another applicable topic.

NOTE: There are no alternative answers in SECTION A.

3. Take careful note of other relevant answers provided by candidates and allocate marks accordingly.

SECTION B

4. 4.1 If for example, FOUR facts are required, mark the candidate's FIRST FOUR responses supplied by the candidate and ignore the rest of the responses. Indicate this by drawing a line across the unmarked portion or use the word CANCEL.
- 4.2 If two facts are written in one sentence, award the candidate FULL credit.
- 4.3 If candidates are required to provide their own examples/views, brainstorm this to finalise alternative answers.
- 4.4 All questions that require candidates to explain/discuss/describe will be marked as follows:
 - Heading (2 marks)
 - Explanation (1 mark) or as indicated in the memorandum
- 4.5 All questions that require candidates to name/list/mention, etc. the answers of the candidates can be in phrases and not necessarily in full sentences.

SECTION C

5. 5.1 All essay questions should be marked according to the rubric at the end of each essay question.
- 5.2 The components of insight are indicated at the end of the suggested answer of each question.
NOTE: The components may vary for each question.
- 5.3 Mark all relevant facts until the MAXIMUM marks for a subsection have been obtained. Write MAX after the maximum number of marks has been obtained.
- 5.4 At the end of each essay indicate the allocation of marks for facts and marks for insight as follows:

CONTENT	MARKS
Facts	32
L (Layout)	2
A (Analysis)	2
S (Synthesis)	2
O (Originality)	2
Total marks	40

- 5.5 If the candidate identifies/interprets the question INCORRECTLY, then he/she still obtains marks for insight.
- 5.6 Take particular note of the repetition of facts. Indicate with an R.
- 5.7 Subtotals to questions must be written in the right margin. Only the total for each question should appear in the left margin next to the appropriate question.

SECTION A (COMPULSORY)**QUESTION 1**

- 1.1 1.1.1 C ✓✓
- 1.1.2 C ✓✓
- 1.1.3 C ✓✓
- 1.1.4 A ✓✓
- 1.1.5 B ✓✓
- 1.1.6 A ✓✓
- 1.1.7 C ✓✓
- 1.1.8 B ✓✓
- 1.1.9 B ✓✓
- 1.1.10 D ✓✓ (10 x (20))
- 1.2 1.2.1 Seasonal discount ✓✓
- 1.2.2 Customer Base ✓✓
- 1.2.3 Code of Ethics ✓✓
- 1.2.4 SARS (South African Revenue Services) ✓✓
- 1.2.5 Consumer Protection Act ✓✓ (5 x 2 (10))
- 1.3 1.3.1 F ✓✓
- 1.3.2 D ✓✓
- 1.3.3 A ✓✓
- 1.3.4 E ✓✓
- 1.3.5 B ✓✓ (5 x 2 (10))

TOTAL SECTION A: 40

SECTION B

QUESTION 2: BUSINESS ENVIRONMENT

2.1 POWER RELATIONSHIP

- (a)
- In South Africa, power relationships are centred on Broad Based Black Economic Empowerment (BBBEE) and the empowerment of employees. ✓
 - Companies wanting to do business with government need to score adequate points on the BBBEE checklist. ✓
 - These relationships can impact on businesses in all three business environments and include: ✓

- (i) Strategies alliances
- (ii) The persuasion of large investors
- (iii) The influence of company representatives

- (b) Power relationships between government and private enterprise can be very lucrative ✓✓, e.g. provision of infrastructure to Eskom. ✓

(Any 2 x 3) (6)

2.2 Impact of changes in the income levels:

- Changes in the consumer's income level impact on the spending patterns of the households. ✓✓
- During a recession, the general level of income in a country drops as businesses are unable to sustain salary and wage increases. ✓✓
- Retrenchments, lower salaries and less perks follow. This influences the consumers' ability to buy products and services. ✓✓
- Since 1994 there has been a steady increase in the spending power of the black middle income group and some marginalised families have been able to rise above the breadline since the increase in social grants, which were included in 2008. ✓✓

(4 x 2) (8)

2.3 Distinguish between mergers, takeovers, alliances and acquisitions.

- Merger
 - Occurs when two or more companies combine to form a new company ✓✓
- Acquisition
 - Occurs when a business acquire the shares of another company acquired business continues to operate as a subsidiary of the acquiring business. ✓✓
 - Also known as a takeover – when it is against the business's will. ✓✓
- Alliance
 - Business starts a venture with another business. ✓✓
 - A type of partnership between the two businesses. ✓✓

2.4 Society, culture and demographics are in a constant state of change. ✓ This affects the level of available skills ✓ and the makeup of the workforce in terms of age, gender and race. ✓ As the population ages, valuable skills and experience are lost and will need to be replaced. ✓ South Africa is shifting from a labour-based market to a knowledge market ✓ and this requires more skilled workers with higher levels of education and training. ✓ (6)

2.5 Advantages of outsourcing:

- Access to expertise ✓ e.g. service providers are specialists in their field and often have equipment and technical expertise. ✓
- Concentrating on core processes rather than the supporting ones ✓ e.g. IT, allows an organisation to focus on and strengthen their core business process. ✓
- Competitive advantage ✓ e.g. allows the organisation to develop new competencies and skill-sets pertinent to the core processes, which can be used as a competitive advantage. ✓
- Reduced costs and streamlining cash flow ✓ e.g. reduces the company's financial commitment to technology, infrastructure and people is reduced. ✓
- More effective and flexible management ✓ e.g. the service provider is responsible for managing its workforce, which allows the organisation the budget and opportunity to hire the best people to run its core functions. ✓
- Time zone difference ✓ e.g. it allows the organisation to provide around the clock customer support.
- Risk distribution ✓ e.g. rather than use the company's operational time and money, the manufacturer outsources the translation function to a vendor, giving itself the freedom to focus on other core activities of the business. ✓

Advantages (Any 5 x 1) (5)

Examples (5 x 1) (5) (10)

2.6 To prevent accidents from happening in the working place:

- Train workers to work with equipment. ✓✓
- Provide workers with protective clothing. ✓✓
- Put up safety procedures in working place. ✓✓
- Clearly mark the exits (show signs). ✓✓
- First aid kit is fully stocked to all workers in the department. ✓✓
- Have a fire procedure in place as well as fire extinguishers at hand. ✓✓
- Encourage safety and tidiness in the workplace. ✓✓ (Any 5 x 2) (10)

2.7 Yes ✓✓

- The agriculture sub-sector of the economy is largely influenced by environmental, institutional and political factors in the macro environment. ✓ Agriculture is currently the biggest contributor to the GDP and jobs are provided in this sub-sector. ✓ South Africa exports large quantities of agricultural products which helps the balance of payments. ✓ (3)
 - Forestry is divided into two categories namely: ✓
Indigenous forests which add value to the country's beauty, wildlife and environment. ✓
Commercial forests which provide jobs and economic opportunities for many people, especially in the rural areas. ✓ (3)
 - South Africa has a well-established fishery sector and is net exporter of fishery products. ✓ The fishing industry provides an income to a large part of the population ✓ in both formal and informal sector of the economy. ✓ (3)
 - In the mining sector, South Africa is the world's third largest producer of gold and the fourth largest diamond industry in the world. ✓ The mining sector uses considerable services and inputs from the domestic economy ✓ and it supplies many associate industries with mining products. ✓ (3)
- (14)
[60]

QUESTION 3: BUSINESS VENTURES

3.1

<i>Criteria</i>		<i>Sole proprietorship</i>	<i>Close corporation</i>	<i>Private company</i>
3.1.1	Number of founders	1 √√	Between 1 and 10 √√	At least 1, no maximum √√
3.1.2	Liability for business debts	Owner has unlimited liability for business debts √√	Members have limited liability for business debts √√	Shareholders have limited liability for business debts √√
3.1.3	Taxation	Profits taxed through owner's income tax √√	Business pays tax in form of company tax √√	Business pays tax in form of company tax √√

3 facts per criteria x 2 marks each (18)

3.2

Contractual implications of leasing:

- Document is known as lease agreement. √√
- Must be signed between lessee and lessor. √√
- Normally for a specified period of time, but could also be open-ended. √√
- Stipulates that the assets become the property of the lessee after a certain period of time. √√
- Lessor agrees to let the lessee assume use of the business for a given period of time in exchange for an agreed fee. √√
- Content of contract: √√
 - o Names of parties
 - o Duration of agreement
 - o Conditions of renewal
 - o Any specified conditions for default
 - o Details of costs, up-front payments and instalments

Any other acceptable contractual implication of leasing.

Max 6 (6)

3.3

3.3.1 Action Plan

- A record of activities showing how those activities will be organised to achieve the goals set out in the business plan. √√
- A document that identifies the activities and tasks required to get the work done and assigns responsibility. √√

Any other acceptable definition/description of an action plan.

First fact x 2 marks**Max 2 (2)**

- 3.3.2 Steps to follow to transform a business plan into an action plan.
- Summary of your vision, mission, long-term goals ✓ and short-term objectives. ✓
 - Work breakdown structure ✓ – identifies what will be done, organises the plan into manageable stages that can be carried out individually or as part of a group of tasks. ✓
 - Action step chart ✓ – provides more detail on the Work Package level of the WBS, it provides an outline to what must be done by who and when must it be finished as well as the expected outcome. ✓
 - Timelines indicating key targets and deadlines ✓ – indicate dates, use a series of dates on a linear scale to indicate the due date or date of completion for each of the short-term objectives and tasks. ✓
 - Gantt chart ✓ – using information on Action Step Chart and timeline to develop Gantt chart, clearly shows the activities against dates. ✓
- (5 x 2) (10)

- 3.4 Functions of the trade union
- Representing the interest of general society and minority groups through media and negotiations. ✓✓
 - Influencing government decisions. ✓✓
 - Influencing management for better working conditions, salaries and benefits. ✓✓
 - Representing employees corporately and individually. ✓✓
 - Improving material benefits of their members. ✓✓
 - Establishing minimum economic and legal conditions/influencing economic policy and law. ✓✓
 - Playing a role as moral institutions that will uplift the weak and oppressed and give them the dignity and justice they deserve. ✓✓
 - Protect workers from discrimination and abuse. ✓✓
 - Protecting workers from unfair labour practices and unfair dismissal. ✓✓
 - Take legal action on behalf of members when necessary. ✓✓
- Any other acceptable function of the trade union. (Any 5 x 2) (10)

- 3.5
- Avoid having a standard response ready to answer most questions. ✓✓
 - Do not make a second presentation when answering a question. ✓✓
 - Do not argue and try to prove that you are right or know best. ✓✓
 - Do not get aggressive or defensive. ✓✓
 - Take time to think before answering a difficult question. ✓✓
 - Be prepared to admit that you do not have the answer to a question. ✓✓
 - Do argue with someone who does not agree with you. ✓✓
- Any other acceptable avoidance based on the question answer session. (Any 5 x 2) (10)

- 3.6 Verbal format uses words. ✓✓
- Non-verbal uses written information such as reports or graphs. ✓✓
- (4)
[60]

QUESTION 4: BUSINESS ROLES

4.1 Force field analysis steps to follow when using:

- Identify all possible causes of action. ✓
 - Taking each alternative cause of action in turn, identify and write all advantages and all disadvantages. ✓
 - Assign a score to each force from one (weak) to five (strong). ✓
 - Draw a diagram showing the forces for and against change. ✓
 - Considering each force-field diagram, you can then choose most appropriate alternative. ✓
 - Once you have made a decision, you can use the force-field diagram to work out how to make most of the advantages identified. ✓
- Accept any relevant step on how to use the technique. (6)

4.2 Stages to deal with crises:

- Emergency plan ✓ – should be prepared in advance as part of a crisis management. The purpose is to minimise the impact of foreseeable event and to plan how the business will resume normal operations after the crises. ✓
 - Identify the type of crises ✓ – e.g. tight deadlines, financial crisis, life threatening events, etc. ✓
 - Respond to the event ✓ – the spokesperson for the business needs to prepare a public statement (if necessary) to inform the public about the crisis situation. ✓
 - Evaluate the damage or situation ✓ – media and stakeholders should be informed about what the business is going to do to turn everything back to normal. ✓
 - Feedback on what worked and on what did not work ✓ – management evaluate how effective the emergency plan throughout the crises. ✓
- Any other relevant answer to the stages of the crisis.

Description (5 x 1) (5)

Explanation (5 x 1) (5) (10)

4.3 Reasons for resisting changing:

- Loss of security: ✓ workers feel secure with what they know and with an old manager. ✓
- Fear of economic loss: ✓ workers may disapprove a new production process because they feel that it will lead to retrenchment. ✓
- Loss of power and control: ✓ when a business restructures, some people may not have as much power as they had before. ✓
- Reluctance to change old habits: ✓ people get into the habit of making the same decisions. ✓
- Awareness of weakness in the proposed change: ✓ when employees resist change. ✓
- Peer pressure: ✓ when groups of people pressurise others to resist change. ✓
- Time and scope of change: ✓ change should happen when people are receptive and well prepared for it. ✓
- Misunderstanding: ✓ when management proposes a change that benefits everyone, people may resist because they do not fully understand its purpose. ✓

Accept any relevant reason for resisting change.

(Any 5 x 2) (10)

4.4 Characteristics of an entrepreneurial business.

- Business encourages new ideas ✓ and innovation. ✓
 - There is culture of openness ✓ and transparency. ✓
 - The business is adaptable ✓ and flexible to change. ✓
 - The business is prepared ✓ to take calculated risks. ✓
 - There is an optimistic mood in the organisation ✓ where people see opportunity. ✓
 - The working environment is energetic, ✓ dynamic and flexible. ✓
 - The business is open to input ✓ and ideas from outside environment. ✓
- Accept any relevant characteristic of entrepreneurial business. (5 x 2) (10)

4.5 Micro lenders are not regulated by the South Africa Banking Act.

- The practice of granting small loans to those in need. ✓
 - For people who cannot gain access to credit granted by banks. ✓
 - Many people fail to meet the minimum credit requirements set by financial institutions. ✓
 - Interest rates can be extremely high as they are not regulated. ✓
 - Risk is very high, no proof that they can pay back the loan. ✓
- Accept any relevant fact to the nature and function of micro lending.

(Any 4 x 1) (4)

4.6 How to manage stress

- Become aware of your stressors. ✓✓
 - Recognise what you can change. ✓✓
 - Reduce the intensity of your emotional reactions to stress. ✓✓
 - Learn to control your physical reactions to stress. ✓✓
 - Build your physical reserves. ✓✓
 - Maintain your emotional reserves. ✓✓
- Accept any relevant ways of managing stress. (Any 5 x 2) (10)

4.7 Purpose of the Labour Relations Act, 1995

- Advance economic development, social justice, labour peace and the democratisation of the workplace. ✓✓
- Formulates industrial policy and promotes orderly collective bargaining. ✓✓
- Promotes the effective resolution of labour disputes. ✓✓
- Allows for the formation of workplace forums. ✓✓
- Incorporates third party interventions by trade unions and the CCMA. ✓✓
- Provides a framework within which workers and trade unions, employers and employers' organisations can collectively bargain to determine wages, terms and conditions of employment and other matters of mutual interest. ✓✓

Any other purpose of the Labour Relations Act.

(Any 5 x 2) (10)

[60]

QUESTION 5: BUSINESS OPERATIONS

- 5.1 5.1.1 **Alternative methods of recruitment**
- Adverts in the media through newspapers. ✓✓
 - Adverts in the electronic media/website. ✓✓
 - Employment agencies or consultants. ✓✓
 - Verbal announcements by senior staff. ✓✓
 - Recommendations by senior employees. ✓✓
 - Approaching tertiary institutions for newly qualified recruits. ✓✓
- (Any 2 x 2) (4)
- 5.1.2 External recruitment ✓✓ the business appoints staff from outside the business. ✓✓ (4)
- 5.1.3
- Qualifications and experience stipulate the minimum requirements for the job. ✓✓
 - Without this information, unsuitable candidates will apply. ✓✓
- (2 x 2) (4)
- 5.1.4 Job description and job specification
- Job description describes the job in terms of tasks and requirements including duties and responsibilities. ✓✓
 - Job specification describes the requirements for the employees' qualifications, skills and abilities. ✓✓
- (2 x 2) (4)
- 5.2 Human resource
- 5.2.1 Contract of employment ✓✓
- 5.2.2 Selection ✓✓
- 5.2.3 Recruitment ✓✓
- 5.2.4 Induction ✓✓
- 5.2.5 Placement ✓✓ (5 x 2) (10)
- 5.3 Details in the employment contract
- Name and address of the employer and the employee. ✓✓
 - Detailed job description. ✓✓
 - The employee's place of work. ✓✓
 - Basic salary, working hours, and overtime. ✓✓
 - Deductions from the salary – income tax, pension, UIF etc. ✓✓
 - Housing and car allowances. ✓✓
 - Termination of contract. ✓✓
 - Code of conduct. ✓✓
- Any other relevant answer related to employment contracts.
- (Any 5 x 2) (10)
- 5.4 TWO quality control bodies
- South African Bureau of Standards (SABS) ✓✓
 - The Council for Scientific and Industrial Research (CSIR) ✓✓
 - International Standards Organisation ISO 9000 ✓✓
 - South African National Standards ✓✓
 - South African Quality Institute ✓✓
- (Any 2 x 2) (4)

5.5 5.5.1 Discuss TWO advantages and TWO disadvantages of a franchise.

Advantages of a franchise business:

- The business is a proven one. Other successful franchises can be studied before making a commitment. √√
- The business will use a recognised brand name and trademarks. √√
- The franchisor gives the business support in the form of training; setting up the business and how to run the business. √√
- Can obtain exclusive rights in certain geographical area. √√
- Financing the business may be easier. √√
- Relationships with suppliers have already been established. √√

(Any 2 x 2) (4)

Disadvantages of a franchise:

- Costs may be higher than expected. √√
- There may be restrictions in the franchise agreement on how you can run the business. √√
- The franchisor may go out of business. √√
- Other franchisees could give the brand a bad reputation. √√
- May be difficult to sell the business as a franchise. √√
- All profits are usually shared with the franchisor. √√ (Any 2 x 2) (4)

(8)

5.5.2 Recommendation on outsourcing and reason for your choice

- Linda could outsource the account of her business. √√
- If the business does their own accounts they will need auditors, a debt collector and will have to incur the costs of their salaries. √√
- It is less risky if qualified accountants are contracted to do accounts. √√

Accept any suitable relevant answer.

(Any 2 x 2)

(4)

5.5.3 Which form of ownership would you choose? Explain why.

- Sole trader √√
- The business does not require much capital √√
- In a sole trader the owner makes all the decisions. √√
- All profits are kept by the owner. √√
- Formation is simple and easy. √√

(Any 4 x 2)

(8)

[60]

QUESTION 6: MISCELLANEOUS

6.1 6.1.1 Causes of conflict in an organisation

- Scarcity of resources. √√
- Different attitudes, values, and perceptions. √√
- Disagreements about needs, goals, priorities, and interest. √√
- Poor communication. √√
- Poor or inadequate organisational structure. √√
- Lack of team work. √√
- Lack of clarity in roles and responsibilities. √√
- Lack of understanding of how to get best out of teams. √√
- Inconsistency in leadership decisions. √√
- Any relevant answer related to conflict in an organisation. √√

(Any 4 x 2) (8)

6.1.2 Strategies that can be used to try to resolve conflict

- Collaborating theory: win-win theory. √√
- Compromising: Win some, lose some theory. √√
- Accommodating: lose-win theory. √√
- Competing: win-lose theory. √√
- Avoiding: no winners-no losers theory. √√

(Any 4 x 2) (8)

6.2 Four elements of successful teams

- Purpose and goals √√
- Interdependence √√
- Commitment √√
- Accountability √√

(Any 4 x 2) (8)

6.3 Characteristics of good governance

- Discipline √√
- Transparency √√
- Independence √√
- Accountability √√
- Responsibility √√
- Fairness √√
- Social Responsibility √√

(Any 4 x 2) (8)

6.4 Types of packaging

- Speciality packaging ✓ – creates an image of exclusiveness for the product ✓ e.g. unique perfumes, jewellery, etc. ✓
- Re-usable packaging (double use) ✓ – containers can be used for other purpose, ✓ e.g. Plastic bottles can be reused to contain water. ✓
- Kaleidoscopic packaging ✓ – certain aspects of the packaging are changed regularly, ✓ e.g. changing of packaging of breakfast cereals or collector photos or other images are printed on the packaging. ✓
- Combination (multiple) packaging ✓ – several products that are closely related are packed in one container, ✓ e.g. pencils, ruler and eraser in one container. ✓
- Packaging for immediate consumption/unit packaging ✓ – this is suitable for products that are used immediately and the packaging is then thrown away after use, ✓ e.g. packet of sweets. ✓ (Any 4 x 3) (12)

6.5 Problem solving techniques

- 6.5.1 Delphi technique ✓✓ (2)
- 6.5.2 Force field analysis ✓✓ (2)

6.6 6.6.1 How to manage stress

- Be aware of your stress levels ✓ – recognise and identify its causes ✓
 - Balance all that you do ✓ – moderation, stability and order create a balance that helps us to feel calm. ✓
 - Exercise regularly ✓ – regular exercise has many positive effects ✓
 - Eat a balanced diet ✓ – stays healthy and helps a person to deal with the demands of modern life. ✓
 - Get plenty of sleep ✓ – essential for good health and reducing stress in your life. ✓
 - Meditate or do relaxation exercises ✓ – deep breathing and systematic relaxation of muscles reduce the tension and relieve stress/visualise yourself in a relaxing place. ✓
 - Affirm yourself with positive self-talk ✓ – replace negative self-talk with positive self-talk, affirm yourself. ✓
 - Do something that you enjoy every day ✓/spend time with family and friends. ✓
 - Focus on things that you can control ✓ – it is pointless to worry about things which are beyond your control ✓ – it only increases your stress levels/do not procrastinate. ✓
 - Have a set daily routine. ✓✓
- Any acceptable method to manage stress levels. (Any 5 x 2) (10)

6.7 Collective bargaining

- The process that allows for discussions and negotiations between management and trade unions to reach agreement on remuneration, working conditions or other issues related to the workplace. ✓✓
- Any other acceptable definition for collective bargaining. (2)

[60]**TOTAL SECTION B: 180**

SECTION C**QUESTION 7**

Introduction

- Price is the second of the four P's being the policy instrument of the marketing function.
- The price of the product refers to the amount of money that must be paid in order for the buyer to experience the advantages of the product.

(2)

Body

Pricing techniques

A business can adopt different pricing strategies for several reasons, such as:

- To try to break into a new market
- To try to increase its market shares
- To try to increase its profits
- To make sure all its costs are covered and a particular profit is earned.

Pricing strategies

Strategy	Definition
Cost-plus pricing	Involves estimating how many products will be produced, then calculating the total cost of producing this output and finally adding a percentage mark-up for a profit.
Penetration pricing	Used when trying to enter a new market. The product is sold at a low price and therefore the sales revenue may be low.
Price skimming	A product that is either a new invention or a new version of an old product is sold on the market at a high price. People will pay this high price. People will pay this because of the newness of this product.
Competitive pricing	This involves putting prices in line with your competitor's prices or just below their prices.
Promotional pricing	Would be used when you want to price the product at a low price for a period to attract new customers.
Differential pricing	Used when different prices are set for different segments of the market.
Prestige pricing	Prices are artificially high to prove prestige or maintain a certain image. The product is a status symbol.
Odd pricing	Used to give the impression that products are cheaper.
Discount pricing	Suppliers offer a discount off a price to encourage customers to purchase more of the goods.

Price Determination

To determine prices, the business must make sure the customer is happy with price and will buy the product at that price. It is also important to make sure that you can make a profit from selling the product at that price.

The following steps are followed when marketers determine price.

- Determine cost price ✓
- Determining the market price ✓
- Determining the target market ✓
- Determining the final price (selling price) ✓

Factors influencing pricing

- Different forms of market ✓✓
- Nature of demand and consumer behaviour ✓✓
- Availability of substitute goods ✓✓
- Fixed prices of products ✓✓
- Normal trade practices, such as allowing discounts ✓✓
- Attitude of distributors ✓✓
- Production and distribution costs ✓✓

(Any 3 x 2) (6)

Conclusion

- A business should have a pricing policy that will enable it to maintain and increase profit, maintaining its market, share increase sales and remain competitive.

BREAKDOWN OF MARK ALLOCATION

	Marks	Subtotal	Maximum
Introduction		2	32
Body			
Pricing techniques	7	27	
Pricing strategies	7		
Price determination	7		
Factors influencing pricing	6		
Conclusion		2	
Insight (LASO)			
Layout			2
Analysis, interpretation			2
Synthesis			2
Originality, examples			2
TOTAL			40

[40]

QUESTION 8

Introduction

- Socio-economic issues have a huge impact on businesses. ✓
 - It is in their best interest to try to lessen the impact by understanding these issues and the challenge that they create. ✓
 - It influences the efficiency of the business, the way products are marketed and distributed, the level of revenue and the cost of doing business. ✓
- Any other acceptable introduction relating to socio-economic issues. (Any 2 x 1) (2)

SOCIO-ECONOMIC ISSUES

Low income levels

- Unequal distribution of income in South Africa – gap between rich and poor is very big. ✓✓
- A very small percentage of people earn huge incomes while the majority of people are poor. ✓✓
- South Africa is classified by The World Bank as an upper middle income country. ✓✓
- Poverty leads to a wide range of social and economic problems – poor health, low standard of living and crime. ✓✓
- Have an indirect influence on the business operations.
 - Workers are hungry and ill – tend to be demotivated and inefficient – has implications for the level of productivity and output lower profits. ✓✓
- Have a direct influence on the business operations via the demand for goods and services
 - Rich people have money to spend because they had a higher level of disposable income – creates a demand for the goods and services – stimulates economic growth and generates income for the business. ✓✓
 - Lower income levels – decrease in demand for goods/services – fall in turnover and lower profits for business. ✓✓
- Have indirect influence on businesses via the levels of savings and investments
 - Wealthy people can save a portion of their income and make investments – money available from banks to finance new businesses or the capital growth of existing businesses and build infrastructure of South Africa. ✓✓
 - Low income levels – people spend entire income on basic goods – no savings or investments. ✓✓

Any other acceptable answer relating to income levels as a socio-economic issue. ✓✓ (Any 3 x 2) (6)

Inflation

- The rate at which the general level of prices for goods and services increases. ✓✓
- Increase in prices leads to decrease in consumer buying power/leads to decrease in demand for goods/services - decrease in number of goods sold - negative impact on profits. ✓✓
- Measured by CPI (Consumer Price Index) ✓✓

- Impact on business – salaries need to also increase so that people can afford the increase in the prices of goods and services. √√
- Workers demand increase on salaries – often higher than inflation rate. √√
- Higher salaries mean that businesses have to increase the price of their products to recover their loss of income due to increase in salaries paid/leads to increase in cost of production since raw materials and labour are more expensive. √√
- Together with increase in fuel price results in negative cycle. √√

Any other acceptable answer relating to inflation as a socio-economic issue.

(Any 3 x 2) (6)

Demographic factors and population growth

- Demographic factors are defined as the characteristics of the population of a country, e.g. age distribution, gender ration and racial composition of a country. √√
- Large, rapid increases in the size of the population are considered economically undesirable – additional burdens on the country's infrastructure like schools and hospitals. √√
- May lead to increase in level of unemployment and poverty. √√
- Create new potential markets and increase the size of the workforce – contribute towards positive economic growth under the right conditions. √√
- Growth rate in South Africa is decreasing due to declining birth rates and an increase in HIV/Aids-related deaths. √√
- South Africa is made up of diverse cultures, beliefs and values – manifesting itself in the workplace – making it difficult to work as a cohesive team – intolerance lead to low morale and increased tension in workplace. √√

Any other acceptable answer relating to demographic factors and population growth as socio-economic issues.

(Any 3 x 2) (6)

Unemployment

- An unemployed person is someone who is willing and available to work and is looking for a job, but cannot find a job. √√
- Official unemployment rate in South Africa had increase. √√
- Unemployed people do not have money to buy goods/services from businesses and they may resort to crime. √√
- Reasons for high unemployment rate in South Africa:
 - Cyclical unemployment – recession puts a financial strain on businesses and therefore businesses retrench some workers. √√
 - Seasonal unemployment – some jobs are only for a specific season and then the position is unavailable. √√
 - Structural unemployment – restructuring of the workplace because of new technology – old positions become redundant and workers need to be retrained or retrenched. √√
 - Frictional unemployment – normal movement of jobs because of new positions opening elsewhere – one member of a family takes up new position while the other family member is temporarily unemployed. √√

Any acceptable answer relating to unemployment as a socio-economic issue.

(Any 3 x 2) (6)

Economic crime

- South Africa has one of the highest crime rates in the world. √√
 - Reasons for high crime rate – inequality, unemployment and poverty. √√
 - South African businesses are mostly affected by the following crimes: √√
 - Armed robbery
 - Burglary
 - Identity theft
 - Organised crime
 - Advance fee fraud
 - Tax evasion, etc.
 - Money is stolen from business through the use of intellectual skill, deception and misrepresentation rather than the physical force or threat of violence. √√
 - Involve some form of intentional or unlawful misrepresentation with the goal of extracting money. √√
- Any other acceptable answer relating to economic crime as a socio-economic issue. (Any 3 x 2) (6)

SOLUTIONS/CONTRIBUTIONS BY BUSINESSES

Low income levels

- Basic Conditions of employment Act – sets minimum wages according to industry – business can adhere to these rates. √√
- Most people in South Africa work for minimum wage because of lack of skills – contribute to development of skills and knowledge. √√ (Any 2 x 2) (4)

Inflation

- Businesses might have to retrench workers which increase unemployment and decrease the buying power even money. √√
- Business can raise the price of its goods/services – leads to further inflation-vicious cycle of higher consumer prices to higher production and labour costs and lower profits. √√ (Any 2 x 2) (4)

Demographic factors and population growth

- Businesses need employees who can see past their differences and recognise the variety of things that people have in common. √√
- Diversity is an enormous asset in making a business work – different people provide different perspectives customers will have in a real society where the business wants to operate. √√ (Any 2 x 2) (4)

Unemployment

- Retrain workers to operate new technology instead of retrenching them. √√
 - Skills development and training of workers. √√
- Any other acceptable solution or contribution to unemployment. (Any 2 x 2) (4)

Economic crime

- Putting internal control measures and procedures in place. ✓✓
 - Individual working with the business's money must: ✓✓
 - Keep records and original documentation of all transactions
 - Obtain authorisation signatures from management when making payments.
- Any other acceptable solution or contribution to economic crime. (Any 2 x 2) (4)

Conclusion

- Contemporary socio-economic issues have a direct and indirect influence on the business and therefore the business needs to contribute towards the solution/alleviation of these issues.
 - Government helps with many of these socio-economic issues by implementing legislation and providing grants/funding projects to alleviate some of these issues.
- Any other acceptable conclusion relating to contemporary socio-economic issues. (Any 2 x 2) (4)

BREAKDOWN OF MARK ALLOCATION

Details	Marks	Subtotal	Maximum
Introduction		2	
Impact of four socio-economic issues	3 x 6 = 18	18	
Solution/contribution to socio-economic issues	3 x 4 = 12	12	32
Conclusion	1 x 2 = 2	2	
Insight			
Layout			2
Analysis and interpretation			2
Synthesis			2
Originality and examples			2
TOTAL			40

[40]

QUESTION 9

Introduction

- Franchising is the right granted by a franchiser to franchisee to use a special business's name and brands. ✓
 - It is a major contributor to the economy in South Africa. ✓
 - The owner gets profits of the business. ✓
 - Not all entrepreneurs are able to start their own businesses. ✓
 - Franchises offer entrepreneurial and managerial assistance. ✓
- (Any 2 x 1) (2)

Body

Advantages of a franchise agreement for a franchisee

- The use of a well-known trade name and trademark. ✓✓
 - The owner gets profits of the business. ✓✓
 - Funding is more easily granted to franchises than to new businesses by financial institutions. ✓✓
 - Franchising offers opportunities to everyone. Franchisees do not have to be specialists in the field of the business. ✓✓
 - Franchise learns how to keep proper financial records. ✓✓
- (Any 3 x 2) (6)

Disadvantages for the franchisee

- Initial costs are usually very high which makes the franchise very expensive. ✓✓
 - Franchising does not suit all personality types – entrepreneurs with their own flair. ✓✓
 - Franchisees are not always provided with the promised on-going support and assistance. ✓✓
 - Business operations are restricted, for example only specific products may be sold in specific areas. ✓✓
- (Any 3 x 2) (6)

Advantages for the franchisor

- Rapid expansion of the business. ✓✓
 - Franchisees provide start-up capital. ✓✓
 - Assume responsibility for the running of the business. ✓✓
 - Extra profits for the franchisor. ✓✓
 - A positive/popular image leads to increased customer satisfaction. ✓✓
 - Franchisees are highly motivated, committed and therefore takes responsibility. ✓✓
 - The success of the business, in turn, improves the image of the franchisor. ✓✓
- (Any 3 x 2) (6)

Disadvantages for the franchisor

- Income of a franchisor is limited to a fixed amount royalty. √√
 - Wide marketing to get national exposure costs a lot of money. √√
 - The franchisor has an obligation to train franchisees and pay high costs for trainers. √√
 - In order to protect her/his income and reputation, he/she must exercise light financial control. √√
 - Problems can cause unpleasantness between the franchisor and the franchisee. √√
- (Any 3 x 2) (6)

The franchising contract

A franchise agreement is a legal document and deals with the following aspects:

- Stipulates the specific trade area for franchisee.
 - Initial fee and royalties payable to franchisor.
 - Pricing policy to be used.
 - Specification of products/services.
- (Any 2 x 2) (4)

Obligation of the franchisor

- Initial training of the franchisee. √√
 - Training of personnel. √√
 - Trade period in years. √√
 - Option to lengthen the franchise grant period. √√
 - Termination clause – usually possible after five years. √√
 - Form of ownership to be stipulated e.g. Sole trader/cc. √√
- (Any 2 x 2) (4)

Conclusion

- A franchise enables prospective business persons to start their own business, but sell the products of a well-known business. √√
 - Market research for the product for sale was mostly done and research costs are very low. √√
 - Examples of franchises are: McDonalds, Wimpy, etc. √√
- (Any 2 x 1) (2)

BREAKDOWN OF MARK ALLOCATION

Details	Marks	Maximum
Introduction		2
Body		
Advantages and disadvantages for franchisee	12	28
Advantages and disadvantages for franchisor	12	
Franchising contract	8	
Conclusion		2
Insight LASO		8
Layout	2	
Analysis, interpretation	2	
Synthesis	2	
Originality, examples	2	
TOTAL		40

[40]

QUESTION 10

Introduction

- Labour Relation act regulates the fundamental rights of employers and employees. ✓
- Contributes to economic development and social justices. ✓
- Standardises labour practices in business organisations. ✓ (2)

Body

BASIC CONDITIONS OF EMPLOYMENT ACTNature

- Establish/enforcing basic condition in the workplace. ✓✓
- To promote economic and social development. ✓✓
- Any relevant answer. (Any 2 x 2) (4)

Purpose

- Workers are expected to work 45 hours (5 days) per week or 48 hours (6 days) per week. ✓✓
- Wages for Sunday and public holidays must be double the normal wage rate. ✓✓
- Annual leave – workers must be allowed 21 working days' leave or on a pro-rata basis. ✓✓
- Maternity responsibility leave – entitled to 3/5 days per year. ✓✓
- Any relevant answer (Any 2 x 2) (4)

IMPACT ON THE BUSINESS

- Prescribing conditions in writing ✓✓
- Introducing structures such as CCMA ✓✓
- Imposing fines/penalties for non-compliance ✓✓
- Any relevant answer. (2 x 2) (4)

LABOUR RELATION ACTNature

- To provide the framework were the employees/trade unions/employers can collectively bargain for wages and other working conditions. ✓✓
- To advance economic development and labour peace. ✓✓
- Any relevant answer. (Any 2 x 2) (4)

IMPACT ON THE BUSINESS

- Collective bargaining ✓✓
- Trade union activities ✓✓
- Compliance reports ✓✓
- Labour inspectors ✓✓
- Any relevant answer ✓✓ (Any 2 x 2) (4)

EMPLOYMENT EQUITY ACT (EEA)Nature

- Aims to eliminate all forms of unfair discrimination in the workplace and is the core of all labour laws. ✓✓
- This act promotes equity in the workplace and corrects the imbalances of the past through affirmative action. ✓✓ (Any 2 x 2) (4)

Purpose

- Promoting equal opportunities and fair treatment to all employees. ✓✓
- Eliminating unfair discrimination. ✓✓
- Ensuring equal representation of all population groups in all occupational categories and levels in the workforce. ✓✓
- To achieve diversity. ✓✓
- To implement affirmative action measures for designated groups. ✓✓ (Any 2 x 2) (4)

IMPACT ON THE BUSINESS

- The government fines employers for non-compliance to the EEA. ✓✓
- Inspectors are sent to businesses to monitor the implementation of the EEA. ✓✓
- Companies that do not comply with EEA are awarded certificates of compliance. ✓✓ (Any 2 x 2) (4)

Conclusion

- Since these Acts has been implemented, employees as well as employers are benefiting in the workplaces. ✓✓
- In South Africa there is an increasing awareness of contraventions in workplaces and also employees are being treated fairly. ✓✓ (2)

BREAKDOWN OF MARK ALLOCATION

Details	Marks	Maximum
Introduction		2
Body		
LABOUR RELATIONS ACT		
Nature and purpose	8	27 (32)
Impact on the business	4	
BASIC CONDITIONS OF EMPLOYMENT ACT		
Nature and purpose	8	
Impact on the business	4	
EMPLOYMENT EQUITY ACT		
Nature and purpose	8	
Impact on the business	4	
Conclusion		2
Insight (LASO)		8
Layout	2	
Analysis and interpretation	2	
Synthesis	2	
Originality, examples	2	
TOTAL		40

[40]

TOTAL SECTION C: 80

GRAND TOTAL: 300