



BUSINESS STUDIES: PAPER I

Time: 2 hours

200 marks

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This exemplar consists of 12 pages. Please check that your exemplar is complete.
2. This exemplar covers the four Learning Outcomes for Business Studies:

LO 1 – Business Environments
LO 2 – Business Ventures
LO 3 – Business Roles
LO 4 – Business Operations
3. Answer all the questions in the exemplar.
4. Read the questions carefully and plan the length of your answers in relation to the marks allocated for each question.
5. The exemplar consists of TWO sections:

Section A: Short questions
Answer this section on the supplied answer sheet provided at the end of the exemplar.

Section B:
 - Answer each new question on a new page.
 - Number your answers as the questions are numbered in the exemplar.
6. Refer to the case study when required.
7. Use your own words and insight when answering questions.
8. Neatness and a systematic presentation of facts are essential.
9. It is in your own interest to write legibly and to present your work neatly.

Read the case study and answer the questions that follow:

VODACOM (PTY) LTD

Vodacom (Pty) Ltd is the operating company responsible for the construction and maintenance of



Vodacom's GSM cellular network consisting of in excess of 6 026 base stations serving more than 12 million customers and covering more than 95% of the South African population.

Technical excellence is the goal of all Vodacom (Pty) Ltd employees and this subsidiary also recognises the potential that its operations have for harming the environment. Consequently, in June 1998, Vodacom (Pty) Ltd became one of the few GSM network operators worldwide to receive the International Organisation for Standardisation (ISO) 14001 environmental certification and publicly committed itself to

managing and minimising impacts on the environment.

Vodacom (Pty) Ltd also boasts ISO9001 certification, a commitment to quality that has resulted in enhanced network performance and lower dropped call rates, greatly benefiting Vodacom customers. Certification to this ISO standard requires companies to effectively implement a System of Quality Management and be measured for quality purposes against business and quality elements listed in the standards. The compliance to these requirements is recorded and measured against the standards by an independent and accredited third party.

Vodacom has always placed a premium on offering its customers the latest and widest range of value-added products and services. With the expansion of the group in South Africa and on the continent, it has become necessary to establish a new product division, to more effectively serve all Vodacom Group companies with regard to the development and introduction of new products and services, as well as the management of certain products already launched.



Vodacom Service Provider Company (Pty) is South Africa's largest cellular service provider and its customers represent over 70% of Vodacom's customer base. Teljoy Cellular services (Pty) Ltd, GSM Cellular (Pty) Ltd and Vodac (Pty) Ltd were consolidated into Vodacom Service Provider (Pty) Ltd in June 2000. This reorganisation was in line with cellular trends worldwide and was also due to the emergence of prepaid technology, which resulted in rationalisation and less dependence on the service provider model as the industry matured.

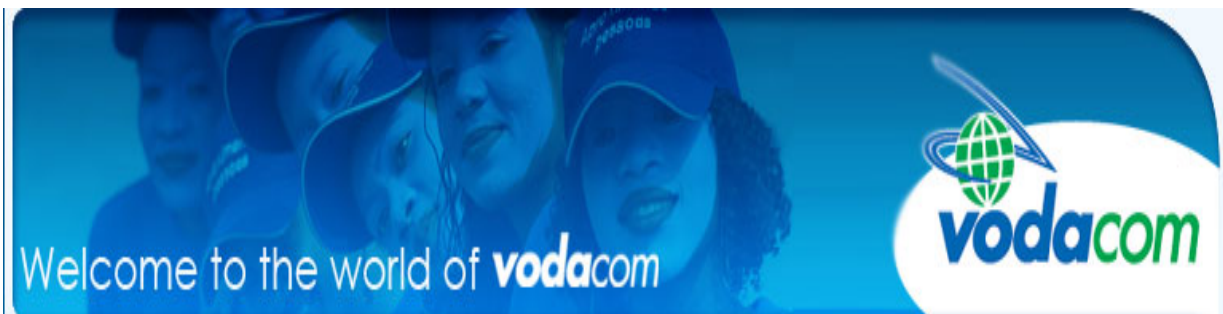
Not only has this ultimately resulted in significant economies of scale, it has enabled Vodacom to have a more direct and closer relationship with its customers. Services are offered through its distribution channels with more than 160 franchisee outlets (Vodashops and Vodacom 4U stores) and over 7, 500 retail outlets. In 2004, the Vodashop franchisee won the FASA award for best Franchisor and Franchisee.



Vodacom Service Provider Company (Pty) Ltd also manages Vodaworld; the first and only dedicated cellular shopping mall in the world and a resounding success ever since its 1998 launch. More than 70 000 people pass through its doors on a monthly basis. Face-to-face interaction is possible via its walk-in customer care centre. Walk-in customer care centres have also been opened at Canal Walk in Cape Town, Green acres in Port Elizabeth and Gateway Shopping Mall in Durban.

Another area of responsibility includes the sourcing of mobile handsets from several manufacturers around the world, on behalf of its dealer and distribution network thus ensuring bulk discounts, which are passed on to the end-user. Unit sales currently exceed 2.5 million units a year. The warehouse in Midrand handles an average 1 700 orders per day. Of all deliveries to the distribution channel, 98% are finalised within 48 hours.

Vodacom Service Provider Company (Pty) Ltd repairs handsets through its Vodacare outlets, consisting of 27 Branches and franchises in all the major centres, providing walk-in customer support to Vodacom customers and an advanced repair centre hub for high level repairs situated in Midrand. With an average of over 35 000 repairs per month, this dedicated customer services support centre differentiated Vodacom's offering from that of our competitors.



(Adapted from <www.vodacom.com>)

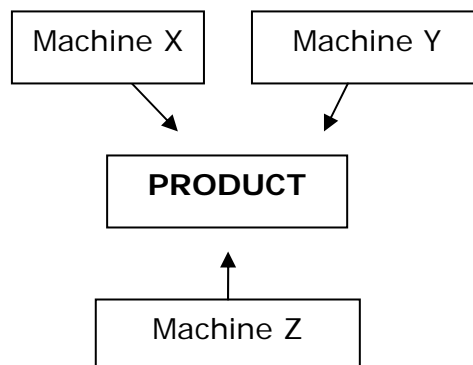
SECTION A Short Questions

QUESTION 1 Multiple Choice

Indicate the most correct answer by drawing a cross (X) over the corresponding letter in the column on the provided answer sheet.

- 1.1 When a business acquires a licence to use the name, idea, processes and goodwill of an existing business (like Vodacom (Pty) Ltd) in a specific geographic area, it is known as ...
- a. outsourcing
 - b. amalgamation
 - c. financial leasing
 - d. franchising
- 1.2 Which one of the following scenarios is not seen as a challenge from the market environment in which Vodacom (Pty) Ltd operates?
- a. An advertising campaign by Virgin mobile promoting its wireless technology service.
 - b. Lack of communication between top level management and lower level management on a new salary structure.
 - c. Changes in the demographic structure of the target market.
 - d. Willingness of suppliers to negotiate changes in the price of raw materials.
- 1.3 The diagram alongside depicts a ... factory layout, to be found at one of Vodacom (Pty) Ltd’s processing plant that manufactures cellular telecommunications masts.

- a. product – orientated
- b. fixed position
- c. process - orientated
- d. mass production



1.4 In recent months the implementation of the number portability policy, introduced by the Minister of Telecommunications, has resulted in conflict at Vodacom (Pty) Ltd’s head office. Top management has used the interactionst view to conflict management. This means that ...

- a. conflict is natural and an inevitable part of the group dynamics.
- b. there is the belief that all conflict must be avoided.
- c. conflict is not only a positive force in a group, but also necessary for a group or team to perform effectively.
- d. none of the above

1.5 At a Vodacom outlet a consumer may see a cell phone charger with a three-point plug packaged together for sale. This is known as ... packaging.

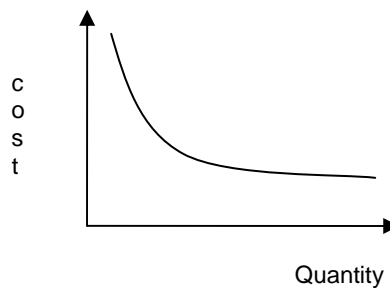
- a. speciality
- b. double-use
- c. kaleidoscopic
- d. combination

1.6 The human resource department at Vodacom (Pty) Ltd has identified the need for a tactical plan to address the high rate of absenteeism in the operations department. This challenge is part of the ... environment.

- a. micro
- b. market
- c. macro
- d. SMME

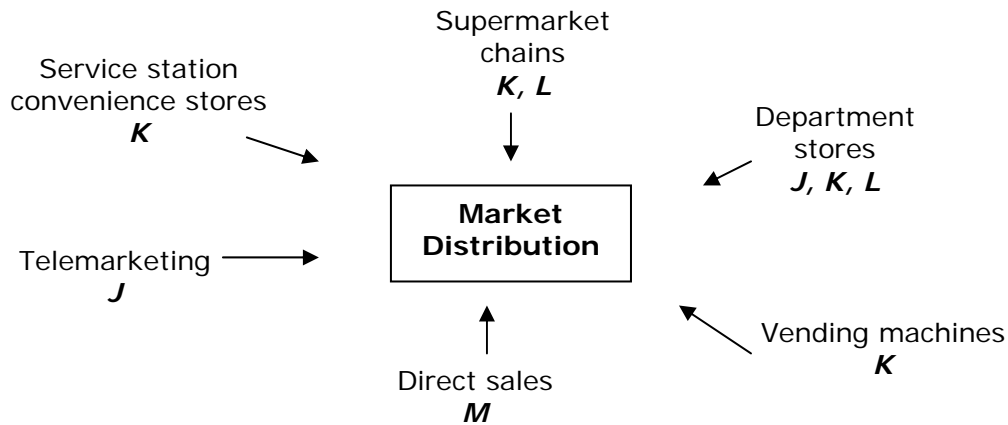
1.7 The graph alongside depicts a ... graph of the operations plant at the Vodacom (Pty) Ltd site in Midrand.

- a. total fixed cost
- b. total variable cost
- c. variable cost per unit
- d. fixed cost per unit



- 1.8 Vodacom (Pty) Ltd chose the private company over the close corporation as a form of ownership. Which one of the following factors had the most important influence on choosing the private company over the close corporation as a form of ownership?
- The percentage interest of individual members in the CC can be determined by the mutual agreement of the members.
 - A member can bind the close corporation through agreements with third parties, even if the member was not authorised to do so.
 - A CC can buy out a member's interest or support other members to obtain a share of the business.
 - A CC does not require statutory audits of its financial statements
- 1.9 Which one of the following business practices would be regarded as unethical?
- Vodacom uses part of its profits on a housing subsidy scheme for its employees.
 - Vodacom charges less for its international sms rate in comparison to Cell C.
 - Vodacom has a non-disclosure clause for the HIV-status of their employees.
 - Vodacom allows family members to be appointed to top level management positions without an interview procedure.
- 1.10 Vodacom (Pty) Ltd has a number of manufacturing locations in different countries to produce components of its final product. Which of the following best describes this form of operation?
- Global branding
 - Global marketing
 - Global positioning
 - Global web
- 1.11 Instead of providing plastic bags, a supermarket mall with a Vodacare outlet, encourages customers to bring their own shopping bags. What is the purpose of this action?
- To enhance ecological sustainability
 - To improve quality of working life
 - To improve fixed costs
 - To comply with government regulations

1.12 The following diagram illustrates the market distribution of products *J*, *K*, *L* and *M*. Which of the following statements is correct?



- Product *J* is distributed intensively and Product *L* is distributed selectively.
- Product *J* is distributed exclusively and Product *M* is distributed selectively.
- Product *K* is distributed intensively and Product *M* is distributed exclusively.
- Product *K* is distributed exclusively and Product *L* is distributed selectively.

1.13 Johnny Bravo is the sales manager of a Vodacare outlet that has introduced quality circles. To be effective these circles must be ...

- voluntary and open to all employees.
- attended by middle and upper management only.
- attended by sales representatives only.
- compulsory for all employees to attend.

1.14 Vodacom (Pty) Ltd introduces a zero defects policy. The main reason for this would be to...

- increase profits by improving staff morale through a safer work environment.
- reduce waste, and improve their public image by being ecologically responsible.
- eliminate the chances of having legal action by dissatisfied customers.
- minimise the costs of wastage in production, and increase profits.

- 1.15 In a new Vodacare outlet the main advantage of leasing vehicles rather than purchasing them is to ...
- A minimise the long-term cost of vehicles for the business.
 - B ensure that only new vehicles are used.
 - C avoid the insurance costs of vehicle ownership.
 - D limit the initial capital requirements.

15 x 2 = 30 marks

QUESTION 2 True / False

Indicate whether the following statements are TRUE or FALSE by marking an "X" over your choice on the answer sheet. Correct the statement if it is false. If it is true it counts one mark, while the correction of an incorrect statement will be two marks.

- 2.1 The shareholders of Vodacom (Pty) Ltd lack continuity.
- 2.2 Networking involves the actions of an organised group or representatives of particular interests trying to persuade groups with decision making powers to support a specific cause.
- 2.3 The creative spirit of an entrepreneur can be seen in the way in which there is a focus at improving the management of existing Vodacom franchises.
- 2.4 An external audit collects a comprehensive list of events, influences, changes and forces from the market and macro environments.
- 2.5 It is a good presentation skill to set out to win your audience in the first minute and maintain a good rapport with them.
- 2.6 The goals, management philosophy and style of Vodacom are part of the market environment.
- 2.7 The South African Broadcasting Corporation (SABC) is responsible for the monitoring of ethical advertising in the media.
- 2.8 The values and ethics that Vodacom (Pty) Ltd adhere to is detailed in the income statement of the company.
- 2.9 The memorandum of association is the document that sets out the fundamental constitution of Vodacom (Pty) Ltd.
- 2.10 The economic problem of scarcity is fundamental to an understanding of the challenges faced in the micro and macro environments of Vodacom (Pty) Ltd.

20 marks

Total Section A = 50 marks

SECTION B Short Questions

QUESTION 3

3.1 *"Vodacom Service Provider Company (Pty) Ltd repairs handsets through its Vodacare outlets ...". The repair operation undergoes stringent quality control measures.*

3.1.1 Describe the term "quality control" as part of the repair operation at Vodacare outlets. (2)

3.1.2 Outline TWO methods that can be used to effectively carry out the quality control of handset repairs. (2 x 3 = 6)

3.2 *"With the expansion of the group in South Africa and on the continent, it has become necessary to establish a new product division ..."*

3.2.1 Describe FOUR activities that the new product division would be expected to carry out as part of their marketing function. (4 x 2 = 8)

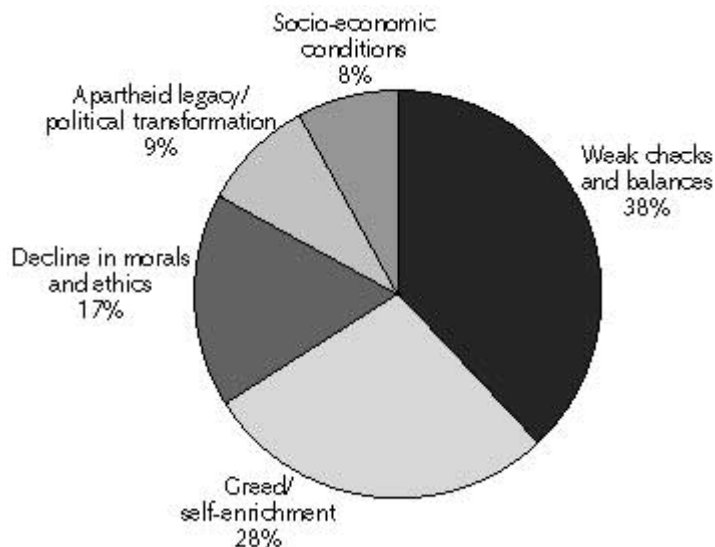
3.2.2 Through the group's expansion into the continent, the product division will be challenged by the impact of HIV/AIDS on its operations. List FIVE measures that the management team of the new product division could put into place to deal with HIV/AIDS in the workplace. (5 x 2 = 10)

3.2.3 The challenge of HIV/AIDS in the workplace raises a number of ethical dilemmas. List TWO of these ethical dilemmas and in each case mention how management could effectively deal with the dilemma. (2 x 4 = 8)

3.3 The high level of corruption in the government is of particular concern to all businesses. The management of Vodacom (Pty) Ltd is particularly alarmed at its impact on the ethical behaviour of its employees.

Study the following graph which depicts the results of a survey conducted early in 2006, and then answer the questions that follow.

Respondents' perceptions of the causes of corruption in government



- 3.3.1 Give an example of what would constitute "corruption in government". (2)
- 3.3.2 Explain the effect that corruption in government could have on the micro environment of Vodacom (Pty) Ltd. (8)
- 3.3.3 Outline one suggestion you would make so as to effectively improve the way in which the data on the graph has been presented. (2)
- 3.3.4 Suggest TWO ways in which the management team at Vodacom could use the information in the graph as a motivational tool when addressing corruption issues with its employees. (2 x 2 = 4)

50 marks

QUESTION 4

4.1 The following cost data has been provided by the operations department at one of Vodacom’s installation centres. The centre is responsible for manufacturing steel cables used in the scaffolding of telecommunications masts.

	Rands (million)
Value of iron ore stock – 1 April 2007	40
Value of iron ore stock – 30 April 2007	12
Value of iron ore purchased during the month	20
Operational wages claimed during the month	67
Annual levy to the Telecommunications directory	3
Containers for packaging	2
Maintenance of equipment	30
Electricity used in production	42
Depreciation of equipment	15

- 4.1.1 Calculate the following for the month ending 30 April 2007:
 - (a) Primary costs of production (8)
 - (b) Overhead costs (6)
 - (c) Total cost of production (2)
- 4.1.2 Identify ONE cost component that would need special attention from the operations manager and suggest TWO ways in which management could reduce the impact of the identified cost component on the total cost of production. (6)

4.2 *"Consequently, in June 1998, Vodacom (Pty) Ltd became one of the few GSM network operators worldwide to receive the International Organisation for standardisation (ISO) 14001 environmental certification and publicly committed itself to managing and minimising impacts on the environment."*

4.2.1 Vodacom (Pty) Ltd was able to successfully reduce conflict when dealing with shareholders who were against using the proposal by management to outsource funds to manage and minimise the impact of its developments on the environment.

Outline FIVE ways that Vodacom (Pty) Ltd could have used to effectively deal with conflict situations. (5 x 2 = 10)

4.2.2 The strategic planning, prior to receiving the ISO 14001, was a major stress factor for top level management at Vodacom. Suggest TWO negative outcomes that this stress factor could have had on other levels of management. (4)

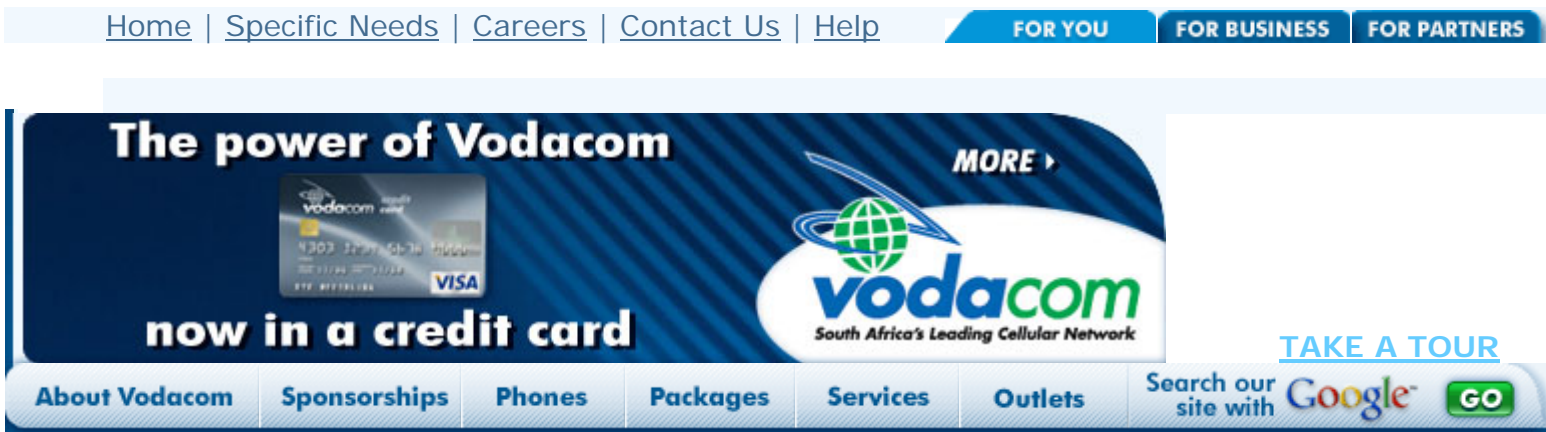
4.2.3 Explain FIVE ways that Vodacom’s managers could use to alleviate the stress experienced by its employees in the implementation of top level strategic planning (5 x 2 = 10)

4.2.4 Describe why the receiving of the ISO 14001 could be considered a positive contribution to Vodacom’s social responsibility programme. (4)

50 marks

QUESTION 5

5.1 The following advert and website design was the original idea of an entrepreneur working at Vodaworld.



5.1.1 Outline FOUR reasons why a business like Vodacom would like to foster entrepreneurship in its organisation. (4 x 2 = 8)

5.1.2 Vodacom franchises will benefit from the response that the advert and website will generate. Suggest THREE other advantages that franchising holds for Vodacom franchisees. (3 x 2 = 6)

- 5.2 *"Vodacom Service Provider Company (Pty) Ltd also manages Vodaworld; the first and only dedicated cellular shopping mall in the world and a resounding success ever since its 1998 launch."*

Some of the businesses that have rented space at Vodaworld have chosen the sole proprietorship and close corporation as a form of ownership. Compare the sole proprietorship and close corporation with regards to the following factors:

5.2.1 capital requisition

5.2.2 liability for debts

5.2.3 taxation

(18)

- 5.3 *"This reorganisation was in line with cellular trends worldwide and was also due to the emergence of prepaid technology, which resulted in rationalisation and less dependence on the service provider model as the industry matured."*

This quote shows the ability of Vodacom (Pty) Ltd to adapt to challenges from the macro-environment.

- 5.3.1 Which macro-environmental factor is referred to in the above quote?

(2)

- 5.3.2 Mention FOUR other macro-environmental factors that have an impact on the activities of Vodacom and in each case outline one challenge that Vodacom could possibly face from each of the factors.

(8 + 8 = 16)

50 marks

Total: 200 marks