



education

Department:
Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATION – 2008

BUSINESS ECONOMICS

HIGHER GRADE

MAY/JUNE 2008

MEMORANDUM

MARKS: 400

This MEMORANDUM consists of 35 pages.

SECTION A
ANSWER SHEET

QUESTION 1

1.1 MULTIPLE CHOICE QUESTIONS

1.1.1	A	BX	C	D
1.1.2	A	B	C	DX
1.1.3	A	BX	C	D
1.1.4	A	B	C	DX
1.1.5	A	B	CX	D
1.1.6	A	BX	C	D
1.1.7	AX	B	C	D
1.1.8	A	BX	C	D
1.1.9	A	B	CX	D
1.1.10	A	B	C	DX
1.1.11	A	B	CX	D
1.1.12	AX	B	C	D
1.1.13	A	B	C	DX
1.1.14	A	B	CX	D
1.1.15	A	B	C	DX
1.1.16	AX	B	C	D
1.1.17	A	B	CX	D
1.1.18	AX	B	C	D
1.1.19	A	BX	C	D
1.1.20	AX	B	C	D

20 X 3 = 60

1.2 TRUE OR FALSE

NUMBER	TRUE	FALSE	CORRECTION
1.2.1		X✓✓	General managers and directors OR Chief executive officer✓
1.2.2	X✓✓		
1.2.3	X✓✓		
1.2.4		X✓✓	Authority✓

10

1.3 SUPPLY THE CORRECT TERM

1.3.1	Span of control
1.3.2	Tactical
1.3.3	Lead/activate/command/motivate
1.3.4	Lower
1.3.5	Functional/Line and staff

5 X 2 = 10**1.4 MATCHING ITEMS**

1.4.1	D
1.4.2	A
1.4.3	H
1.4.4	E
1.4.5	C/G

5 X 2 = 10**1.5 DATA RESPONSE**

1.5.1	1 000 000 ordinary shares @ R2 each	OR R2 000 000
1.5.2	400 000 ordinary shares @ R2 each	OR R800 000
1.5.3	100 000	
1.5.4	R100 000	
1.5.5	None of the two	

5 X 2 = 10**100 MARKS**

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Memorandum

SECTION B

GUIDELINES FOR MARKING:

- When awarding marks for facts, take note of the sub-maxima indicated, especially if candidates do not make use of the same sub-headings. Remember, headings and sub-headings are encouraged and contribute to insight (structuring / logical flow / sequencing) and indicates clarity of thought. (See BREAKDOWN at the end of each question.)
- Allocate TWO marks for complete sentences. Allocate ONE mark for phrases, incomplete sentences and vague answers.
- The components of insight are indicated at the end of the suggested answer for each question. Note that the components vary with each question.
- If the candidate identifies / interprets the question incorrectly, he/she can still obtain marks for insight.
- Take particular note of the repetition of facts.
- Mark all relevant facts until MAXIMUM mark in sub-section has been attained. Write MAX after maximum marks has been obtained.
- Indicate insight in the left-hand margin with a symbol, e.g. ^.
- At the end of each essay indicate the allocation of factual marks and insight marks as follows:

	34
+	2
+	2
+	0
+	3
	41

SECTION B**QUESTION 2: FORMS OF OWNERSHIP****Identification**

Partnership ✓✓

MAX
(2)**Introduction**

Any suitable comment OR definition of a partnership ✓✓

Definition:

An association between two to twenty people who intend to make and share profits.

MAX
(4)**Characteristics of a partnership**

- has from two to twenty partners. ✓✓
- is not a legal entity.
- does not have continuity - change in membership – dissolve partnership
- partners are jointly and severally liable for the debts of the business - partners therefore have an unlimited liability
- partnership - not a legal entity - does not pay income tax
- partners each pay income tax in their private capacities - tax is paid on income derived from both the partnership and other sources
- partner is an agent of the firm and may act on behalf of the partnership
- may be formed orally or in writing

MAX
(10)**Formation of a partnership**

A partnership may be formed orally or in writing ✓✓

If in writing, the document, drafted by an attorney, is called the articles of partnership or partnership agreement

The articles of partnership can deal with the following matters:

- The aim and nature of the partnership
- Kind of partnership
- The contribution of each partner
- The ratio or proportion in which the profits and losses are to be divided
- The duration of the financial period
- Procedure to be followed when the partnership is terminated
- Insurance to be taken out on assets of the partnership and on partners
- How disputes are to be settled (arbitration clause)
- Who will bear the expense of an audit if an audit is required by one of the partners
- The rate of interest payable on capital and drawings
- Salaries payable to partners
- The amount of drawings allowed and the interest payable
- The names of the partners and the name of the partnership
- Duties of each partner and the time that must be spent with the partnership
- Arrangements for leave

MAX
(10)

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Memorandum

Advantages of a partnership

- It is relatively cheap and uncomplicated to establish a partnership. ✓✓
- Up to 20 people can contribute to the capital of the business.
- Partners combine their knowledge and skills.
- Financial institutions are more willing to grant credit and provide loans because the partners are jointly and severally liable for the debts of the business.
- Self-interest and the threat of an unlimited liability encourages partners to ensure a successful business.
- The partnership is flexible.
- Partnerships have no legislation or controlling body to supervise the financial matters of the partnership.
- Each partner can specialise in and concentrate on his area of expertise.
- Working conditions may improve as partners may share both costs and responsibilities.

MAX
(10)

Disadvantages of a partnership

- Partners have an unlimited liability. If the business fails, the owners stand to lose everything, including their personal possessions. ✓✓
- The lifespan of the business depends upon the lifespan and unity of the partners. With any change in membership, the partnership is dissolved and a new partnership must be formed.
- The capital of the business is limited to what 20 people can contribute.
- Poor judgement or dishonesty by one partner may have disastrous consequences for the other partners.
- Urgent decisions cannot be made quickly. All partners should be consulted.

MAX
(10)

Dissolution of a partnership

A partnership can be dissolved by:

- mutual agreement of all partners ✓✓
- admission of a new partner
- death, retirement or the resignation of a partner
- completion of the partnership business (in the case of a single purpose partnership) or the lapsing of the time of the agreement
- the insolvency of a partner (in his private capacity)
- an order of the court
- a change in the number of partners to more than 20 or fewer than two
- an outbreak of war and the residence of a partner or partners in the opposing country
- the failure of one partner to deliver his/her pre-determined contribution.

MAX
(6)

Conclusion

Any suitable comment. ✓✓

MAX
(2)

FACTUAL: 40
INSIGHT: 10

TOTAL [50]

<p>INSIGHT</p> <p>Structure/Layout</p> <ul style="list-style-type: none"> inclusion of introduction, discussion and conclusion <p>Analysis and Interpretation</p> <ul style="list-style-type: none"> learners' ability to break down the question to show an understanding of what is being asked <p>Synthesis</p> <ul style="list-style-type: none"> relevant sections included in the answer reasons for formation: <ul style="list-style-type: none"> To increase efficiency by combining the skills and knowledge of different people To share responsibilities and costs and to improve working conditions To improve the credit-worthiness of the business to make it easier to get loans and obtain credit 	<p>(2) OR (1) OR (0)</p> <p>(2)</p> <p><u>(6)</u> (10)</p>
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BREAKDOWN OF QUESTION	
Introduction	MAX 2 MARKS
Characteristics	MAX 10 MARKS
Formation	MAX 10 MARKS
Advantages	MAX 10 MARKS
Disadvantages	MAX 10 MARKS
Dissolution	MAX 6 MARKS
Conclusion	MAX 2 MARKS
MAXIMUM	40 MARKS

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Memorandum**QUESTION 3: MARKETING FUNCTION****Introduction**

Any suitable comment. ✓✓

MAX
(2)**Advertising**This is non-personal communication in the mass media for which advertiser pays. ✓✓
The advertiser himself determines the contents of the message to be communicated.MAX
(2)**Kinds of advertising****Product/Service advertising** ✓✓

- Advertising undertaken by manufacturers and is aimed at dealers and consumers ✓

Institutional advertising ✓✓

- Advertising aimed at advertising the business supplying the products. ✓
- It changes the public's perception of the business and its products.

Combined advertising ✓✓

- The manufacturer and the dealer undertake a joint advertising campaign. ✓
- The product is advertised by a supplier, but the names of the manufacturers of the different components of the product are also mentioned in the advertisement.

Trade advertising ✓✓

- This form of advertising is aimed at retailers and is designed to promote distribution and enlist retail cooperation in a product promotion. ✓

Classified advertising ✓✓

- This is usually found in newspapers and certain magazines and contains a list of items ✓
- arranged according to certain topics.

MAX
4X2+1
(12)**Advantages of advertising**

- Increases the standard of living and level of education of the consumer. ✓✓
- Emphasises the satisfaction of needs
- Ensures the distribution of the product and helps to increase production.
- Facilitates the work of the sales staff who only have to clinch the transaction.
- Serves to encourage product improvement and development.
- It is used to remind dealers and consumers of the product and to create support.
- Protects customers. Information must be acceptable to the public.

MAX
(10)

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Memorandum

Publicity

Publicity is a credible report on the business by another business or person. ✓✓

It is only a message and not sales talk.

No payment is involved.

It can be negative or positive.

Types of publicity

- News release or press release
- Editorial in a newspaper
- A photograph with an inscription on the business or its products in a newspaper
- Internal publicity such as the appearance of documents, the behaviour of staff, the layout and location of the business, product placing, display and the way in which activities are carried out, is also a form of publicity for the business.

MAX
(12)

Other Ways to communicate:

Personal sales

This is face-to-face contact with the consumer. ✓✓

Sales staff should

- know the product,
- have the necessary sales skills and experience,
- the right personality and
- approach the sales task with the right attitude.

MAX
(6)

Sales promotion

Apply methods to increase sales. ✓✓

Special attempts that will convince the consumer to react upon.

The advertisement conveys an urgent message concerning a sale, a competition or coupons. It is aimed at the consumer and emphasises the date and duration of the sale or the closing date of the competition or the expiry date of the coupons.

MAX
(6)

Conclusion

Any suitable comment. ✓✓

MAX
(2)

FACTUAL: 40
INSIGHT: 10

TOTAL [50]

INSIGHT	
Structure/Layout	
<ul style="list-style-type: none"> inclusion of introduction, discussion and conclusion 	(2) OR (1) OR (0)
Analysis and Interpretation	
<ul style="list-style-type: none"> learners' ability to recognise four components of marketing communications policy 	(4) OR (3) OR (2) OR (1) OR (0)
Synthesis	
<ul style="list-style-type: none"> practical examples in marketing communications 	(4) OR (3) OR (2) OR (1) OR (0) <u>(10)</u>

BREAKDOWN OF QUESTION	
Introduction	MAX 2 MARKS
Advertising	MAX 24 MARKS
Publicity	MAX 12 MARKS
Other ways: Personal sales Sale promotion	MAX 12 MARKS
Conclusion	MAX 2 MARKS
MAXIMUM	40 MARKS

Senior Certificate Examination
Memorandum

QUESTION 4: FINANCIAL FUNCTION**Introduction**

Any suitable comment. ✓✓

MAX
(2)

STOCK PILING**Purpose of stock control**

To be able to control stock effectively, certain requirements must be met.

- The stock system must be simple - the users must understand it. ✓✓
- Stock control must be flexible – make quick changes in a changing environment
- The system must make provision for an effective warning system which will highlight any problem situations timeously.
- The control system must prevent possible obsolescence of stock and even be able to eliminate it.
- To control the costs and sales prices of stock to be competitive.

By means of stock control, the business strives to

- obtain the maximum advantage for the business, without investing too much capital in stock, by ensuring that there is sufficient stock at all times
- know at any stage, without a physical stock-taking, exactly what stock is on hand and what its value is
- limit the cost of stock to a minimum without forfeiting any efficiency
- keep sufficient stock to meet the normal demand
- perform periodic physical stock-taking and by comparing it with existing records, control any stock leakages
- exercise control over purchasing and selling prices of stock.

SUB
MAX
(8)

Advantages of stockpiling

- Discounts may be obtained by buying in bulk. ✓✓
- Savings on costs by ordering in large quantities and buying less often.
- Sufficient stock ensures better service to the customer as the required article is available when needed.
- The manufacturing concern experiences fewer delays in production as the required stock is available.
- Less working capital is needed to finance stock if purchases are made judiciously.
- Good stock control ensures no unnecessary duplication of stock takes place.
- As a result of judicious stockpiling, changes in price have a less disadvantageous effect on the business.
- Losses owing to stock theft by employees may, with effective stockpiling, be limited to a minimum.
- Storage facilities are used more economically and less floor space is needed for this purpose.

SUB
MAX
(8)

Disadvantages of stockpiling

- Large amounts of capital are engaged in stock. ✓✓
- Costs of storage space and insurance against theft and fire are higher.
- The risk that stock may become obsolete and be impossible to sell exists.
- Losses as a result of damage to stock are higher.
- Price fluctuations necessitate selling products at a lower price

SUB
MAX
(8)

MAX (20)

CASH MANAGEMENT

Reasons for keeping cash

- Transaction motive ✓✓
Current expenses (daily transactions) must be settled to the advantage of the business.
The business is able to negotiate favourable buying conditions.
- Precautionary motive
Cash must be available for unforeseen circumstances.
An unexpected increase in demand, an unexpected decrease in cash flow and an unexpected expense must be provided for.
- Speculative motive
Keeping cash with a speculative motive.
Cash can be used to profit from any activity other than the normal activities of the business.

SUB
MAX
(12)

Advantages of having sufficient cash on hand

- By fulfilling its financial obligations punctually a business increases its status with suppliers and the bank. More favourable credit terms may then be negotiated when needed. ✓✓
- It will be to the advantage of the business if it receives cash discounts for prompt payment of accounts.
- Timely payment of obligations facilitates the task of management.
- Cash purchases offer the possibility of negotiating lower prices.
- Unexpected opportunities to make a profit may be used to best advantage.
- A business with a high liquidity is respected by creditors and potential investors.
- Efficiency of the business is increased and sales run (production runs) smoothly because the business is able to cope with any unforeseen situation.
- Sales are not lost as provision may be made for an unexpected increase in demand.

SUB
MAX
(12)

MAX (20)

Conclusion

Any suitable comment. ✓✓

MAX
(2)

FACTUAL: 40
INSIGHT: 10

TOTAL [50]

Senior Certificate Examination
Memorandum

<p>INSIGHT</p> <p>Structure/Layout</p> <ul style="list-style-type: none"> inclusion of introduction, discussion and conclusion <p>Analysis and Interpretation</p> <ul style="list-style-type: none"> learners' ability to break down the question to show understanding of what is being asked must have stock control and cash management in answer <p>Synthesis</p> <ul style="list-style-type: none"> examples: <ul style="list-style-type: none"> Influence of stockpiling on rate of return on investment <ul style="list-style-type: none"> The stock level should not be too high or too low in proportion to sales. Rate of stock turnover <ul style="list-style-type: none"> The rate of stock turnover is the number of times the average quantities of stock are sold during a certain period, usually one year. Liquidity analysis <ul style="list-style-type: none"> Current capital ratio Current assets : Current liabilities This ratio indicates the extent to which the current liabilities are covered by current assets. Acid test ratio (quick ratio) (Current assets - stock) : Current liabilities This ratio indicates the ability of the business to meet its cash payment obligations without having to rely on the sale of its stock. 	<p>(2) OR (1) OR (0)</p> <p>(2) OR (1) OR (0)</p> <p>(6) (10)</p>
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BREAKDOWN OF QUESTION	
Introduction	MAX 2 MARKS
Stock piling	MAX 20 MARKS
Cash management	MAX 20 MARKS
Conclusion	MAX 2 MARKS
MAXIMUM	40 MARKS

Senior Certificate Examination
Memorandum**QUESTION 5: GENERAL MANAGEMENT FUNCTION****Introduction**

MAX

Any suitable comment. ✓✓

(2)

Discipline ✓✓

(2) +

To discipline someone is to change his behaviour so that it will comply with the required standard or objectives. ✓✓

Purposes:

- To create order
- To teach workers what is right and what is wrong
- To teach workers to act correctly after their behaviour has been unacceptable

Important rule when discipline is exercised:

- Rules and regulations must be compiled in conjunction with employee organisations.
- The trespasser must be given the opportunity to defend himself.
- Corrective behaviour must be suggested.
- The particular offence must always be punished in the same way.
- The offence must be followed up immediately.
- The guilty person must not be confronted in front of his/her colleagues.

Disciplinary procedures:

- Verbal warning by supervisor
- Written warning by supervisor
- Final written warning after a number of written warnings
- The employee may be dismissed after a disciplinary hearing has taken place
- An employee may be dismissed immediately in the case of a very serious offence.

MAX

(8)

Motivation ✓✓

(2) +

Motivation is the process by which people are influenced by means of communication to cooperate of their own free will to achieve the objectives of the business. ✓✓

Motivation involves powers and desires from within and from outside which motivate a person to reach a goal.

Human needs and desires always play an important role:

- Assurance that they may continue to work
- Participation in the decision-making process
- Pleasant working conditions
- Promotion opportunities
- Recognition for good performance
- An acceptable remuneration package
- Opportunity to suggest renewal
- Purposeful leadership or management
- Humane treatment

MAX

(8)

Communication ✓✓

(2) +

Communication is the transfer and receipt of concepts, feelings, attitudes and information from one person to another. ✓✓

Effective communication channels should be created.

Possible communication methods used:

- Instructions
- Manuals
- Notice boards
- Policy documents
- Reports and newsletters
- Meetings
- Telephone
- Computer terminals

Communication with top level management should be possible by:

- Open-door approach
- Opportunities to mention problems
- The completion of questionnaires
- Opportunities to relay ideas and renewal

Body language plays an important role in communication and must be used effectively.

The communication process:

- The sender delivers a message in an understandable form as required by the specific language medium of the company.
- The message can assume various forms. It may be
 - a verbal (oral) message
 - a non-verbal message (body language)
 - written (in the form of a letter, for instance).
- When the message has been received, it must be interpreted as it was intended by the sender.

MAX
(8)

Delegation ✓✓

(2) +

Delegation is when a subordinate is given an instruction as well as the necessary authority to perform a duty. ✓✓

Delegation involves the following:

- Subordinate is given an instruction to perform a duty. An understandable definition of what is expected, is essential.
- The necessary authority is given to take decisions related to the delegated duty.
- The subordinate must accept responsibility to perform the instruction. The supervisor still remains responsible.
- Opportunities must be given to perform the duties.

Delegation often does not succeed because

- delegated duties are poorly defined
- managers do not trust their subordinates
- subordinates are not able or willing to perform the duty.

MAX
(8)

Conclusion

MAX

Any suitable comment. ✓✓

(2)

FACTUAL: 40
INSIGHT: 10

TOTAL [50]

<p>INSIGHT</p> <p>Structure/Layout</p> <ul style="list-style-type: none"> inclusion of introduction, discussion and conclusion <p>Identification of problem areas</p> <ul style="list-style-type: none"> learners' ability to recognise all four <p>Synthesis</p> <ul style="list-style-type: none"> Practical advice 	<p>(2) OR (1) OR (0)</p> <p>(4) OR (3) OR (2) OR (1) OR (0)</p> <p>(4) (10)</p>
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BREAKDOWN OF QUESTION	
Introduction	MAX 2 MARKS
Discipline	MAX 10 MARKS
Motivation	MAX 10 MARKS
Communication	MAX 10 MARKS
Delegation	MAX 10 MARKS
Conclusion	MAX 2 MARKS
MAXIMUM	40 MARKS

TOTAL SECTION B: 100

SECTION C

GUIDELINES FOR MARKING

- If for example FIVE facts are required, mark the the FIRST FIVE responses of the candidate. Ignore the rest of the responses.
- If two correct facts are written in one sentence, award the candidate FULL credit.
- If candidates are required to provide their own examples / views, brainstorm it at the marking center to finalise the alternative answers.
- All questions that request candidates to 'explain / discuss / describe' will be marked as follows: HEADING = $\sqrt{\sqrt{\quad}}$ and EXPLANATION = $\sqrt{\quad}$
- In questions that require candidates to 'name / list / mention', the answers of candidates can be in phrases and not necessarily in full sentences.

SECTION C

Answer any **FOUR** questions from this section.

QUESTION 6: FORMS OF OWNERSHIP

6.1	Mugg and Bean (Pty) Ltd.	Miller and Muller Ltd.	
	Private company	Public company	
6.1.1	Management		
	Minimum of 1 director✓✓	Minimum 2 directors✓✓	
6.1.2	Maximum number of members		
	50✓✓	Depending on number of registered shares✓✓	
6.1.3	Selling of shares		
	Only to members✓✓	To the public✓✓	(12)
6.2	6.2.1 Identify a Close Corporation		
	Piet's Biltong Den CC✓✓		(2)
6.2.2	Document registered with the Registrar of Close Corporations		
	Founding statement✓✓		(2)
6.2.3	State FIVE aspects that form the contents of this document.		
	<ul style="list-style-type: none"> • name of the business✓✓ • objective of the business • financial year of the business • name, address, profession and consent of the accounting officer • postal and street addresses of the registered office of the business • name, identity number and address of each member • contribution of each member • size of interest, expressed as a percentage, of each member. 		ANY 5X2 (10)

Senior Certificate Examination
Memorandum

- 6.3 6.3.1 **What kind of amalgamation took place when Miller and Muller (two optometrists) amalgamated? Motivate your answer.**
- Horizontal amalgamation ✓✓
- Both were in the same line of business. ✓✓ (4)
- 6.3.2 **Name THREE advantages of this form of amalgamation.**
- Amalgamated businesses are often more efficient than before. ✓✓
 - It becomes easier for a small, unknown business to get loans on good terms once it has amalgamated with a recognised business.
 - The amalgamated businesses benefit from sharing knowledge, work methods and techniques. ANY
 - Horizontal amalgamation ensures constant profits. 3X2
- (6)
- 6.4 6.4.1 **Identify Oakley's form of ownership.**
- Sole proprietor ✓✓ (2)
- 6.4.2 **State THREE disadvantages of Oakley's form of ownership.**
- The owner has an unlimited liability for the debts of the business. ✓✓
 - The lifespan of the business depends upon the lifespan of the owner.
 - The capital of the business depends upon what the owner can contribute or borrow.
 - The owner is the only person directly involved in the management and decision-making of the business. ANY
 - It is difficult for the sole trader to employ really good workers as he is not always able to offer an adequate financial package. 3X2
- (6)
- 6.5 **When is a company regarded as a Controlling company?**
- A controlling or parent company controls and has power over another company. ✓✓
- The controlling company obtains control by
- holding the majority (more than 50%) of the shares of another company
 - being entitled to exercise the majority (more than 50%) of the voting rights of the other company ANY
 - having the power to appoint the majority (more than 50%) of the directors in the other company. 3X2
- (6)

[50]

6.1	12
6.2	14
6.3	10
6.4	8
6.5	6
TOTAL	50

QUESTION 7: MARKETING FUNCTION

- 7.1 7.1.1 **Name one of the parts of a trade mark.**
- Trade name ✓✓
Logo/brand mark
Graphic sign/symbol/word (2)
- 7.1.2 **Why is the abbreviation 'TM' part of the FIFA or other logo?**
- TM indicates that the trade mark has been registered. ✓✓ (2)
- 7.1.3 **Would you recommend companies to become involved in sporting events such as this? Motivate your answer.**
- YES ✓✓ (2)
It is a form of advertising for the sponsor. ✓✓
Millions of people will notice their names.
The cost per potential client is very low then.
Any other suitable answer. (2)
- OR NO**
It is expensive.
They will lose lots of money
Any other suitable answer
- 7.1.4 **Why would companies such as Hyundai and Emirates Airline be interested in becoming partners in the 2010 soccer world cup?**
- They provide transport facilities. ✓✓
Potential spectators will use their transport. (2)
- 7.2 **State any FIVE requirements of a good trade mark such as FIFA, Sony or MTN.**
- be approved by the public and not irritate them ✓✓
 - contain a unique symbol, mark, graphic sign or word which signifies something
 - be such that it can be used unchanged for an extended product range
 - not be misleading
 - reflect the utility and value of the product/service
 - be in suitable language and easy to pronounce
 - be easy to register with the registrar of trade marks
 - promote the marketing mix and strategy
- ANY
5X2
(10)

Senior Certificate Examination
Memorandum

7.3 Which FIVE factors will influence price determination when determining a price for a product?

- Satisfaction of needs. ✓✓
- Nature of demand.
- Competition.
- Availability of substitutes.
- Form of market.
- Normal trade practices, discount and rebates.
- Fixed prices.
- Production and distribution costs.
- Reaction of dealers.
- Credit policy.
- Marketing strategy.

ANY
5X2
(10)

7.4 Coca-cola will most certainly have special packages for their cool drinks during the FIFA world cup. Suggests ways in which Coca-Cola can pack their cold drinks to meet the following requirements of packaging.

Answers should be the candidate's interpretation of the following:
(Accept any suitable answers.)

- 7.4.1 **Differ from competitors:** e.g. 400ml and 600ml cans which will be different from other suppliers of cool drinks. ✓✓
- 7.4.2 **Promote sales:** e.g. Buy 600ml can and get 400ml one for free or any other way of convincing the consumer to buy their cool drinks.
- 7.4.3 **Eye-catching:** e.g. Add blue and yellow colour to their normal red or make the cans or bottles in different forms as their normal ones.
- 7.4.4 **For target market:** e.g. Plastic bottles in the form of soccer balls or other forms which will suit the needs of soccer fans.
- 7.4.5 **Well-designed:** e.g. Plastic soccer ball bottles should be strong to protect the contents or not to break easily.

(10)

7.5 Name FIVE steps in the planning of and preparation for FNB's possible advertising campaign during the Soccer world cup.

- Do market research ✓✓
- Set up advertising aims
- Draw up an advertising budget
- Do media research to select the right medium
- Work out the best design and layout
- Draw up a advertising program
- Test the desired output against the set plan

ANY
5X2
(10)**[50]**

7.1	10
7.2	10
7.3	10
7.4	10
7.5	10
TOTAL	50

QUESTION 8: FINANCIAL FUNCTION

8.1 **Select the concept that does not fit and give a reason for your decision:**

8.1.1 **bank overdraft; long-term loans; short-term loans; suppliers' credit.**

Long-term loans ✓

The others are all short-term credit. **OR** ✓✓
The others are all sources of working capital

8.1.2 **selling of shares; factoring of debtors; issuing of debentures; long-term loans.**

Factoring of debtors ✓

This is a form of cash for short term needs. **OR** ✓✓
The others are all long-term financing.

8.1.3 **cession; subrogation; underwriting; contribution.**

Underwriting ✓

It has to do with shares. **OR** ✓✓

The others are all insurance concepts.

(9)

8.2 **Explain under-capitalisation in detail and give TWO activities that can be taken to rectify this situation.**

Undercapitalisation:

- It has insufficient capital to function effectively. ✓✓
- No funds may be available to purchase the required stock, to finance debtors, to do necessary repairs and to buy better equipment.
- Services rendered are such that customers no longer support the business.

ANY
3X2
(6)

Rectify situation:

- either by reducing activities for which less capital is needed ✓✓
- or by obtaining additional capital.

ANY
2X2
(4)

Senior Certificate Examination
Memorandum

8.3 List FIVE advantages of granting credit to customers.

- The dealer has more regular/loyal customers ✓✓
- Granting of credit may be used as a means of advertising
- The dealer may charge more for his products and services
- Address lists of debtors may be used to advertise special offers
- Obtain the goodwill and loyalty of customers
- Granting of credit stimulates trade

ANY
5X2
(10)

('The dealer has more customers' cannot be part of the answer.)

8.4 Insurance may be used as 'a form of compulsory saving'.

8.4.1 Do you agree with this statement? Justify your answer.

YES ✓✓

You have to pay a monthly premium which is actually put away for future use or to be able to replace broken or stolen items. ✓
Or any other suitable answer.

OR]

(NO)

It is money wasted because if you do not claim, you lose money.

Or any other suitable answer

(YES or NO without motivation = 0)

8.4.2 Explain THREE other purposes of insurance.

- Insurance protects the business person against financial losses ✓✓ arising from specified events which may take place. ✓
- Insurance gives peace of mind to the business person because he has transferred specific risks to the insurer.
- The business person may give his full attention to running the business.
- Certain long-term insurance policies may be ceded as security for loans or other business transactions.
- The insured may obtain a loan from the insurer against certain policies, for example a life policy.
- Insurance enables the employee to make provision for
 - a pension for his retirement (retirement annuities)
 - the risk of losing his job and being without a source of income (unemployment insurance)
 - medical expenses if he is injured at work (workmen's compensation)
 - his dependants when he dies (life assurance).

MAX 1x3

Senior Certificate Examination
Memorandum

- Insurance enables the employer to make provision for
 - claims laid against him owing to irresponsible actions of employees (fidelity insurance)
 - claims laid against him by employees for injuries sustained during work (workmen's compensation)
 - damage and losses caused by employees, for example theft of money and stock
 - expenses which may result owing to the death of a senior member of staff.

ANY
3X2+1
(9)

MAX 1x3

- Life insurance offers the opportunity to the business person to make provision for himself and his dependants for the future.

('A form of compulsory saving' cannot be part of the answer.)

8.5 State THREE factors which may influence the premium payable on a fire insurance policy.

- The nature of the business ✓✓
- The nature of the building
- The nature of buildings and businesses in the immediate vicinity
- Availability of fire fighting facilities

ANY
3X2
(6)

[50]

8.1	9
8.2	10
8.3	10
8.4	15
8.5	6
TOTAL	50

Senior Certificate Examination
Memorandum

QUESTION 9: PRODUCTION AND ADMINISTRATION FUNCTION

- 9.1 9.1.1 **Name the production system that will best suit Jan's needs when building tow bars.**
- Interrupted system **OR** jobbing **OR** batch production ✓✓ (2)
- 9.1.2 **Name one fixed overhead cost that he will have to incur.**
- Rent of building ✓✓ (2)
- 9.1.3 **Name the primary cost components that will determine the production cost of a tow bar.**
- Steel for the tow bars **OR** Raw materials ✓✓
Labour costs of the three workers who build the tow bars. ✓✓ (4)
- 9.1.4 **Name one reason why calculating production costs is of importance to Jan.**
- Drawing up of financial statements ✓✓
 - Control over each cost component of the tow bars.
 - Forecasting to determine future income.
 - Valuation of stock.
 - Calculation of selling price.
 - To determine break-even point where there is neither a profit nor a loss.
 - To determine a safety margin above the break-even point.
 - Costs may be compared to choose between alternatives. (2)
- 9.2 **Discuss FIVE safety measures that will be in place in Jan's business.**
- Offer special training of workers ✓✓ in respect of unsafe activities. ✓
 - Supply and promote the wearing of protective clothing, safety devices and protective accessories.
 - Draw up safety prescriptions for the setting up and layout of the factory and the design of machinery, and display warnings where necessary.
 - Take measures to encourage tidiness, cleanliness, safety, health-care - including sanitation, ventilation and lighting of the factory.
 - Keep all tools and equipment in predetermined places.
 - Supply suitable facilities for employees.
 - Provide for emergency situations by having first aid equipment available.
 - Take fire prevention measures, for example:
 - each room should have two exits
 - fire escapes should be positioned where necessary (stairs)
 - fire-fighting equipment readily available and within reach
 - store inflammable, dangerous materials underground
 - erect fire-walls where necessary.
- MAX 2x3**
- ANY
5X2+1
(15)

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Memorandum

- 9.3 **FIVE Advantages of mass production**
- Goods are produced at a lower cost per unit. ✓✓
 - Lower stock levels can be maintained, which reduces the stock holding costs per unit.
 - Owing to division of labour, workers may become skilled in their specific tasks quite quickly.
 - Equipment and labour can be utilised to best advantage and with the minimum loss of time.
 - Better production control is possible and quality control is simplified.
 - Product quality improves and labour costs are reduced by using modern specialised equipment.
 - Standardisation of equipment, machinery and components leads to reduced production costs.
 - Movement by means of conveyer belts is cheap and limits the handling of stock.
 - Mass production increases the turnover rate of stock, and this reduces the amount of working capital tied up in stock.
- ANY
5X2
(10)
- 9.4 9.4.1 **Will the owners of franchises centralise or decentralise their administration systems?**
- Decentralise OR centralise administration system ✓✓ (2)
- Motivate your answer.**
- Decentralised:
Franchises are owned by different people and each runs his own system. ✓✓
- Centralised:
Franchise operations carry out control functions, training and financial activities from head office. (2)
- 9.4.2 **Discuss THREE benefits of decentralisation.**
- Advantages of decentralisation:**
- Everyone in the department has the opportunity of performing various tasks ✓✓ and this leads to greater job satisfaction. ✓
 - The expertise and productivity of staff improve because they take part in all activities, know one another and work together in small groups.
 - Matters are finalised more easily and quickly because staff members of the administrative department are known to the other departments.
 - Confidential information is available to fewer persons since the department is smaller and does not have many staff members.
- ANY
3X2+1
(9)

9.5 Explain what a budget is.

- A budget is the estimation of the ✓✓
- expected income and expenditure of a business
- for a specific future period.
- Budgeting has a planning as well as a controlling function.

ANY
2X2
(4)

[50]

9.1	10
9.2	15
9.3	10
9.4	13
9.5	2
TOTAL	50

QUESTION 10: THE ENTERPRISE AND ITS ENVIRONMENT

10.1 **'One of the functions of this institution is the development of national services, such as research and development to improve technology and then implement it.' Identify this institution and discuss SIX other developments that they, as part of their services, render.**

Council for Scientific and Industrial Research ✓✓

(2)

SIX services of the CSIR:

- Assists in the development of products and services ✓✓
- Assists in developing products and services promoting community development.
- Assists in developing the mining-industry in South Africa.
- Assists in bringing about and developing environmental conservation services.
- Renders a supporting service to manufacturing industries.
- Works on the technological development of new and better methods.
- Assists in the development of products, and ideas, and tests materials.
- Assists in the design of components, methods and systems.
- Makes new information regarding technological development of products and services available.
- Promotes scientific and industrial research in SA.
- The developing of human resources – staff training.
- The developing of national service transport.

ANY
6X2
(12)

10.2 **Discuss credit control as a function of the South African Reserve Bank.**

- Custodian of cash reserves from banks ✓✓
- The SARB holds compulsory cash reserves of financial organisations. The cash reserve requirements are adjusted from time to time ✓
- Provider and lender of last resort
- Commercial banks needing cash which cannot be obtained elsewhere, are allowed to obtain loans by using the credit facilities of the SARB.
- Credit rationing
- The SARB has the authority to take steps in order to control credit and money in circulation.
- Open market transactions
- Open market transactions involve the buying and selling of state shares by the SARB on the open market in order to influence conditions on the money market and interest rate patterns.
- Monetary and exchange rate policy
- The SARB is co-responsible for the formulating of a monetary and exchange rate policy, and is also largely responsible for its execution.
- Supervision over banks
- This supervision includes certain capital and liquidity prerequisites as well as other guidelines.
- Control over the currency rate
- The main aim of exchange control is to regulate the in- and outflow of capital.

ANY
4X2+1
(12)

Senior Certificate Examination
Memorandum

10.3 10.3.1 **State FOUR functions of the Chamber of Commerce**

- promote trade within the town/area of the business chamber✓✓
- further the interests of members through close contact with government bodies, local authorities and 'lawmakers'
- bring members into contact with organisations and institutions that may be able to assist them in their business
- render a service by collecting information, analysing it and giving advice to the business chamber or individual members
- render a specific service at the request of a member
- make important sources of information and documents available to members
- present courses and seminars to members and their employees in order to develop their potential
- settle differences, disputes and problems between members through arbitration
- try to eliminate unnecessary rivalry or even unhealthy competition between members.
- Keep blacklist of bad payers
- Study new laws and regulations and inform members about it

ANY
4X2
(8)

10.3.2 **State FOUR functions of the SABS**

- renders assistance to private undertakings with the drafting and updating of standards✓✓
- controls the use of the standard marks that it awards
- supplies facilities for testing, inspecting, examining and analysing products
- renders assistance to the government in the drafting and updating of standards
- makes information and research material regarding standardisation available
- furthers national awareness of quality and supports the work of quality associations and quality conscious interest groups
- determines the standards with which imported products must comply
- drafts specifications and codes of practice
- renders a variety of services to exporters such as requirements regarding packaging
- offers a listing scheme to suppliers whose products are not and cannot be covered by standard specifications, but of which the quality complies with the standard of the Bureau.
- offers a consignment inspection-scheme to organisations that purchase on a large scale.
- offers training courses to help the industry with the specialised training of personnel where training facilities do not exist
- remains in close contact with overseas countries and is able to supply full particulars of specifications used there.

ANY
4X2
(8)

Senior Certificate Examination
Memorandum

10.3.3 State FOUR functions of the JSE Ltd

- protects investors because companies must comply with the strict requirements ✓✓
- encourages the small investor to purchase shares and therefore to participate directly or indirectly in the economic development of South Africa
- serves as an important link between investors and entrepreneurs.
- offers facilities for financial institutions such as insurance companies and pension schemes to invest their funds in shares. Such shares can, when needed, be converted to cash relatively easily.
- provides the opportunity for company shares to be assessed by a large number of professionals.
- publishes share prices daily to keep investors and potential investors informed and to provide them with information.
- is a sensitive barometer of economic conditions and price tendencies.
- offers the opportunity to convert an investment into cash relatively easily at the JSE
- makes an important contribution to the economic stability and growth of South Africa by providing a market for negotiable securities.

ANY
4X2
(8)

[50]

10.1	14
10.2	12
10.3	24
TOTAL	50

QUESTION 11: MISCELLANEOUS

Answer any FIVE questions from this section.

11.1 Name FIVE aspects of the content of the Articles of Association.

- Meetings - how notice of general meetings must be given, proceedings at general meetings ✓✓
- Accounting records - Who will audit the books? Who will draw up the annual financial statements?
- Directors - How many directors? Qualifications and duties of directors, remuneration (salary) of directors
- Dividends - How are dividends declared? When are dividends declared? How will dividends be paid?
- Shares - Certificates of shares, kinds of shares, transfer of shares, voting rights related to shares
- Amendments - any change in the articles of association may be done by special resolution of its shareholders.

ANY
5X2
(10)

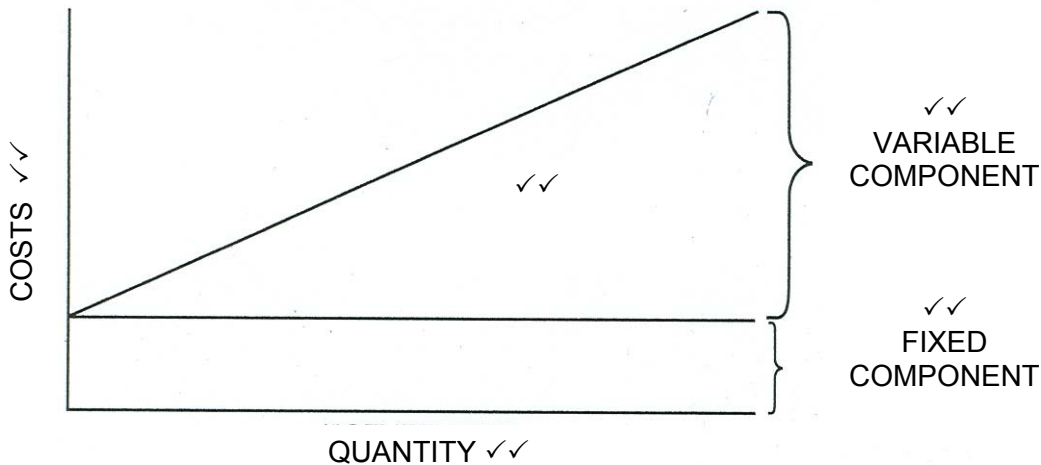
11.2 Name FIVE principles of effective planning.

- Planning must be realistic and feasible. ✓✓
- Planning must be done scientifically.
- Planning must be adjustable because the external environment changes constantly.
- Misunderstandings must be avoided by planning clearly and simply so that everybody can understand and implement the plans successfully.
- Planning must be simple and clearly understandable.
- Planning must be put in writing.
- The type of planning is important and must be clearly defined. Strategic, tactical and operational planning each has different approaches.
- Effective communication is necessary because subordinates must know exactly what is expected of them.
- Planning is time-related and is done for a certain time since the business environment changes constantly.
- Planning is a means to an end and not an end in itself. For this reason planning is always future-oriented.

ANY
5X2
(10)

Senior Certificate Examination
Memorandum

11.3 Draw one graph with clearly marked labels in which you illustrate the following costs: Fixed costs and Variable costs



(10)

11.4 State any FIVE characteristics of debenture holders.

- Creditors of the business ✓✓
- Make a contribution to borrowed/foreign capital
- Usually have no say in the management of the business
- Do not share in the profits of the business; receive interest
- A register is not always kept for all kinds of debenture holders.
- Receive interest irrespective of whether the business shows a profit.

ANY
5X2
(10)

11.5 Justify FIVE reasons why you would sell products directly to the consumers.

Reasons for direct distribution:

- The producer prefers to negotiate with the consumer. ✓✓
- Intermediaries are not willing to distribute the producer's goods.
- The producer is incapable of persuading intermediaries to distribute his products.
- The unduly high profit margins of intermediaries force producers to do it themselves.
- No auxiliary services such as transport, insurance, storage, or financing are offered by intermediaries.
- The intermediaries cannot deliver the products to the consumer soon enough, or the products need to be distributed rapidly.
- The costs of intermediaries are too high.
- Dealers and consumers prefer the producer to supply directly to them.
- Producers try to prevent intermediaries from acquiring a position of power. Intermediaries might start dictating to producers and refuse to distribute their products. This can be to the disadvantage of both producer and consumer.

ANY
5X2
(10)

Senior Certificate Examination
Memorandum

11.6 **Name FIVE reasons why managers should have control over their subordinates.**

To ensure that

- objectives are achieved ✓✓
- everything goes according to plan
- deviations are identified in good time
- corrective steps may be taken
- if necessary, planning may be adjusted
- they perform at their best
- workers get promoted when promotion is due
- Any other suitable reason

ANY
5X2
(10)

11.7 **Write down FIVE factors that will influence quality control.**

- An information system should be implemented and updated to keep records of deviations from standards. ✓✓
- A tolerance limit should be determined. This comprises the extent to which deviations from standards will be acceptable.
- A balance should be found between inspection points – not too many/not too few
- Measurements, inspection methods and evaluation criteria should be economically reliable and scientifically justifiable.
- The number of inspections per point should be determined and equally distributed over the production line.

ANY
5X2
(10)

[50]

11.1	10
11.2	10
11.3	10
11.4	10
11.5	10
11.6	10
11.7	10
TOTAL	50

TOTAL SECTION C: 200

GRAND TOTAL: 400