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Business Studies
Grade 11 July examination

Time: 2 hours

155 Marks

Examiner: Mr Schneider

Moderator: Mr Black

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This question paper consists of 8 Pages and an Answer Booklet of 4 pages (1 - 4). Please check that your question paper is complete.
2. Read the question carefully.
3. All questions are compulsory

Section A (Questions 1-3) must be answered on the supplied **Answer booklet**.

Section B (Questions 4-6) comprises of THREE shorter answer type questions to be answered on the folio paper. **In this section, some of the questions (4.4.1, 4.4.2, 4.5.1, 5.5.3, 6.1.1, 6.1.2, 6.1.3) must be answered in the Answer book supplied.** This is clearly indicated in the question.

4. Refer to the case study when required.
5. Demonstrate insight, where applicable, when answering questions.
6. Number your answers as the questions are numbered on the question paper.
7. It is in your own interest to write legibly and present your work neatly.



Simplicity is the ultimate
sophistication

Capitec Bank Holdings Limited was established on 1 March 2001 and listed on the JSE Limited on 18 February 2002.

Key Facts as at 28 February 2013

- Established: 1 March 2001
- Listed on the JSE: 18 February 2002
- Retail bank registration: SA Reserve Bank
- Over 4.7 million clients *
- Number of branches: 560 *
- Number of employees: 8 308 *
- Shareholders' funds: R8.5 Billion (Feb 2012: R5.2 Billion) *
- International partnership: MasterCard and Visa
- Auditors: PricewaterhouseCoopers Inc.
- Registered address: 1 Quantum Street, Techno Park, Stellenbosch
- Directors

We're a South African retail bank focused on providing **easy and affordable banking services** to our clients via the use of innovative technology. We base everything we do on simplicity, affordability, accessibility and personal service.

"We base everything we do on simplicity, affordability, accessibility and personal service."

OUR FOCUS

At Capitec Bank, everything we do is underpinned by a manifesto developed around the 4 pillars most important to you:



Simplicity

We strive to simplify banking for you and have developed an **all-inclusive banking solution** in the form of the Global One. This single solution to money management enables you to transact, save and access credit in realtime.

We use innovative technology such as fingerprint biometrics and photo identification to streamline our paperless branch processes and make branch transacting easier. All a client needs when visiting a branch is their Global One card and PIN. If you'd like to open an account, we'll need your signature and the legally required documentation.

Affordability

Thanks to an innovative banking platform, we've eliminated the need for back offices in our branches. No unnecessary paperwork or admin fees allow us to **pass the cost-savings on to you**. At Capitec Bank, we offer the most transparent, and affordable banking available in South Africa. It's the banking solution that makes sense.

Accessibility

You can access your accounts and money when it suits you using your **Global One card, Mobile Banking or Internet Banking**, and our partnership with MasterCard® means you can use your Global One card in different ways.

Use your Global One card at our more than 520 conveniently located branches and any bank's ATMs or card machines wherever you see the MasterCard logo! You can also use your card to pay for online shopping and mail or telephone orders. Remember that you pay zero fees for card purchases. Learn more about where and when you can bank.

Personal Service

We know that each client is unique in terms of needs and goals when it comes to banking. We aim to build personal relationships so we understand these needs and help you achieve your goals. Our immediate focus is to empower you to **manage your money in the best way possible**. The services we provide are secondary to this. We know that you're pressed for time which is why we rely on technology to assist you in realtime.

Visiting our branches is a unique experience where the focus is on quick, easy solutions to money management, delivered in a supportive environment. If you don't have time to pop into a branch you could always call the Client Care Centre on 0860 10 20 43 or complete this online form and we'll get back to you

SECTION A

Question 1: MCQ

Answer in the answer booklet.

Indicate the **most correct** answer by making a cross (X) in the column over the corresponding letter for each question in the **Answer Booklet** supplied.

1.1 ENGEN has a petroleum station franchise, meaning that they have only franchised the petrol station side and not the greater company. The person buying the “petrol station” concept from ENGEN is called the.....

- a) Franchising
- b) Franchisor
- c) Franchisee
- d) Franchise

1.2 Inflation can be defines as...

- a) How the strength and well being of our society is measured.
- b) The price of credit
- c) Continuous increase in the general price levels
- d) The total value of finished goods produced in South Africa

1.3 A forward vertical merger would be when Capitec joins....

- a) With a totally different enterprise or type of business
- b) With the direct competition
- c) With a company which supplies our country with supplies
- d) With a company where we can actually distribute our product to the public

1.4 In Capitec Banks overview of governance on their website, it states “Capitec Bank believes corporate governance is best demonstrated through a consistent pattern of ‘doing the right thing’, through good times and bad”. This theoretical approach to ethics can be said to be....

- a) A Narrative-based theory
- b) A Consequence- based theory
- c) According to Principle-based theories
- d) None of the above

1.5 Triple bottom line reporting includes:

- a) Economic, environmental and global
- b) Environment, global and financial

- c) Economic, environmental and social aspects
- d) Environmental, social and global aspects

1.6 South African banks have invested heavily in high-tech electronic systems. This strategy is in response to pressure from which of the following macro environmental factors?

- a) Social
- b) Environmental
- c) Technological
- d) Economic

1.7 The Public Relations manager of Capitec gives workers the opportunity to take their own initiative regarding how to perform tasks after explaining what must be done. Which one of the following styles of management has he adopted?

- a) Democratic
- b) Bureaucratic
- c) Autocratic
- d) Laissez-faire

1.8 A market where there is only one supplier of a particular product or service is known as a(n)...

- a) Oligopoly
- b) Monopoly
- c) Perfect market
- d) De-regulated market

1.9 Consumer goods include:

- a) Convenience, select and speciality goods
- b) Raw materials, spare parts, equipment
- c) Personal, professional and auxiliary functions
- d) None of the above

1.10 The staff of Capitec have a range of ethnic backgrounds. The company has a programme to educate its managers about the lifestyles of each nationality and culture in its workforce. What is the company aiming to achieve through this program?

- a) The development of a global company.
- b) Management of cultural diversity.
- c) Training of unskilled staff.
- d) Schooling of illiterate.

[10 x 2 = 20]

Question 2

Answer in the answer booklet.

Choose the correct term in brackets in each question. Write down the chosen term next to the question number in the Answer Booklet supplied.

- 2.1 **(Good corporate citizenship/Corporate social responsibility)** involves responsible actions being taken by businesses in terms of economic involvement through day-to-day business activities.
- 2.2 **(Import duties/import quotas)** is when the government specifies a number of articles that may be imported or the value of the specific type of product that may enter the country.
- 2.3 The duty people have to carry out the task to the best of their ability is known as **(range of control/responsibility)**.
- 2.4 The ethical theory that is based on the idea that the end justifies the means is known as **(Consequence-based theory/utilitarian-based theory)**
- 2.5 **(Franchising/Horizontal integration)** is when Capitec purchases African Bank.
[5 x 2 = 10]

Question 3

Answer this question in the answer booklet.

Match the explanation in column A with the word/term in column B. Write only the correct letter from Column B next to the appropriate question number of Column A in the space provided in the Answer Booklet supplied.

Column A		Column B	
3.1	Plans must be adaptable to changing technology, conditions and the environment	A	Sustainability
3.2	Capitec has no control over this environment	B	Laissez-faire

3.3	Proactive, often charismatic, leadership style that helps followers to satisfy their higher order needs.	C	Intrepreneurs
3.4	Affirmative Action placements are a result of this Act	D	Transformational
3.5	One of the cashiers at Capitec repeatedly arrives late for work	E	Retention
		F	Employment Equity
		G	Misconduct
		H	Flexible
		I	Macro
		J	Market
		K	Placement
		L	Employment Equity

[5 x 2 = 10]
TOTAL SECTION A: 40

SECTION B

QUESTION 4

[43]

We believe that we have a responsibility to improve the lives of people in South Africa. We also believe that we need to focus on the communities in which we operate.
“Our initiatives all promote sustainability and that's why we focus on financial life skills and numeracy”

4.1 Why is it important to maintain a level of professionalism in an organisation? (2)

Important to understand what behaviour is ethical and what is professional and what is not
Help establish a set of common goals
Maintain business image, values and codes
Act in a manner with stakeholders that builds relationships

4.2 4.2.1 Identify the different between Capitec's primary social responsibility and their broad social responsibility. (4)

Primary SR – towards the business itself, its owners, employees, suppliers, consumers and competitors
Broader SR – Activities aimed at the country as a whole (government) as well as the local community

4.2.2 Discuss THREE arguments against Capitec's decision to be involved in a Corporate Social Responsibility program. (6)

Arguments against CSR

- Providing goods and services is already being Socially responsible

- Shareholders are the only real investors therefore bottom line and ROI is the most important thing. Being socially responsible will detract from the ROI and bottom line
- Employees are remunerated by how well business targets are met. IF they are doing CSR stuff then they can't concentrate on their core function
- Spending money on CSR means business will have to recover it somehow by charging higher prices, negative impact on economy
- Create expectations in the community which could have devastating results if expectations are not met
- Not always sustainable

4.3 Explain the concept of *sustainability* and identify why it is that Capitec is trying to focus on making their programs sustainable. (4)

Sustainability

- Long term programs that should become self sufficient by teaching the community the skills needed to keep the project going.
- Sustainability leads to better skills, self sufficient communities, higher standards of living meaning growing the economy

4.4 **Answer this question in the answer book supplied**

4.4.1 You are required to assist management in completing a SWOT analysis for Capitec Bank. You are only required to give ONE point (in a full sentence) under each heading in the **answer book supplied**. (8)

4.4.2 Complete your analysis by providing management with TWO strategies on how they can convert the weakness mentioned in 4.4.1 into a strength for the bank. (4)

4.5 **Answer this question in the answer book supplied**

4.5.1 Evaluate THREE challenges in the market environment of any division of Capitec bank by using Porter's Five Forces model. (15)

QUESTION 5

[50]

5.1 5.1.1 Capitec is widely known as the bank with the lowest bank charges. Identify THREE objectives Capitec must keep in mind when determining their prices. (3)

Objectives of price

- Maintain market share
- Increase his market share
- Eliminate competition
- Maximise profits, increase profitability
- Reap the benefits of mass production

5.1.2 Discuss THREE pricing techniques Capitec could use to arrive at their final price. (6)

Pricing techniques

- Cost-based pricing – begin with cost and work towards a selling price
- Demand-based pricing – Begin with selling price and work towards a cost price
- Competition-based pricing – Use the prices charged by competitors as an indicator for his price
- Combination pricing – Use a variety of techniques to arrive at a selling price

5.2 5.2.1 Why is it important for Capitec to have a trademark and identify THREE advantages of branding for the customer. (4)

Trademark

- To easily identify the brand

Advantages of branding for the customer

- Identify the brand
- Feel safer as it is established and well known

- Status

5.2.2 Where must this trademark be registered? (1)

CIPC

5.3 Graphically illustrate the distribution channel you think Capitec bank would use. (4)

5.4 Capitec wishes to release a new banking app and they need to plan an advertising campaign for this app.

5.4.1 Identify the SEVEN steps in planning an advertising campaign. (7)

Planning an advertising campaign

- Market research
- Aims of the campaign
- Budget
- Choice of media
- Design and wording
- Coordination
- Testing the result

5.4.2 Before Capitec release this app they would also need to do a feasibility study. Identify what a feasibility study is and name THREE common factors that are included in a feasibility study. (5)

Feasibility study – preliminary investigation into the potential benefits of undertaking a specific activity or project

Common factors

- Technology and systems feasibility
- Economic feasibility
- Legal feasibility
- Operational feasibility
- Schedule feasibility
- Market
- Resource
- Financial

5.4.3 Identify what a break-even point is and explain to the marketing manager at Capitec why it is important that they work out their break-even point. You also need to give him the formula to work out the break-even point. (5)

Break even – the point at which your income meets your expenditure

Important to work it out so you know what you have to do to cover costs and when you can start making a profit

$BEP = \text{Fixed costs} / (\text{Selling price} - \text{Variable costs})$

5.5

The board of directors remains responsible for the Capitec group in its entirety. Functioning within the ambit of an **annually reviewed charter** supported by a schedule of reserved powers, the board instructs and oversees a management and control structure which directs and executes all functions within the group

5.5.1 Identify FOUR managerial tasks. (4)

- Planning
- Leading
- Organising
- Control

5.5.2 Define the term “range of control” (2)

Number of workers under the supervision of someone who is in a managerial position, depends largely on the nature of the task

5.5.3 **Answer this question in your answer booklet**
In the table provided, identify the three levels of management, identify what each levels main role is and give an example of the type of person in each role. (9)

QUESTION 6 [22]

6.1 Answer this in the answer book supplied

6.1.1 What is the main purpose of the Labour Relations Act? (2)

Provide a legal framework for the labour relations system in South Africa

6.1.2 What is the purpose of the Basic Conditions of Employment Act **AND** name **FOUR** objectives of this Act. (6)

Purpose

Impact positively on the working conditions of employment for South Africans, improving their working conditions of vulnerable workers

Objectives

- Inadequate protection of vulnerable works such as part-time, farm and domestic
- Lack of mechanism to set minimum wages for farm and domestic workers
- Child labour
- Exclusively long working hours, transport and security
- Work hours, leave, sick leave, holidays etc

6.1.3 What is the purpose of the Employment Equity Act? (2)

Purpose

Eliminate unfair discrimination in employment and provides for affirmative action to correct the imbalances of the past

6.2 Andre Du Plessis the Financial Manager at Capitec Bank is in the process of reviewing their insurance contract with Alexander Forbes.

6.2.1 Discuss the importance of Capitec taking out an insurance contract. (3)

Advantages of insurance

- Protect the business, individuals against different kinds of losses
- Able to put the business back into its original position
- Any other applicable advantage

6.2.2 Explain to Andre how the concept of Indemnification relates to insurance contracts. (4)

Indemnification

- Short term insurance, put the insured back into the same financial position he was before the incident took place,

6.2.3 Explain to Andre the concept of the Average clause and when it would come into effect. (2)

Average clause

If you are not insured for the full value then the full value will not be paid out. Comes into effect when the insured is under insured

6.2.4 List THREE risks that Capitec would not be able to insurance against. (3)

Operational risks- inflation, changes in fashion, improvements in machinery, bad debts, losses caused by war, illegal activities, fines for illegal acts

TOTAL SECTION B: 115

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