



Province of the  
**EASTERN CAPE**  
EDUCATION

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 11**

**NOVEMBER 2011**

**BUSINESS STUDIES  
MEMORANDUM**

**MARKS: 300**

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This memorandum consists of 16 pages.

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## NOTES TO EDUCATORS

1. Please take careful note of alternative answers provided by candidates and allocated marks accordingly.
2. Candidates' responses must be in full sentences for SECTION B and C based on the nature of the questions.
3. **SECTION C**

Comprehensive answers have been provided, but these answers are by no means exhaustive and can be added to from sources.

Please take careful note of other relevant answers provided by candidates and allocate marks accordingly.

The breakdown of the mark allocation is as follows:

Content:	32 marks (max)
Insight:	<u>08</u> marks
Total:	<u>40</u>

Insight (LASO) consists of the following components:

Layout/structure (Is there an <b>introduction</b> , <b>body</b> using proper paragraphs and <b>conclusion</b> /is there a logical flow/link in the discussion).	2
Analysis and interpretation (learners' ability to break down the question to show understand of what is being asked).	2
Synthesis (what parts of <b>the question would you</b> have included in the answer? Are the relevant sections included?)	2
Originality, examples, recency of information, current trends and developments.	2
<b>TOTAL FOR INSGHT:</b>	<b>8</b>
<b>TOTAL MARKS FOR FACTS:</b>	<b>32</b>
<b>TOTAL MARKS FOR ESSAY (8+32):</b>	<b>40</b>

**SECTION A: COMPULSORY****QUESTION 1**

- 1.1 1.1.1 D✓✓ Safety margins (2)  
 1.1.2 C✓✓ Consumer demand (2)  
 1.1.3 D✓✓ free product sample are given to consumers. (2)  
 1.1.4 D✓✓ Leasing (2)  
 1.1.5 D✓✓ Globalization (2)  
 1.1.6 B✓✓ Clear roles and responsibilities (2)  
 1.1.7 D✓✓ 50 (2)  
 1.1.8 A✓✓ Quality control (2)  
 1.1.9 A✓✓ Forestry (2)  
 1.1.10 D✓✓ Specialty (2)
- 1.2 1.2.1 D✓✓ Social responsibility (2)  
 1.2.2 E✓✓ Franchise (2)  
 1.2.3 F✓✓ Team (2)  
 1.2.4 H✓✓ Fixed costs (2)  
 1.2.5 A✓✓ Remedial maintenance (2)
- 1.3 1.3.1 False – mass/continuous/uninterrupted production ✓✓ (2)  
 1.3.2 True ✓✓ (2)  
 1.3.3 False – indirect ✓✓ (2)  
 1.3.4 True ✓✓ (2)  
 1.3.5 False – personal sales ✓✓ (2)
- [40]**

**TOTAL SECTION A: 40****SECTION B: COMPULSORY****QUESTION 2**

2.1 Income statement for month ending 30 June 2011

Sales✓		R40 000 ✓	
Less cost of sales ✓		(R20 000) ✓	
Gross profit ✓		R20 000 ✓✓	
<b>Less operating expenses</b>		<b>(R37 000) ✓✓</b>	
Wages ✓	R5 000 ✓		
Advertising✓	R30 000 ✓		
Telephone ✓	R500 ✓		
Electricity ✓	R1 500 ✓		
<b>Net profit/loss✓</b>		<b>(R17 000) ✓✓</b>	(20)

- 2.2 2.2.1 Profit is the amount of money left over after the expenses/costs have been paid ✓✓ (2)
- 2.2.2
- Managing and reducing cost ✓✓
  - Selling at competitive prices ✓✓ (4)
- 2.2.3 Telkom is a monopoly ✓✓
- Most of Telkom shares belong to the state ✓✓
  - Telkom rates are among the highest in the world ✓✓
  - Profits are made at the expense of users who pay the exorbitant phone rates ✓✓ (4x2) (8)
- 2.2.4 Monopoly is a single supplier of a product/service for which there is no close substitute (2)
- 2.2.5 The state has controlling share –Telkom was partly privatised (2)
- 2.3
- An established customer base ✓✓
  - The business already exists on the premises ✓✓
  - The business may be already a profitable one ✓✓
  - Existing workers are already experienced and competent ✓✓
  - It might be going at a bargain price because the owner has a good for waiting to sell quickly ✓✓ (Any 4x2) (8)
- 2.4
- Easy and inexpensive to establish ✓✓
  - Partners jointly own assets and share profits ✓✓
  - Customers enjoy personal service from partners ✓✓
  - Partners take personal interest in the business ✓✓
  - Partners are able to combine skills, knowledge and ideas ✓✓
  - Partnership agreement is easily changed ✓✓
  - Partnership is financially stronger than sole trader ✓✓
  - Any other relevant answer (Any 5x2) (10)
- 2.5
- Shopping malls ✓✓
  - Supermarket ✓✓
  - Hypermarket ✓✓
  - An independent store ✓✓
  - Any other relevant answer (Any 2x2) (4)
- [60]**

**QUESTION 3**

- 3.1 3.1.1
- Brand name ✓✓
  - The trademark (Logo) ✓✓
  - Colour ✓✓ (3x2) (6)
- 3.1.2
- They make identification of products easier for the consumer ✓✓
  - Guarantee an expected standard of quality ✓✓
  - Offer protection to consumers ✓✓
  - They encourage familiarity and loyalty ✓✓
  - They are protected against competitors using their names and colours ✓✓
  - Branded products are perceived by consumers as having a higher value compared to other products ✓✓
  - They allow for the extension of product ranges and lines ✓✓ (Any 5x2) (10)
- 3.2
- Improves relations between countries ✓✓
  - Natural resources will be spread more evenly ✓✓
  - Consumers may also benefit from lower prices ✓✓
  - Producers become specialists due to large scale marketing ✓✓
  - Competition is greater, offering the consumer cheaper products ✓✓
  - Exposes businesses to more opportunities and larger markets ✓✓
  - Consumers have more choices as a large variety of goods are available ✓✓ (Any 5x2) (10)
- 3.3
- Unit packaging: ✓ the consumer can buy a packet of sweets and use the content immediately ✓✓
- Specialty packaging: ✓ goods are packed to create a certain image ✓✓
- Re-usable packaging: ✓ packaging can be used for the same purpose more than once ✓✓
- Combination/multiple packaging: ✓ two related products are packed together ✓✓
- Dual/packaging for double use: ✓ the container can be used for something else ✓✓
- Unique packaging: ✓ the consumer buys the product mainly to obtain the container ✓✓ Any 5+(5x2) (15)
- 3.4
- Commitment to staff and recognition of the role of the families ✓✓
  - Contribution to social development of the community e.g. awareness programmes ✓✓
  - Contribution to the skills development in the community through financial support ✓✓
  - Recreational programmes in the community e.g. sport events ✓✓
  - Become involved in orphanages/old age homes ✓✓
  - Social responsibility programmes ✓✓
  - Assist community in times of crises e.g. floods ✓✓ (Any 5x2) (10)

- 3.5 3.5.1
- Department of Labour ✓
  - Labour inspector ✓
  - Management ✓
  - Workers ✓
  - Unions ✓
- (Any 1x1) (1)
- 3.5.2
- Train workers concerning safety ✓✓
  - Provide hygienic work environment e.g. ventilation toilets ✓✓
  - Correct factory layout e.g. fire extinguishers, etc. ✓✓
  - Protection of workers e.g. safety glass ✓✓
  - Train workers on how to use equipment/machines ✓✓
  - Maintenance of machines ✓✓
  - Tidy workplace e.g. no litter ✓✓
  - Store equipment in designated areas ✓✓
  - Security guards, fences, etc. ✓✓
- (Any 4x2) (8)
- [60]**

#### QUESTION 4

- 4.1 4.1.1 No✓
- He sells fake products as originals ✓✓
  - He uses trade names/packaging without permission or illegally ✓✓
  - He is not conforming to accepted professional standards and practices ✓✓
- 1+(Any 2x2) (5)
- 4.1.2
- Willingness to buy and invest in a business that trades according to a code of ethics ✓✓
  - Improved employees morale and reduces employee turnover ✓✓
  - Incentive for good ethics ✓✓
  - The public's confidence ✓✓
  - Increased goodwill ✓✓
- (5x2) (10)
- 4.2
- Say no if you cannot take more work ✓✓
  - Plan your time and prioritise what is really important ✓✓
  - Set realistic goals ✓✓
  - See failure passively ✓✓
  - Create a pleasant working environment ✓✓
  - Take time off and relax ✓✓
  - Look after body and mind ✓✓
  - Any relevant answer
- (Any 6x2) (12)
- 4.3
- Self motivated/passionate ✓✓
  - Creative thinker ✓✓
  - Conservative attitude to financing ✓✓
  - Prepared to take risk ✓✓
  - Have skills expertise and aptitude ✓✓
  - Be able to work with people ✓✓
  - Have positive attitude ✓✓
  - Any other relevant answer
- (Any 5x2) (10)

- 4.4
- Full name of corporation, ending with the letters cc ✓✓
  - The principal/nature of business to be carried out by the cc ✓✓
  - The postal and physical addresses of the registered letters ✓✓
  - The full names and identity numbers of members ✓✓
  - The percentage of member's interest in cc ✓✓
  - Particulars of contribution of each member ✓✓
  - The name, address and identity numbers of the accounting officer ✓✓
  - The date of the end of the financial year ✓✓ (Any 5x2) (10)

- 4.5 Cost orientated pricing: ✓ It is used mostly by small businesses where very simple profit mark-up is added once production costs of the product has been calculated ✓✓

Competition based pricing: ✓ Price of the product is based on the price of competing products ✓✓

Demand based pricing: ✓ Prices are determined by considering the amount that the consumer is willing to pay as well as the profit that the business is aimed to achieve ✓✓ 3+(3x2) (9)

**NB. Award 1 mark for the following pricing strategies**

Price skimming ✓

Penetration pricing ✓

Psychological pricing ✓

- 4.6
- Excellent returns – trading is on a cash basis only ✓✓
  - Income is received on first day of operation, provided the machine is in suitable location ✓✓
  - Low overheads, e.g. no staff salaries, maintenance costs, rent ✓✓
  - Machines can be purchased with warranties from the seller of the machine ✓✓
  - A vending machine can be operated on a part-time basis ✓✓
  - Any other relevant answer (Any 2x2) (4)
- [60]**

**TOTAL SECTION B: 180**

**SECTION C:**

Answer any TWO questions.

**NOTE:** Indicate the question number. The answer to EACH QUESTION must begin on a NEW PAGE, for example, QUESTION 5 on a new page, QUESTION 6 on a new page, etc.

**QUESTION 5**

Sahara family intends to start a company of their own. They do not want to sell shares to the public; neither do they want to be listed in the Johannesburg Securities Exchange.

Identify and discuss the pros and cons of the company the Sahara family intends to establish and give a brief outline of its formation.

**[40]**

INTRODUCTION

- Private Company can be formed by a minimum of 1 and a maximum of 50 persons ✓
- Companies are complicated and expensive to establish compared to other forms of ownership ✓
- The Companies Act compels Private Companies to lodge their Annual Financial Statements with the Registrar of Companies ✓
- Any relevant introduction (3x1) (3)

CONTENT/BODYPRIVATE COMPANY ✓✓Pros

- Shareholders have limited liability ✓✓
- The company has a legal personality ✓✓
- It has continuity ✓✓
- It enjoys guidance and regulation of the Companies Act ✓✓
- Capable directors efficiently manage the company ✓✓
- The company can raise more capital than a close corporation ✓✓
- Financial statements need not to be audited ✓✓
- Any other relevant answer (Any 5x2) (10)

Cons

- Not allowed to issue prospectus/sell shares to the public ✓✓
- Shares are not freely transferable ✓✓
- Not listed on the JSE ✓✓
- Registration is more complex than for the cc ✓✓
- Subject to double taxation ✓✓
- Not suitable for very large business concerns ✓✓
- Any other relevant answer (Any 5x2) (10)



Formation of a Private Company

- Memorandum of Association ✓✓
- Articles of Association ✓✓
- Proof of registration fee paid ✓✓
- Address of the head office ✓✓
- List of directors and their written consent to act as directors ✓✓
- Names of persons who have power of attorneys ✓✓
- The consent of the auditor to act as auditor of the company ✓✓
- A statement by the directors regarding the adequacy of the share capital ✓✓
- Any other relevant answer (Any 5x2) (10)

CONCLUSION

- The biggest difference between Companies and Close Corporations are in their membership and establishment procedure ✓✓
- The bigger the business the more likely that the entrepreneur will start a Private Company ✓✓ (Any 1x2) (2)

**Breakdown of mark allocation**

DETAILS	Maximum	Reduced to	Sub-total	Total
Introduction			3	32
Pros	10	27	27	
Cons	10			
Formation	10			
Conclusion			2	
INSIGHT				
Layout				2
Analysis, interpretation				2
Synthesis				2
Originality, examples				2
TOTAL MARKS				40

**NB:** The following information applies in all essay questions.

**LASO:** For each component

Allocate 2 marks if all requirements are met

Allocate 1 mark if only some requirements are met

Allocate 0 marks where requirements are not met at all

**QUESTION 6**

The HIV/Aids pandemic is one of the greatest socio-economic challenges in this country and is having a devastating impact on the economy and markets.

As the Managing Director of a factory in Port Elizabeth, you are required to report on how HIV/Aids affect and challenges your business. Indicate what plans management can put in place to deal with this challenge in the workplace.

**[40]****INTRODUCTION**

- The HIV/Aids pandemic in South Africa is rapidly reducing the labour force ✓
- Affected businesses will retrench healthy staff as they are forced to downscale due to high Aids-related costs ✓
- The deaths of co-workers may affect productivity and profitability ✓ (3x1) (3)

**CONTENT/BODY****Challenges for the business**

- An increased absenteeism ✓✓
- An increase in annual sick leave for employees living with HIV/Aids ✓✓
- An increase in annual family leave to attend funerals ✓✓
- HIV/Aids training for all employees-cost aspect ✓✓
- An increase in medical aid contribution by the business ✓✓
- An increase in induction and training of new employees ✓✓
- Higher staff turnover due to death ✓✓
- Lower staff moral ✓✓
- Increasing budgets to train new workers ✓✓
- The possibility that the decreasing size of population is going to decrease demand of the product ✓✓
- Loss of productivity due to absenteeism ✓✓
- High price of goods and services due to increase in costs ✓✓
- Employee benefits will cost more ✓✓
- Poorer service to clients ✓✓
- Shortage of skilled workers ✓✓
- Inexperienced management ✓✓ (Any 9x2) (18)

**Plans of management**

- Develop HIV/Aids policy ✓✓
- The recognition of HIV/Aids as workplace issue ✓✓
- The promotion of equality and non-discrimination between workers, infected or not ✓✓
- Creating supportive environments so that employees living with HIV are able to continue as normal as possible ✓✓
- The protection of human rights and the dignity of people living with HIV ✓✓
- The recognition that HIV is preventable and that the workplace needs to promote effective prevention efforts ✓✓
- HIV-awareness programs ✓✓
- Implement CRS program linked to HIV/Aids ✓✓
- Start workplace clinic ✓✓
- Pay for HIV/Aids medication (anti-retroviral drugs) ✓✓ (Any 7x2) (14)

**CONCLUSION**

- Unless the rate of infection can be stopped through awareness and education, √ HIV/Aids remains a serious challenge to the economic prosperity of the country and/or the business √ (2x1) (2)

**Breakdown of mark allocation**

DETAILS	Maximum	Reduced to	Sub-total	Total
Introduction			3	32
Challenges on business	18	27	27	
Plans of management	14			
Conclusion			2	
INSIGHT				
Layout				2
Analysis, interpretation				2
Synthesis				2
Originality, examples				2
TOTAL MARKS				40

**NB:** The following information applies in all essay questions.

**LASO:** For each component

Allocate 2 marks if all requirements are met

Allocate 1 mark if only some requirements are met

Allocate 0 marks where requirements are not met at all

**QUESTION 7**

Mrs Roji has a winning idea that will bring success in her business. This is possible if the business can manufacture rugby balls for the 2011 Rugby World Cup in New Zealand. She approaches you to advise her whether to use mass production or job production system.

Discuss the TWO production systems mentioned above and recommend the best production system Mrs Roji can use to manufacture the rugby balls.

**[40]****INTRODUCTION**

- Job production system is used to produce products according to the specific requirements of the customers ✓
- Mass production is the production of identical products on a large scale ✓
- Job production is labour intensive, while mass production is capital intensive ✓
- Quality control ensures that the product is of the required standard and is according to specification ✓
- Any other relevant introduction (Any 3x1) (3)

**CONTENT/BODY****Benefits/advantages of mass production**

- Low unit cost ✓✓
- Production process is simplified ✓✓
- Less space is needed to store stock ✓✓
- Workers are highly skilled and fewer workers are required ✓✓
- Damage to stock and human error is limited ✓✓ (Any 3x2) (6)

**Challenges/disadvantages of mass production**

- The system is not flexible ✓✓
- Machinery is very expensive ✓✓
- If one machine is broken the whole process comes to a halt ✓✓ (3x2) (6)

**Benefits/advantages of jobbing production**

- Greater degree of flexibility ✓✓
- Multi-purposed machinery which is less expensive can be used ✓✓
- Unskilled and semi-skilled labour can be used ✓✓ (3x2) (6)

**Challenges/disadvantages of jobbing production**

- The unit cost is higher ✓✓
- Much stock is required and storing and handling costs are high ✓✓
- The process is slower ✓✓
- Any other relevant benefits and challenges (3x2) (6)

Recommendation

- Since the rugby balls have to be produced in large quantities Mrs Roji must use the mass production system ✓✓
- Quality balls can be produced because highly skilled workers are used ✓✓ (4)

CONCLUSION

- The choice of the correct production system depends on the product required ✓✓
- Customers prefer good quality products ✓✓
- Lack of quality control can lead to faulty products and eventually loss of customers ✓✓
- Any fitting conclusion (Any 1x2) (2)

**Breakdown of mark allocation**

DETAILS	Maximum	Reduced to	Sub-total	Total
Introduction			3	32
Benefits and challenges of mass and job production systems	24	27	27	
Recommendation	4			
Conclusion			2	
<b>INSIGHT</b>				
Layout				2
Analysis, interpretation				2
Synthesis				2
Originality, examples				2
<b>TOTAL MARKS</b>				<b>40</b>

**NB:** The following information applies in all essay questions.

**LASO:** For each component

Allocate 2 marks if all requirements are met

Allocate 1 mark if only some requirements are met

Allocate 0 marks where requirements are not met at all

**QUESTION 8**

A good example of franchising is Nando's fast foods. They are found in almost every city around the country. A small business owner buys the right to sell the goods and services of a large well-established company. The person buying a franchise is known as franchisee and the person selling the rights is known as a franchisor.

Elaborate on the above statement and in your discussion include advantages and disadvantages of both franchisor and franchisee.

**[40]****INTRODUCTION**

- Franchising is the right granted by a franchisor to franchisee to use a special business's name and brands, and sell its products/services in an agreed area according to franchising agreement ✓
- It is a major contributor to the economy in South Africa ✓
- Not all entrepreneurs are able to start their own businesses ✓
- Franchises offer entrepreneurial and managerial assistance ✓ (Any 3x1) (3)

**CONTENT/BODY****Advantages of a franchise agreement for a franchisee**

- The user of a well-known trade name and trademark ✓✓
- Added benefits such as group advertising campaigns and greater discount because of group buying ✓✓
- Funding is more easily granted to franchises than to new businesses by financial institutions ✓✓
- The owner gets profits of the business ✓✓
- The franchisee learns how to keep proper financial records and sometimes receives valuable advice from the experts ✓✓
- Franchising offers opportunities to everyone. Franchisees do not have to be specialists in the field of the business ✓✓ (Any 3x2) (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 and ideas will find it difficult to operate within the limits of the franchise contract ✓✓
- Franchisees are not always provided with the promised ongoing support and assistance ✓✓
- Franchisees forfeit profit in the form of royalties ✓✓
- Business operations are restricted, for example only specific products may be sold in specific areas ✓✓ (Any 3x2) (6)

Advantages for the franchisor

- Rapid expansion of the business ✓✓
- Franchisees provide start-up capital ✓✓
- Assume responsibility for the running of the business ✓✓
- Franchisees are highly motivated, committed and therefore takes responsibility ✓✓
- The success of the business, in turn, improves the image of the franchisor ✓✓
- A positive/popular image leads to increased customer satisfaction ✓✓
- Extra profits for the franchisor ✓✓
- The franchisee employs the staff, not the franchisor and does not have to deal with the staff problems ✓✓
- Initial fee by franchisee provides the franchisor with a large sum of capital immediately ✓✓ (Any 3x2) (6)

Disadvantages for the franchisor

- Problems can cause unpleasantness between the franchisor and the franchisee ✓✓
- 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 tight financial control ✓✓
- Wide marketing to get national exposure costs a lot of money ✓✓
- To set up and run an effective head office involves high operating costs ✓✓
- Income of a franchisor is limited to a fixed amount royalties ✓✓ (Any 3x2) (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 ✓✓
- 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 4x2) (8)

**CONCLUSION**

- A franchise enables prospective business persons to start their own businesses, but sell the product of a well-known business ✓
- Market research for the products for sale was mostly done and research costs are very low ✓
- Examples of franchises are: MacDonalds, Wimpy, etc. ✓ (Any 2x1) (2)

**Breakdown of mark allocation**

DETAILS	Maximum	Reduced to	Sub-total	Total
Introduction			3	32
Advantages and disadvantages for franchisee	12	27	27	
Advantages and disadvantages of franchisor	12			
Franchising contract	8			
Conclusion			2	
INSIGHT				
Layout				2
Analysis, interpretation				2
Synthesis				2
Originality, examples				2
TOTAL MARKS				40

**NB:** The following information applies in all essay questions.

**LASO:** For each component

Allocate 2 marks if all requirements are met

Allocate 1 mark if only some requirements are met

Allocate 0 marks where requirements are not met at all

**TOTAL SECTION C: 80**

**GRAND TOTAL: 300**