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Crawford International Preliminary Examination

August 2024

BUSINESS STUDIES

Time: 3 hours

300 marks

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This question paper consists of 38 pages. Please check that your question paper is complete.
2. All questions are **COMPULSORY**.
3. Read the questions carefully.
4. Answer **ALL** the questions on the question paper and hand this in at the end of the examination. Remember to write your examination number in the space provided on the question paper.
5. Demonstrate insight, where applicable, when answering the questions. It would be best to refer to the clothing retailers you have studied this year.
6. You are advised to pay particular attention to language and the allocation of marks.
7. It is in your own interest to write legibly and present your work neatly.
8. **TWO** blank pages (pages 37 and 38) are included at the end of the paper. If you run out of space for a question, use these pages. Indicate the question number of your answer should you use this extra space.

Allocation of marks

Q 1	Q 2	Q 3	Q 4	Q 5	Q 6	Q 7	TOTAL
					7A (LOT)		
					7B (HOT)		

TRUWORTH'S

HEMISPHERE
ORIGINAL JEANSWEAR

UZZI

DANIEL HECHTER
PARIS

EARTH
CHILD

LTD
EXCLUSIVE TAILORING

IDENTITY

naartjie kids
the original name in fun clothing

Zigi
BY LTD

EARTHADDICT

OBRSPORT

ginger mary

<https://reliance-clothing.com/>

SECTION A**QUESTION 1**

Select the most correct option by putting the correct letter of choice in the table below:

1.1 This authority is responsible for controlling the quality of advertising in South Africa... (2)

- A. SARB
- B. BCC
- C. SARS
- D. ARB

1.2 Retailers will use pricing when seasons, geographical location or characteristics of the consumer are considered. (2)

- A. leader
- B. bait
- C. variation
- D. market penetration

1.3 The leadership style most suited to a business with highly skilled employees: (2)

- A. Autocratic
- B. Democratic
- C. Transactional
- D. Laissez-faire

1.4 The inclusion of ladieswear to Markhams would be an example of: (2)

- A. Outsourcing
- B. Differentiation
- C. Divestiture
- D. Merging

1.5 Owners, employees and consumers form part of ... (2)

- A. Broader Social Responsibility
- B. Sustainability
- C. Primary Social Responsibility
- D. Broader Community

1.1	1.2	1.3	1.4	1.5

- 1.6 Smuggling alcoholic beverages over the waters where such transportation is unlawful is known as ... (2)
- A. Bootlegging
 - B. Rum Running
 - C. Corruption
 - D. Conspiracy
- 1.7 These four components make up the Marketing Communication Mix: (2)
- A. Product, Price, Place, Promotion
 - B. Process, People, Physical Evidence, Place
 - C. People, Public Relations, Process, Physical Evidence
 - D. Sales Promotion, Publicity, Advertising, Personal Selling
- 1.8 Investors use which of the following to measure the ability of a company to meet its short-term debt obligations? (2)
- A. Solvency ratio
 - B. Current Capital ratio
 - C. Total Assets : Total Liabilities
 - D. Return on Investment (ROI)
- 1.9 Top level managers make ... decisions and thus require ... skills. (3)
- A. operational, conceptual
 - B. tactical, technical
 - C. strategic, conceptual
 - D. operational, technical
- 1.10 Truworths is required to contribute to the ... fund as a compulsory fringe benefit. (2)
- A. Pension
 - B. Medical Aid
 - C. Provident
 - D. Unemployment Insurance

1.6	1.7	1.8	1.9	1.10

- 1.11 A social factor of the PESTLE analysis posing a **threat** to H&M is that: (2)
- A. Customers are unable to afford their products due to low-income levels.
 - B. Costs involved in obtaining the till points.
 - C. Employees are unskilled to operate the till points.
 - D. Measures to dispose of any waste from the store is expensive.
- 1.12 Which problem-solving technique can be used to evaluate elements of the market environment? (2)
- A. TOWS analysis
 - B. Environmental Scan
 - C. Porters 6 Forces
 - D. All of the above
- 1.13 The aim of marketing is to: (2)
- A. Build a brand
 - B. Gain and retain customers
 - C. Improve a brand
 - D. All of the above
- 1.14 The competency of having a hands-on approach in all departments in a business is known as: (2)
- A. Initiative
 - B. Organisational awareness
 - C. Analysis
 - D. Global awareness
- 1.15 Operation technology is when ... (2)
- A. Computer hardware and software is updated.
 - B. More employees are required to be technologically sound.
 - C. People are replaced by technology.
 - D. Unemployment decreases.

1.11	1.12	1.13	1.14	1.15

- 1.16 Dividends are taxed at ... (2)
- A. 27%
 - B. 25%
 - C. 15%
 - D. 20%
- 1.17 ... are regarded as borrowed capital, while ... are regarded as own capital. (3)
- A. Equities, stocks.
 - B. Loans, equities.
 - C. Bonds, debentures.
 - D. Loans, debentures.
- 1.18 All floor managers need to attend an online workshop after working hours. This is a form of ... training. (2)
- A. Off-the-job
 - B. On-the-job
 - C. E-learning
 - D. Self-study
- 1.19 Which ratio is seen as the most acceptable for the acid-test ratio. (2)
- A. 2:1
 - B. 0:1
 - C. 3:1
 - D. 1:1
- 1.20 When would the manager of Cotton On use the charismatic leadership style? (2)
- A. The staff are highly experienced and skilled.
 - B. There is a tight deadline that needs to be met.
 - C. When team strengths cannot be matched.
 - D. Staff are motivated to work together as a team.

1.16	1.17	1.18	1.19	1.20

1.21 Which of the following macro environment factors can be regarded as ethical and environmental? (3)

- i. Sweat shops
- ii. Poverty
- iii. Carbon footprint
- iv. Recycled products

- A. (i), (ii) and (iii)
- B. (i) and (iii)
- C. (i), (iii) and (iv)
- D. (ii) and (iv)

1.22 Which of the following statement(s) is/are true? (3)

- i. PAYE is a legal deduction from your earnings
- ii. A medical examination is a requirement for when applying for specific jobs, such as a paramedic.
- iii. Autocratic leaders are motivating leaders
- iv. Co-ordination as a conflict resolution method ensures all parties try to work with one another to achieve a common goal

- A. (i) and (ii)
- B. (i) and (iii)
- C. (ii) and (iv)
- D. (ii)

1.23 Which of the following is not an example of a physical factor? (2)

- A. GDP
- B. Loadshedding
- C. Availability of natural resources
- D. None of the above

1.21	1.22	1.23

[50]

QUESTION 2

Choose the correct Business Dictionary Term from the list below. Write ONLY the correct term in the space provided.

BCEA	Grievance Procedure	Dividends	Lock-out
Merger	Insider Trading	Induction	Picketing
EEA	Diversification	Acquisition	Probation
LRA	Divestiture	Laissez-faire	Transparency
Autocratic	Manpower Planning	Liquidation	Debenture

2.1 Spreading your investment risk between various asset classes. (2)

2.2 The aim of this Act is to ensure social justice by establishing the basic standards for employment with regards to working hours, leave, payment etc. (2)

2.3 If H&M sells a letter of credit to raise capital for expansion it is called a ... (2)

2.4 When a company makes a successful bid to assume control of another company. (2)

2.5 ... is the portion of the company profit that is distributed to shareholders. (2)

- 2.6 The leadership style best suited when working with highly qualified and creative staff. (2)
-
- 2.7 The process of forecasting and assessing the adequate number of employees an organisation will need to complete projects, tasks, or goals within a specific time. (2)
-
- 2.8 An illegal practice of trading on the stock exchange to one's own advantage through having access to confidential information. (2)
-
- 2.9 The process of selling all assets and closing a business to cover debts. (2)
-
- 2.10 A ... procedure is a formal way for an employee to raise a problem or complaint to their employer. (2)
-
- 2.11 A form of industrial action in which employees gather outside a workplace in a public area to gain support. (2)
-
- 2.12 The period of time that is taken at the start of the employment contract to ensure that the employee is a good fit for the business. (2)
-

QUESTION 3

Complete the table below by indicating the various components of either a PESTLE or the Porter component that is being analysed. (Be specific in your answer).

	Scenario	PESTLE/Porter component
	Example: Ani's Accessories wants to evaluate the impact of all the competitors in the market	(Level of rivalry)
3.1	Truworthis wants to understand how the entry of Shein and Temu has affected the South African market.	
3.2	Edgars wants to analyse the effect of new changes to the BCEA and the introduction of the POPI Act.	
3.3	Miladys wants to understand the impact of new trends, such as changing consumer preferences towards sustainable fashion.	
3.4	Markhams is looking at how advancements in online retailing and automation can be leveraged to enhance its business.	
3.5	Cotton On wants to evaluate how changes in tax policies and trade tariffs will impact its business.	
3.6	H&M is concerned about how they are going to procure adequate natural resources since they lack any contacts within the cotton industry.	
3.7	Superga wants to find items that can be sold alongside their shoes, such as socks, to increase sales and lure in new customers.	

The manager of these stores wants to be able to adapt to these changes and has asked you to identify various strategies could be implemented.

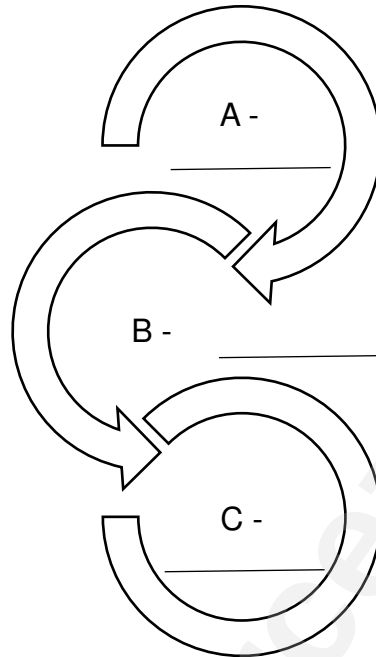
Complete the table below by providing the manager with the name of each strategy proposed.

SCENARIOS		Name of strategy
e.g.	Country Road sells its 4 stores in Australia to limit any possible losses.	Divestiture
3.8	The only other significant distributor of Socks within the country is Dr Sock, hence there are few alternatives. They decide to collaborate and create "Socks fit for a Dr"	
3.9	Jimmy Choo will only sell high end custom items to the higher income community.	
3.10	Zara creates a change room with a unique selling point – a built in LCD screen that can show the outfit you are trying on in a different colour through an app.	
3.11	Poetry buys out the largest cotton supplier within the country.	
3.12	Bukamina is looking to not only sell within the South African community, but also expand into the Nambian and Botswana market.	
3.13	Uniq wants to ensure that they are selling goods at a low a price as possible and therefore prioritise mass production.	

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SECTION B**QUESTION 4**

- 4.1.1 Use the diagram below to indicate the various aspects that combine to form the “Triple Bottom Line”. Label your answer ON the diagram. (3)



- 4.1.2 How does the Triple Bottom Line (TBL) framework ensure that retailers act in an ethical manner when engaging with external stakeholders. (4)

- 4.1.3 Discuss the differences between the King Code and the Triple Bottom Line. (4)

- 4.2.1 What are some of the implications of **not** complying with set corporate governance standards set by South African business policy makers? (4)

- 4.2.2 Provide strategies on how H & M can avoid the implications mentioned in 4.2.1 (4)

- 4.3 Propose ways in which H & M can ensure that the following principles are integrated throughout the business with the use of relevant examples. (8)

Transparency

Accountability

4.4.1 Identify any THREE of the main aspects to the Labour Relations Act. (3)

Study the source to answer the questions that follow.

The Basic Conditions of Employment Act, 75 of 1997 gives effect to the right to fair labour practices referred to in section 23(1) of the Constitution by establishing and making provision for the regulation of basic conditions of employment; and thereby to comply with the obligations...

Source: <https://www.saica.org.za/resources/legislation-and-governance/basic-conditions-of-employment-act>

4.4.2 Advise the Human Capital team of H & M on the implications of the BCEA Act, 53 of 1997, both positive and negative. (6)

- 4.4.3 Describe TWO challenges H & M may face because of the limitation of hours worked by their staff. (4)

Challenge 1:

Challenge 2:

- 4.4.4 Explain how H & M could overcome one of the challenges identified in 4.4.3. Use an example to fully explain your answer. (3)

- 4.5 If a store manager fell pregnant, what leave would they be entitled to and for how long? How would remuneration be received during that period? (2)

- 4.6 The cashiers are asked to work an additional 10 hours per week during the festive season.

- 4.6.1 What is this concept called? (1)

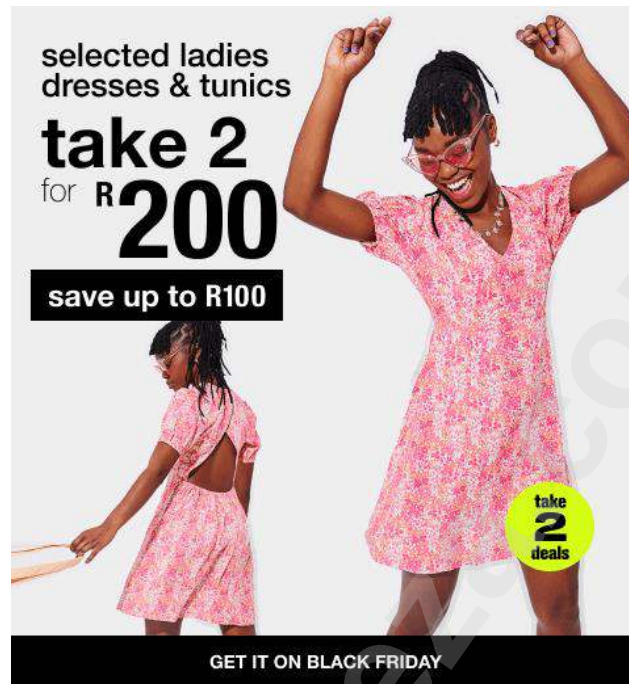
- 4.6.2 Explain how payment is made in this instance. (2)

- 4.7 List TWO consumer rights that the customers of H & M enjoy. (2)

[50]

QUESTION 5

Refer to the following source and answer the questions that follow:



Source: <https://www.guzzle.co.za/retailtalk/post/>

- 5.1.1 With reference to the above source, identify and discuss the marketing stimuli of the buyer stimulus-response model used by Mr. Price to encourage the sale of dresses. (2)

- 5.1.2 Propose ONE other marketing stimuli and a strategy as to how Mr. Price can capitalise on this to make more sales. (2)

- 5.1.3 Explain why Mr. Price is using such a strategy by incorporating any **ONE other external stimulus** that would be affecting consumers in the current financial times. (3)

- 5.1.4 In your opinion do you think there would be any recent advancements to the traditional buying stimulus response model that reflect changes in consumer behaviour or marketing practice? (2)

- 5.2 How does franchising enhance the marketing of a brand's value proposition? (4)

Refer to the following source and answer the questions that follow:



Source: <https://www.adforum.com/creative-work/ad/player>

5.3 Distinguish between the concepts insurance and assurance. (6)

[illegible]

- 5.4 Mr. Price and their distribution centres face several risks which they must/could insure.

Describe TWO examples of non-insurable risks clothing retailers such as Mr. Price would not be able to cover. (4)

- 5.5 Compulsory insurance is paid for by Mr. Price and there are benefits for both the company and its employees.
Discuss the impact that each type of insurance below has on Mr. Price.

- 5.5.1 Unemployment Insurance Fund (3)

- 5.5.2 Compensation for Occupational Injuries and Diseases Act (3)

A contract was drawn up with OUTsurance for some staff at a Mr. Price Clothing store.



Source: https://www.google.com/search?q=outsurance+south+africa&sca_

5.6 Analyse if the following points taken from different contracts would make the contracts valid or invalid and give a reason for your answer.

- a) The cashier is 17 years old and signs the insurance contract. (2)

- b) The cashier declares she drives a Toyota Corolla valued at R390 000, but it is a Toyota Tazz which is on the most hijacked list of cars. (2)

- c) A floor manager that is 25 years old insures his car for R150 000 and it is valued at R150 000. (2)

Mr Price Share Price in cents since 2019



- [illegible]

- 5.8 Suggest TWO ways Mr. Price could reduce the risk when investing in this particular share. (4)

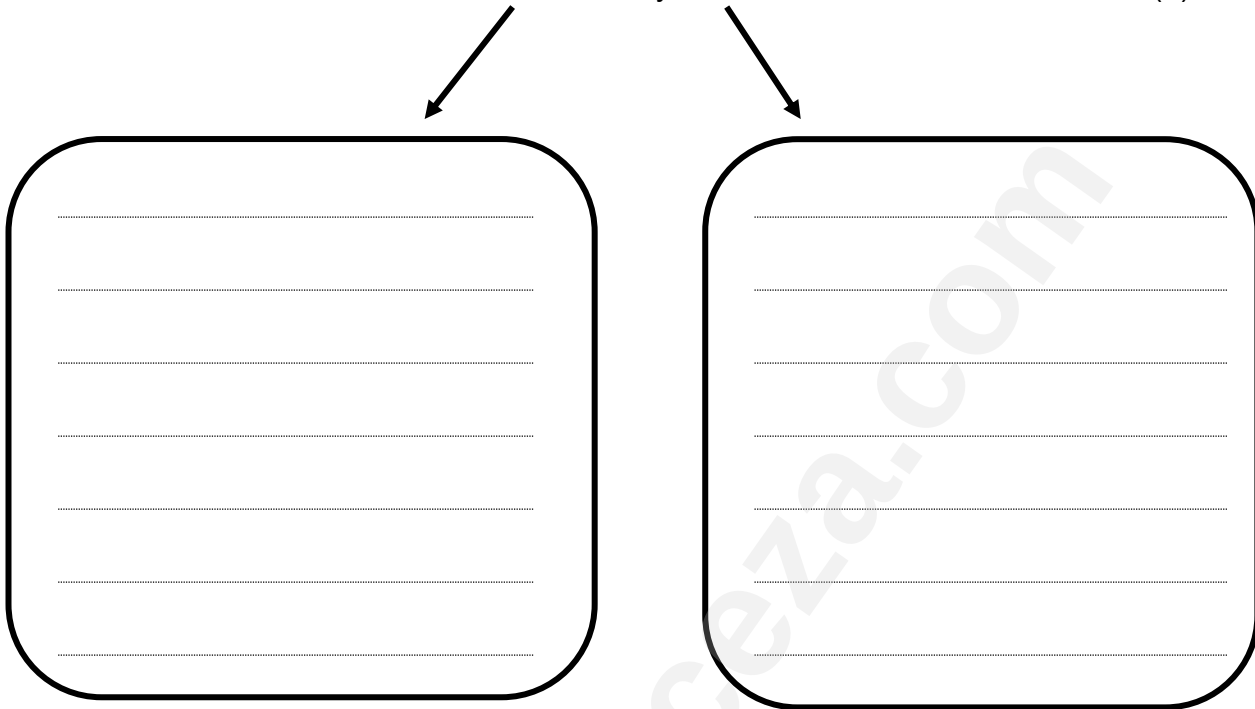
- 5.9 Name THREE alternate investment options that would have involved less risk and provide a reason why these would have been a better investment opportunity for a cashier earning a basic living wage. (6)

[50]

QUESTION 6

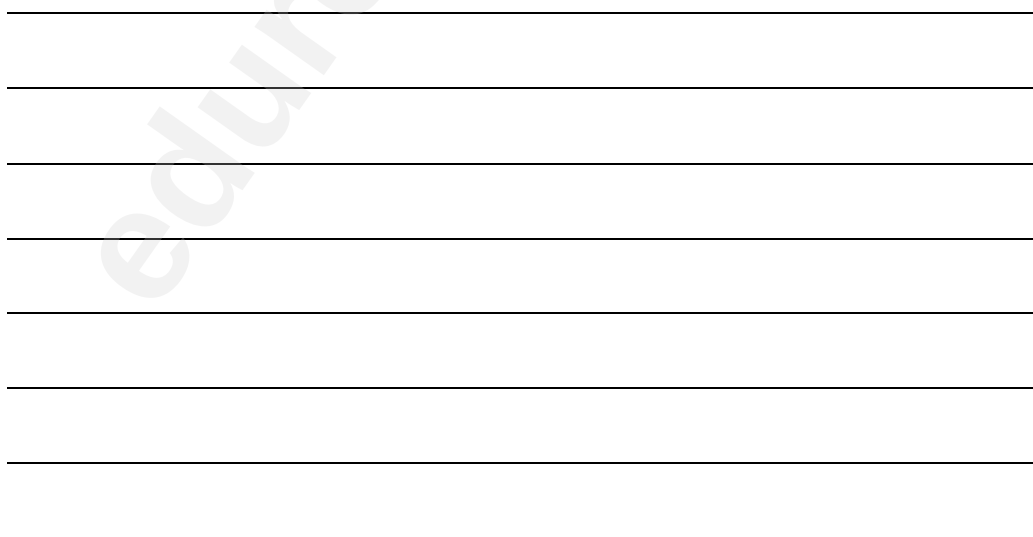
6.1 The workplace is often a source of conflict.

6.1.1 Differentiate between functional and dysfunctional conflict. (4)



The image shows two empty rounded rectangular boxes with black borders and horizontal lines inside, intended for writing. Two arrows point from the text 'Differentiate between functional and dysfunctional conflict.' to the top of each box. A large, faint watermark 'eduresourceza.com' is visible across the boxes.

6.1.2 Identify any TWO causes of conflict that are most likely to affect staff at Edgars? Justify your answer. (4)



A series of ten horizontal lines for writing the answer to question 6.1.2. A large, faint watermark 'eduresourceza.com' is visible across the lines.

6.1.3 Discuss the potential consequences of unresolved conflict for Edgars. (4)

6.1.4 How could these potential consequences be avoided? (4)

6.2 Study the fictitious pay slip below:

Earnings		Deductions	
Gross Income	R25 000	PAYE	R4 520
Housing allowance	R1 000	UIF	R177.12
Overtime allowance	R1 500	Medical Aid	R3 600
		Retirement Annuity	R750
		Legal Wise	R50
		Trade Union	R150

6.2.1 Identify TWO fringe benefits on the payslip. (2)

6.2.2 List ONE voluntary deduction from the payslip. (1)

6.3 New employees may find their first day overwhelming. The Human Capital department must ensure that this is not the case. (4)

Discuss using a relevant example the purpose of an **induction** program?

6.4 Recommend the most suitable management style for the following scenarios: (3)

6.4.1 Manager of a group of inexperienced Edgars cashiers:

6.4.2 Manager of Edgars employees who respond well to rewards:

6.4.3 Financial manager of a group of qualified accountants:

John is the manager of a small clothing retail store. Recently, he has discovered that one of his long-term employees, Sarah, has been taking small amounts of money from the cash register. Sarah is a single mother who has been struggling financially, and John understands that the money she took was likely used to support her family. However, theft is against company policy, and if John reports her, she will almost certainly lose her job and may face legal consequences.

Fictitious Scenario

- 6.5 Use a Pros and Cons chart to assist John in deciding what he should do in this situation. (6)

Consideration: Retention or Dismissal of Sarah	
Pros	Cons
•	•
(1)	(1)
•	•
(1)	(1)

Your final decision and motivation: (2)

10,000 Southern African Clothing & Textile Workers' Union (Sactwu) members embarked on a two-day protected strike action against continued undermining of the clothing bargaining council and payment of wages below the legally prescribed levels.

Source: <https://www.industrialunion.org/south-african-garment-workers-strike-on-low-wages>

- 6.6 Discuss why it is important for a clothing retailer to have **discipline & grievance** procedures in the workplace. (4)

- 6.7 Using a practical example, explain the benefits of using a trade union representative in labour negotiations. (3)

- 6.8 Define the **customer perspective** of the **Balance Score Card** and mention how a clothing retailer can use this perspective to their advantage (4)

- 6.9.1 List THREE possible duties/responsibilities of the TFG directors:

- 6.9.2 Dismissing staff is never pleasant, however there are occasions when it is required. Using a clothing retail example, explain any TWO reasons for dismissal due to **incapacity**. (4)

SECTION C

The following aspects will be considered when marks are allocated in this section:

- Format:
 - The CORRECT format must be used i.e. business report.
 - Where applicable, include an introduction and conclusion.
 - Use headings and subheadings where appropriate.
- Terminology: correct business terminology should be used.
- Content: must be sufficient to cover all aspects of the question.
- Substantiation: justification for statements made.
- Application to case study/context.
- Creative problem-solving rather than just giving theoretical facts.
- Synthesis and appropriate sequencing.

QUESTION 7

Source A:

Challenges and opportunities facing SA's clothing retailers.

Local retailers are having a tough time. It's a low growth environment with weak consumer demand. In addition to economic woes, the popularity of new global entrants into the local marketplace also places significant pressure on local retailers.

However, with the growth of store footprint comes scale, and that allows retailers to expand their margins and significantly offer even better value to the customer. South African consumers are unique; they look at print, style and colour differently, and it's vital to be aware of that. "An example is Woolworths' private label and David Jones Australia. The market is different, and it has been difficult to just transplant the Woolworths private label into the Australian market. A cut-and-paste process is not as easy as it seems.

<https://www.bizcommunity.com/Article/196/462/171206.html>

Source B:

Dimensions of quality



<https://textilelearner.net/total-quality-management-in-textile-industry/>

The relative underperformance of local clothing retail versus the general market is attributable to several factors. The management teams of these local companies should have seen the threats coming for some time and made efforts to improve their brands quicker. The reality is that this has caused a lot of them to fall behind, and it is difficult to imagine how they will catch up.

Required:

Write a business report to the Board of Directors of a clothing retailer of your choice in which you assess the factors to be considered when analysing the quality of performance of the different business functions and external environment of the retailer.

Also make recommendations on how to improve the overall performance of the business.

[50]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Additional Space:

[illegible]