

MARKS 200

TIME 2 Hours

Instructions:

1. This question paper consists of 7 pages including the cover sheet. There are 13 questions. Please check that your paper is complete.
 2. Answer all the questions.
 3. Answer Section A, Section B and Section C on separate double sheets.
 4. Remember to write full and proper sentences and to set your work out in point form.
 5. It is in your best interest to write legibly as untidy, illegible work will not be marked.
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Section A: 50 Marks - 20 mins

Question 1: Multiple Choice 20 marks – 5 mins

(Write only the number of the question and the letter corresponding to the correct answer)

- 1.1 The rand is trading at R7.75 to the US\$. This is an example of the environment.
 - a. Macro
 - b. Task
 - c. Market
 - d. Micro
- 1.2 The human resource department at Vodacom 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
- 1.3 The basic requirements of the constitution of a company appear in the ...
 - a. Memorandum of Association
 - b. Articles of Association
 - c. Founding Statement
 - d. Prospectus
- 1.4 Which of the following is not a characteristic of a sole proprietor?
 - a. Limited liability
 - b. Limited continuity
 - c. Limited capital
 - d. Easy to manage

- 1.5 The word 'Limited' in a company's name means that ...
- The shareholders are limited
 - The capital is limited
 - The liability of the shareholders is limited
 - There is limited continuity of the business
- 1.6 If the Vodacom mission statement is poorly defined, it will impact negatively on their performance in the...
- micro environment
 - market environment
 - macro environment
 - all of the above.
- 1.7 Which one of the following statements does not apply to a partnership?
- Partners are jointly and severally liable for debts.
 - Minimum and maximum numbers of members are prescribed.
 - Owners pay income tax.
 - An Agreement of Association between owners may be drawn up.
- 1.8 A Founding Statement would be compiled by the following enterprise:
- Ntuli Construction CC
 - Ace's Tennis Coaching
 - Goolam Security Services (Pty) Ltd
 - KZN Sugar Farmers' Co-op Ltd
- 1.9 This is a type of business where the owner(s) pay(s) tax in his(their) personal capacity.
- private and public company.
 - close corporation and partnership.
 - partnership and private company.
 - sole trader and partnership.
- 1.10 Which of the following would not be part of Spur's market environment?
- The consumers who frequent the store.
 - The suppliers who deliver regularly.
 - The mission of the entire company
 - Competitors like the Dros and Boston Barbeque.

Question 2: True/False **10 marks – 5 mins**

(Write only the number of the question and the answer True or False)

- 2.1 The business cannot control the market environment. It may, however, be in a position to influence it.
- 2.2 A private company can raise a large amount of capital from the general public, through issuing shares and debentures.
- 2.3 With a sole trader business, the continuity of existence is limited to the lifespan of the owner.
- 2.4 An advantage of a partnership is that the partners are not jointly and severally liable for the debts of the business. This means that they cannot lose their personal assets.
- 2.5 An advantage of a CC is that its annual financial statements do not have to be audited.
- 2.6 A significant disadvantage of a Private Company is that there is no secrecy with this form of ownership.
- 2.7 The Tuckman hypothesis comprises five steps: forming, storming, norming, performing and adjourning.
- 2.8 Business Ethics are the accepted standards of conduct that control correct and incorrect behavior.
- 2.9 The informal sector also includes all small registered businesses run by businessmen.
- 2.10 The Articles of Association discuss the internal management and organization of a company.

Question 3:**10 marks - 5 mins**

Give one word or phrase for the below-mentioned definitions:

(Note: You need only write the number of the question and the answer)

- 3.1 Businesses that are involved in extracting products and raw materials from natural resources.
- 3.2 This occurs when businesses sell their product or services within their own sector or to another sector.
- 3.3 The agreement whereby a person with an excellent idea for a business, or an established business, sells the rights to use the business's name and sell its products or services to a person or business in accordance with various stipulations.
- 3.4 Finding the most suitable workers for the business, looking after their interests, and managing the workers within the constraints of labour legislation, are the main responsibilities of this function.
- 3.5 A graphic representation that shows the specific steps in a process, or in relation to one another, measured against time.
- 3.6 The rate at which financial institutions, such as banks, lend money.
- 3.7 The primary tasks of this function are to record, observe and control information and to be responsible for the safekeeping and filing of documents.
- 3.8 This sector is responsible for distribution and provision of services.
- 3.9 Involves a team of people each of whom contributes ideas to help solve a problem.
- 3.10 The integration of economies, expansion of international trade, tourism, migration and new technologies that have linked even the farthest corners of the world.

Question 4:**10 marks - 5 mins**

	Column A		Column B
4.1	The impact of HIV/Aids on the business.	A	Market environment
4.2	The reason for a business's existence and its main objective.	B	Nominal group technique
4.3	Pepsi vs Coca Cola.	C	Social responsibility
4.4	To exploit opportunities, being innovative and prepared to take risks.	D	Franchisee
4.5	This technique is similar to brainstorming in that all members of the group must be at the idea-generating meeting.	E	Macro environment
4.6	People recognize and appreciate the cultural differences of others in the business.	F	Entrepreneurship
4.7	Highveld Stereo Ground Patrol's winter blanket drive.	G	Outsourcing
4.8	The owner of a Wimpy restaurant.	H	Mission
4.9	A business does not have to invest a large amount of capital to acquire assets such as computers, photocopy machines and motor vehicles.	I	Cultural diversity
4.10	The business can rid itself of non-core functions and concentrate on what it does best.	J	Leasing

Section B:

Question 5: 50 Marks 35 mins

Case study: Bandito's Chilli Company

Bandito's Chilli Company is a Johannesburg-based group that manufactures approximately 40 tons of chilli relish for the domestic and international market monthly. It all started with Kian MacRae's passion for collecting tequila bottles and then his search for something to fill them with. Thanks to their love of spicy food, Kian and Doris MacRae discovered a chakalaka recipe in KwaZulu-Natal, which they used to manufacture a chilli relish. They initially had to borrow two 30-litre pots to make the sauce that they bottled and started selling at flea markets. The rest is history ...

They were awarded the South African product and exporter of the year award by Proudly South African in 2005. They experiment regularly with new ideas. Their chilli and mint sauce originated when they accidentally mixed the two sauces during a meal. Their progress from flea market sellers to exporters to Australasia, Europe, Canada, Japan and the USA did not happen overnight. They literally had to promote the product from shop to shop. Exports started on a large scale when Banditos accompanied a delegation of the Department of Trade and Industry to food expos in Germany and Singapore. According to Kian, a name change was necessary from Banditos to Mama Africa because international customers could not understand the slogan 'South of Mexico in Africa'.

MacRae said that he survived the strengthening of the rand since 2002, but he had to drastically cut his profit margin. The markets to which they export are not used to inflationary price hikes. 'You cannot send a fax informing them that prices are going to increase by 10%', said MacRae. Luckily the outcry concerning Sudan Red did not affect Banditos. 'The media identified those products that were dangerous,' said MacRae.

All the ingredients for their products are sourced locally. The group employs 22 people who are assisted financially to improve their skills. The most impressive success was achieved by Mr Oswald Rozani who, within eight years, progressed from cleaner to production manager. The group also employed two independent wire artists to manufacture the display racks and packaging for their products. This enabled 'the wire artists' to start their own businesses and employ other people.

In the future, MacRae would like to increase exports and brand recognition of Mexican food amongst South Africans. He thinks that tortillas with fillings are wonderful ideas for a party. MacRae is also planning to open a restaurant or fast food group that sells spicy chicken.

Adapted from *Sake Beeld*, 23 May 2006

Required:

- 5.1 *Identify and differentiate* between the three business environments, using examples from the case study to motivate your answer. (14)
- 5.2 Assist Mr MacRae in completing a *SWOT analysis* for Banditos. (8)
- 5.3 Kian MacRae is a great example of a South African entrepreneur.
5.3.1 *Explain* the concept: entrepreneur. (2)
5.3.2 What are the *qualities needed* in order to become an entrepreneur such as Mr MacRae? (10)
- 5.4 The easiest way for Mr MacRae to establish his idea of a chain of Banditos spicy chicken fast food outlets, would be through a franchise. *Tabulate* four (4) advantages and four (4) disadvantages of this type of business. (16)

Section C: 100 marks 65 mins

Question 6 10 marks – 6 mins

- 6.1 *Name* four (4) Socio-Economic factors that might have an impact on your business. (4)
- 6.2 *Explain* two (2) of them. (6)

Question 7 17 marks – 12 mins

- 7.1 *Explain* the forward and backward links that occur in the Secondary Sector. (10)
- 7.2 *Draw a diagram* to illustrate the forward and backward link of the Tertiary Sector. (Remember to draw your diagram in pencil and label it clearly with a heading). A block also needs to be drawn around your entire diagram! (7)

Question 8 18 marks – 13 mins

The two most popular Forms of Ownership for small businesses are Close Corporations and Private Companies.

- 8.1 A Close Corporation is taxed as a Company, so that would not be a difference between the two forms of ownership. *Explain what taxes* they would both have to pay. (6)
- 8.2 *Tabulate* three (3) differences between a Private Company and a Close Corporation. (12)

Question 9**15 marks – 9 mins**

Suppose you are the owner of a piece of land on which rich, exploitable mineral deposits have been discovered. You have a choice of establishing a public company, private company or a partnership to mine the minerals. You would like to acquire sufficient capital for this extensive project, but you would also like to keep members' liability regarding debt as low as possible.

- 9.1 Taking the above into consideration, which form of ownership would you select? (**Note:** you are indirectly being asked to choose the correct one that the examiner is expecting you to choose!!) (1)
- 9.2 *List* four (4) characteristics of the form of ownership you have selected. (8)
- 9.3 *Discuss*, in detail, the control and involvement that you, as the owner, would have in this form of ownership. (6)

Question 10**10 marks – 6 mins**

You are a shareholder in a limited liability company that has gone bankrupt and owes its suppliers large sums of money.

- 10.1 What is a *shareholder*? (2)
- 10.2 What is meant by a "*company going bankrupt*"? (2)
- 10.3 What is *the most you can lose* as a shareholder and why? (4)
- 10.4 *Name* two of the *duties* of the board of directors of a public company. (2)

Question 11**6 marks – 3 mins**

Differentiate between Outsourcing and Contracting Out as ways in which a business might get a job done by *detailing the important facts* about each method. (6)

Question 12**12 marks – 7 mins**

- 12.1 *Define* the concept Leasing. (4)
- 12.2 Why do you think leasing offers a good business opportunity in a developing economy? (8)

Question 13**12 marks – 7 mins**

Mr JP Namreka is preparing to deliver his PowerPoint presentation to a BEE consortium so as to try to obtain some Government tenders. In his audience are some very influential government figures. *Coach* Mr Namreka on, what you consider to be, the most important aspects of his presentation so as to impress his audience. (12)