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PRELIM EXAM MARKING GUIDELINE

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Subject:	Business Studies	Grade:	12
Examiner:	L. de Castro	Marks:	300
Moderator(s)	L. de Necker/K. Chetty/ L. Jansen/ A. Brown	Date:	06 September 2024
Subject Head:	M. Dreyer	Signature:	Time: 3 Hours

SECTION A

QUESTION 1

Indicate the **most correct answer** by writing the letter of the alternative you have chosen in the space provided at the bottom of each page.

1.1.	1.2.	1.3.
B ✓✓	A ✓✓	B ✓✓

1.4. (3)	1.5. (3)	1.6.
B ✓✓✓	B ✓✓✓	C ✓✓

1.7. (3)	1.8.	1.9.
B ✓✓✓	C ✓✓	A ✓✓

1.10.	1.11.	1.12. (3)	1.13.
B ✓✓	C ✓✓	D ✓✓✓	D ✓✓

1.14.	1.15.	1.16.	1.17. (3)
B ✓✓	D ✓✓	C ✓✓	A ✓✓✓

1.18.	1.19. (3)	1.20.
B ✓✓	C ✓✓✓	C ✓✓

1.21.	1.22.	1.23. (3)	1.24.
C ✓✓	B ✓✓	C ✓✓✓	D ✓✓

1.25. (3)	1.26.
A ✓✓✓	D ✓✓

[60]

QUESTION 2

Each of the following statements are false. Change the word in bold to make each of the following statements true.

- 2.1. Labour Relations Act (LRA) ✓✓
- 2.2. King Code IV ✓✓
- 2.3. Macro environment ✓✓
- 2.4. Select ✓✓
- 2.5. Market development ✓✓
- 2.6. Excess ✓✓
- 2.7. Growth ✓✓
- 2.8. Publicity ✓✓
- 2.9. Proximate clause ✓✓
- 2.10. Benchmarking ✓✓

[20]

QUESTION 3

Complete each of the following sentences by writing the missing word(s) in the spaces provided.
Choose the missing word(s) from the list of Business Studies terms provided.

NOTE: There is only one correct answer to each statement.

- 3.1. Work to rule. ✓✓
- 3.2. CSR ✓✓
- 3.3. Brand stretching ✓✓
- 3.4. Snob value ✓✓
- 3.5. Mission statement ✓✓
- 3.6. Employment Equity Act ✓✓
- 3.7. Industrial relations ✓✓
- 3.8. Performance appraisal. ✓✓
- 3.9. Specification. ✓✓
- 3.10. Grievance procedure ✓✓

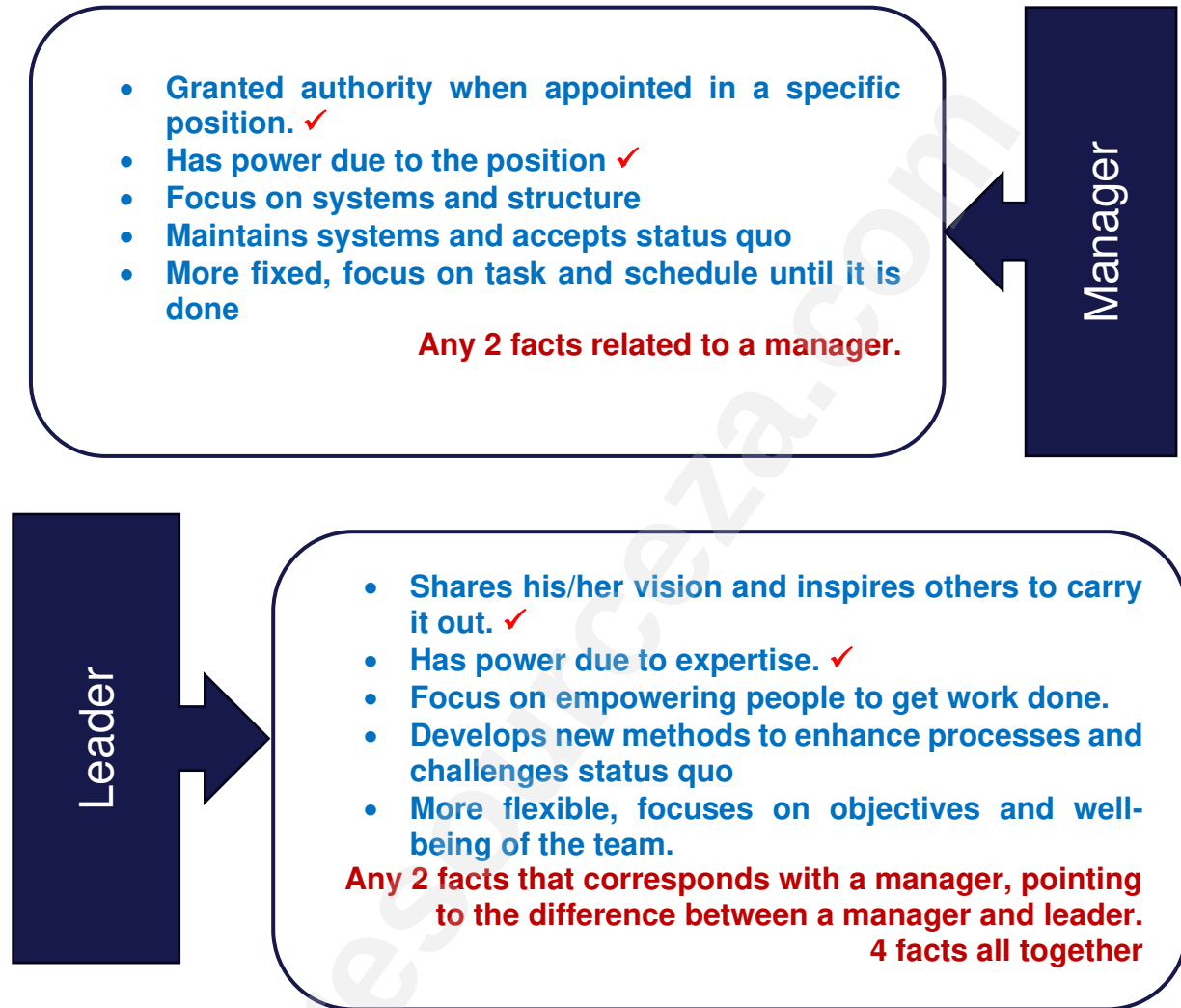
[20]

100 Marks

SECTION B

QUESTION 4

4.1. Explain the difference between a manager & leader at Mr Price.



(4)

4.2. Describe how the following managerial competencies could assist Pick n Pay in maintaining a competitive advantage in the grocery industry. Use a different example/scenario to support each answer.

4.2.1. Organisational Awareness:

- Management needs to be aware of internal and external factors that may have an impact on the success of the business.

a) Internal

- Manager should also have empathy and consider the pressures that different departments experience ✓ and should aim to accommodate people where possible to ensure the entire business (rather than just that one department) is successful.
- Management must also understand the organisational culture ✓ of the business. A proactive plan must be implemented to change an undesirable organisational culture to something that is in line with the vision and mission of the business to enhance the overall functioning of the business. ✓
- Mr Price has shops like Mr Price Sport, Mr Price Money, Mr Price Home, Miladys, Sheet Street, Power Fashion and Yuppie Chef under its umbrella this is to cater for different income customers, offering essential products at a lower price. ✓
- This is in line with their mission and values: We aspire to be a world-class competitor where we operate, offering the best quality at the best prices, with additional services offered to cater to our customers' expectations and evolving needs. ✓

b) External

- Management should demonstrate an understanding of the opportunities and/or threats that the business may face when viewed in the context of the external environment.
- While aspects in the external environment such as national and international trends may have an impact on the business, the business could also affect events in the external environment by taking a stand for or against a viewpoint or proposed legislation for example.

Description and example required. Accept any valid example.

Minimum 2 facts for the description

Minimum 2 facts for the example

5 facts = 5 marks

(5)

4.2.2. Judgement:

- Judgement is the ability to make considered decisions or come to sensible conclusions. ✓
- Judgement calls in different situations can only be done once all the relevant facts have been evaluated in an objective manner. ✓
- Sometimes an immediate decision is required to capitalise on an opportunity; the manager cannot hesitate to make that crucial decision. ✓ One of the most important skills a manager can utilise in such a situation is to apply logical reasoning.
- Manager should make judgement calls / decisions with integrity. This demonstrates leadership and a willingness to acknowledge accountability for his/her decisions.

Description and example required. Accept any valid example.

Minimum 2 facts for the description

Minimum 2 facts for the example

5 facts = 5 marks

(5)

- 4.3. Assess how Mr Price could implement the different management tasks below to ensure they remain committed to their vision.

Planning	• Top-level managers, such as CEOs or presidents, will design and execute strategic plans to paint a picture of the desired future and long-term goals of the organization. ✓ • Essentially, strategic plans look ahead to where the organization wants to be in three, five, even ten years. ✓ • Planning is the first and the most important function of management that involves setting objectives and determining a course of action for achieving those objectives. ✓ Accept any valid point related to the management task that could link to Mr Price 3 facts = 3 marks
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Control	• Manager must ensure goals are reached without wasting resources • Goals should have been clearly defined so that it could be used as a checklist ✓ • Employees must be held accountable and able to stick to a time frame ✓ • The required quality or standards should be determined, and actual results evaluated. ✓ Accept any valid point related to the management task that could link to Mr Price 3 facts = 3 marks
Communicating	• Managers at the lower level of the management communicate the organizational goals or ethical guidelines to the employees at the workplace. ✓ • They act as a leader and set example for other employees to follow. ✓ • They give commands and directions to the employee, make decisions, and mobilize employees' support. ✓ Accept any valid point related to the management task that could link to Mr Price 3 facts = 3 marks

(9)

4.4. Suggest how a Mr Price store could use the following Balanced Score Card perspectives to ensure continuous improvement in the business.

4.4.1 Customer perspective

- Issues relating to how customers see the business and what their expectations are from the business. ✓
- Define the market segment the business is targeting. ✓
- Determine if there is a shift in customer trends. ✓

(3)

4.4.2 Learning and growth perspective

- Describes intangible assets such as information and human capital in an organisation. ✓
- Looks at how employees in the business can continue to improve and create value. This is done through intangible assets of the business such as information capital ✓ (intellectual property) which is developed by the human capital (employees). Leadership, accountability, culture and teamwork are important components when developing a culture of lifelong learning and development. ✓
- It is very important in the times that we live in where "knowledge" is often seen as a 5th factor of production. Also consider Intrapreneurship.

(3)

4.5. Refer to the advertisement below and then answer the questions that follow.



Image: <https://www.facebook.com/Mr.PriceRecruitment/posts/1104152336801790/>

4.5.1. Define the term recruitment.

- Recruitment is procuring or finding the right staff members for the job; ✓
- The focus is to attract the most competent applicant; ✓
- Important to determine the most effective communication channel for the recruitment message.
- Internal and external options can be considered.

(2)

4.5.2. Identify the type of recruitment Mr Price is using in the source above.

External ✓

(1)

4.5.3. Describe TWO benefits of the type of recruitment identified in 4.5.2.

- **New ideas and skills ✓ such as knowledge related to cold storage and managing of fashion retail brought into the business ✓**
- **Opportunity to employ more Affirmative Action candidates ✓ to meet Employment Equity targets. ✓**
- **People who are headhunted may give insight into operations of competitors.**
- **No infighting among employees for the position**

(4)

4.6. Once employed, employees will go through an induction process. Suggest aspects that Mr Price could include in an induction programme for new employees at a store.

- **The business' policies and procedures. ✓**
- **Organogram/organisational chart ✓ to identify the various role players in the organisation ✓**
- **A face-to-face introduction to the manager and other staff members in the department ✓**
- **A tour of the facilities**
- **Detailed instructions outlining how new staff should perform certain tasks.**
- **Allocating new employee, a "buddy or mentor", in case questions arise or there is uncertainty about job-related issues, allows the new recruit to settle in more quickly.**

Any 4 valid facts = 4 marks

(4)

4.7. Analyse how poor staff retention negatively impact Mr Price?

- **Reduced productivity levels ✓**
- **Additional work burden on employees ✓**
- **Low morale ✓**
- **Negative public perception ✓**
- **Ineffective use of resources.**

Any 4 valid facts = 4 marks

(4)

4.8. TWO types of remuneration that a Pick n Pay store can use to pay their staff.

Cost to company: ✓

- **Fixed amount paid once a month ✓ on an agreed-upon date to permanent or temporary workers. ✓**

Cost + benefit ✓

- **Usually paid on a daily or weekly basis. ✓ May be a fixed sum, calculated on the basis on number of HOURS worked ✓**

**Also consider other remuneration types within good reason
Accept Salary structures – basic plus benefit and cost to company.**

1 mark for each type X 2 = 2 marks

2 facts per type X 2 = 4 marks

6 marks

(6)

[50]

QUESTION 5

5.1. Study the following information regarding the share price of the TFG Group over the last year.

5.1.1. What is the opening share price of TFG on 6 August 2024?

(1)

R131,71 ✓

5.1.2. How has the share price of TFG changed over the last 90 days?

(1)

It has significantly increased ✓ with 32,13% ✓ over the last 90 days, therefore it is higher than a year ago. ✓

Any ONE fact

5.1.3. Use the information above, describe the market mood for TFG between September 2023 and August 2024.

(4)

Share price has increased ✓ significantly from June 2024. This could be the result of better-than-expected financial performance of the business ✓ and the national elections that offer a good result for private business and investors. ✓

It shows investors are confident ✓ in the performance and management of Mr Price.

During a bull market ✓ companies, including TFG, may experience rising share prices ✓, increased investor interest ✓, and improved financial performance ✓.

Positive economic indicators ✓, strong corporate earnings ✓, and favourable market conditions ✓ contribute to overall market mood. ✓

A bull, market refers to a financial market characterised by rising stock prices ✓ and overall optimism among investors. ✓ During a bull market, investor confidence is high ✓, and there is a prevailing belief that stock prices will continue to increase ✓.

This positive sentiment often leads to increased buying activity ✓ and can drive the market to new highs. ✓

Any other relevant answer
Any FOUR facts = 4 marks

5.1.4. Discuss the possible external factors which could have an impact on the share price of TFG. (4)

Level of confidence in the state of the economy ✓. Macroeconomic conditions, such as GDP growth ✓, inflation rates ✓, interest rates ✓ and currency fluctuations ✓ will affect customer spending ✓. When the economy is doing well, investors feel positive about investing on the JSE and will be eager to buy shares (bull market) ✓
Government policies or new legislations ✓ will impact on the overall confidence in the economy ✓ of the country and therefore share prices ✓.
Industry performance will affect all the companies listed in that industry. ✓ Any significant shifts in market share ✓, pricing strategies ✓, or disruptive innovations by competitors ✓ could impact investor sentiment ✓ and potential influence. ✓
The level of consumer confidence can directly influence the performance ✓ of the Mr Price. During periods of high consumer confidence ✓, individuals are more likely to spend ✓ on discretionary items, which can positively affect sales ✓ and, in turn, the price of Mr Price shares. ✓
Technological advancements and shifts in consumer behaviour ✓ can significantly impact the clothing retail industry. Changes in e-commerce trends ✓, mobile shopping habits ✓, and digital payment systems ✓ can either present opportunities or challenges to the company. The ability to adapt ✓ and leverage technology effectively ✓ can influence investors sentiment ✓ and the share prices. ✓
Geopolitical events ✓ such as trade disputes ✓, political instability ✓, or natural disasters ✓ can have widespread economic repercussions, including impacts on consumer sentiment ✓ and investor confidence ✓.

Any other relevant facts.
Any FOUR discussed.

5.1.5. Discuss the risk involved investing in shares. (2)

- The JSE have strict rules ✓ for companies to list on the stock exchange, hopefully to decrease the risk of investing in these listed companies ✓. Investing in companies are still seen as a moderate to high-risk investment. ✓
- *Blue-chip* → the risk of acquiring shares is smaller than in another company. ✓
- ROI in blue-chip companies → is usually higher ✓ than in other companies.
- Investors usually take smaller risks ✓ than people speculating with shares. ✓

Any TWO facts

5.1.6. Explain the return that can be expected when investing in shares. (2)

- When evaluating the ROI of shares bought in a listed company, there are two factors that contribute to the ROI:

- Increase in share price ✓ (Capital growth ✓)
- Dividends ✓
- Shareholders will buy shares in the company with the expectation that:
 - The share price will increase over a period of time (capital growth) ✓
 - Good dividends will be generated. ✓
- A combination of the above occurs → outperform inflation ✓

Any TWO facts

5.2. Read the extract below.

5.2.1. Has Power Fashion Store handled the situation correctly? Substantiate your answer. (2)

No ✓

The way the situation was handled was unethically ✓ and illegal ✓ It goes against corporate governance ✓ and the Child Protection Act ✓ No citizen, even a business, may take the law into their own hands. ✓

Any other reasonable motivation.
The student must state that it was incorrectly handled.

5.2.2. With reference to corporate governance discuss the possible disciplinary consequences that can be faced by Power Fashion and Mr Price? (4)

Market discipline

Sanctions ✓ (punishing) to stop using ✓ the business' products and/or services and possibly sell shares ✓ owned in the business. This will lower share price ✓ → result in the collapse of the business. ✓

Regulatory discipline

Can only be imposed, once the damage has already been done.

Legal action can be taken ✓ against the business which could lead to fines ✓ or imprisonment. ✓

Any other reasonable result of market and regulatory discipline.
2 market/2 regulatory
1 market/3 regulatory
3 market/ 1 regulatory

5.2.3. How will this negatively affect the business' image, not only Power Fashion but also Mr Price? (3)

Legal issues and the media coverage thereof increases public awareness ✓ of the above developments This in turn it will have a direct impact on sales ✓ as customers might rather prefer to support a competitor ✓ since they do not agree with the business' view on the issue ✓. The public (potential customers) may lose their confidence in the management of the business. ✓

Any other reasonable explanation of how the image of the business will be negatively effected.
Any THREE facts

5.2.4. Suggest what corrective and preventative action that the business can take on this matter. (4)

Corrective – To correct the wrong

Issue a media statement ✓ giving the standpoint of the business, Power Fashion and Mr Price, clearly state that this is not acceptable behaviour ✓ and that steps will be taken against the guilty parties involved. ✓

Take disciplinary action ✓ against the store manager and staff involved. ✓

Preventative – to ensure that it will not happen again

Offer training ✓ to ensure all employees knows what the procedure is when a customer is a suspect for theft. ✓

Ensure the Code of Conduct ✓ is consistently applied ✓ all stores follow this, and all employees understand the consequences of non-compliance. ✓

Any other reasonable suggestions

2 corrective/2 preventative

1 corrective/ 3 preventative

3 corrective/ 1 preventative

5.2.5. In light of this event, discuss the importance for the business to have a Code of Ethics and a Code of Conduct. (4)

- It communicates the ethical vision of the business ✓ and covers issues that govern day to day behaviour. ✓
- It creates a common framework for all business decisions ✓ (know what to do and what not)
- The code sets out the correct procedure ✓ required for the business and employees in different situations.
- The code will spell out the consequences of unethical behaviour. ✓
- It helps to protect a business ✓ if an employee breaches the code.
- It will help new employees to understand what acceptable behaviour ✓ is and what will not be tolerated.
- When the business operates in the global arena, it helps management and employees to understand acceptable practice ✓ within the organisation, regardless of where in the world the business operates. The ethical standards and values may differ between countries ✓
- It stipulates what the acceptable behaviour is when conflict of interest arises in the work situation. ✓
- Gives the business the opportunity to create a positive image ✓ of the business with the public.
- May also be used to guide the business and employees regarding the importance of Corporate Social Responsibility (CSR). ✓

Any 4 discussed

Max 2 is listed

5.3. Study the following statement.

- 5.3.1. Critically evaluate the role of transparency and accountability in corporate governance and how these principles build trust among stakeholders, and the consequences of failing to adhere to these principles. (5)

Transparency (no set of rules, who will be held responsible)

- **Refers to decisions being taken in:**
 - **accordance with a set of rules which everybody is familiar with ✓**
 - **and that these rules are understood by everybody. ✓**
- **Transparency is of course a pre- condition for accountability. ✓**

Companies that openly share their financial and operational data reduce the likelihood of misinformation ✓ and fraud. ✓

Accountability (person taking responsibility for his/her actions)

- **Accountability increases the level of confidence ✓ that stakeholders have in the business decisions taken. ✓**
- **Integrity or honestly or truthfulness will be part of decision making ✓ if the person or organisation knows they will be held accountable for decisions taken. ✓**

Holding individuals and teams accountable ensures that ethical standards are maintained. ✓

Consequences of failure:

Lack of transparency can lead to scandals ✓, loss of investor confidence ✓, and regulatory penalties. ✓

Any other relevant facts

**2 marks for transparency/ 2 marks for accountability
1 mark for transparency/ 3 marks for accountability
3 marks for transparency/ 1 marks for accountability
1 mark for failure**

- 5.3.2. Discuss how the involvement in corporate social responsibility will benefit Mr Price and the community they are involved in. (6)

- **If the business does not get involved in assisting in the solving of social problems it will ultimately have a detrimental effect on the business ✓**
- **Expertise and resources to deal with socio-economic problems already exist ✓ in the organisation.**
- **If the corporate sector does not gets involved in CSR → Government will enforce the issue through legislation. ✓**
- **CSR can help to promote the image of the business ✓ and gain goodwill ✓ by e.g. sponsoring sports events. ✓**
- **CSR is not only about 'good deeds' but about making a difference ✓ through job creation ✓ and improving the general standard of living ✓ of the community.**

Benefits from the community's point of view:

- **Less pollution results in healthier people ✓**
- **More skills lead to less unemployment ✓ which may contribute in:**

- a higher standard of living, ✓
- less crime and ✓
- a more productive society. ✓
- Better control over HIV / AIDS ✓ due to education
- Feedings schemes make better education possible. ✓
- Sponsorships of sporting event ✓ and bursaries to students. ✓

Any other reasonable answer

5 marks for business/1 mark for community
4 marks for business/2 marks for community
3 marks for business/3 marks for community
2 marks for business/4 marks for community
1 mark for business/5 marks for community

5.3.3. Discuss how Mr Price's involvement in CSR would promote investor confidence. (4)

JSE SRI

- The JSE SRI was launched in 2004 with the intent and purpose to:
 - Identify the companies listed on the JSE that focus on good governance and that focus on environmental, social and economic sustainability in their reporting
 - Measure the policies and procedures of companies that are listed on the JSE against globally acceptable CSR standards
 - Give investors a non-financial standard to use as a tool when making investment decisions
 - Promote responsible business practice in South Africa and beyond
- The indicators of performance used by the JSE SRI are:
 - Environment:
 - Reduce negative environmental impact
 - Promote awareness of environmental impact
 - Working to use natural resources in a sustainable manner
 - Demonstrate a commitment to social sustainability
 - Treat all stakeholders with dignity, fairness and respect
 - Develop and empower employees and the community
 - Society:
 - Demonstrate a commitment to social sustainability
 - Treat all shareholders with dignity, fairness and respect.
 - Develop and empower employees and the community.
 - Governance:
 - Maintain good corporate governance practices
 - Aim for long-term growth and sustainability by managing risks in the macro economic environment.
 - Promote positive social, environmental, ethical and economic activities.
 - Management of climate change:
 - Reduce carbon emissions and climate change

Benefits

- A company that is perceived to be socially responsible may use this as a competitive advantage.

- Scoring high on the SRI, shows to shareholders and potential shareholders that the business is accountable and transparent in its dealings.
- A good performance on the JSE SRI could have a positive impact on the financial performance of the business.

GRI (Global Reporting Initiative)

Intent and purpose:

- Definition: The GRI is a non-profit organisation that promotes reporting on sustainability issues through the creation of a Sustainability Reporting Framework. This framework is used worldwide to promote transparency.

Benefits:

- It provides guidelines to businesses to determine their impact on economic, environmental and social fronts.
- It is an international framework that compares apples with apples.

ESG Scores (Environment, social and governance)

- The JSE provides ESG Scores that help investors identify companies with significant environmental, social, and governance (ESG) exposures.
- These scores complement conventional risk measures and offer insights into a company's sustainability practices

Any FOUR facts

5.3.4. Explain "effective control" as part of the King Code IV.

(4)

- The governing body should serve as the focal point ✓ and custodian of the corporate governance in the organisation ✓
- The governing body should comprise the appropriate balance of knowledge, ✓ skills ✓, experience ✓, diversity ✓ and independence ✓ for it to discharge its governance role and responsibilities objectively and effectively ✓
- The governing body should ensure that its arrangements for delegation ✓ within its own structures promote independent judgement ✓, and assist with balance of power ✓ and the effective discharge of its duties ✓
- The governing body should ensure that the evaluation of its own performance ✓ and that of its committees ✓, its chair and its individual members, support continued improvement ✓ in its performance and effectiveness ✓
- The governing body should ensure that the appointment of, and delegation to, ✓ management contribute to role clarity ✓ and effective exercise of authority ✓ and responsibilities ✓
- The governing body should govern risk ✓ in a way that supports ✓ the organisation in setting and achieving its strategic objectives ✓
- The governing body should govern technology ✓ and information ✓ in a way that supports the organisation setting and achieving its strategic objectives ✓
- The governing body should govern compliance with applicable laws ✓ and adopted, non-binding rules, codes and standards ✓ in a way that it supports the organisation being ethical and a good corporate citizen ✓
- The governing body should ensure that the organisation remunerates fairly ✓, responsibly ✓ and transparently ✓ so as to promote the achievement of strategic objectives ✓ and positive outcomes ✓ in short, medium and long term

- The governing body should ensure that assurance services ✓ and functions ✓ enable an effective control ✓ environment, and that these support the integrity of information ✓ for internal decision-making ✓ and of the organisation's external reports ✓

Any FOUR principles discussed.
Max 2 marks for listing.

[50]

QUESTION 6

6.1. Takealot owned company, Superbalist, is a successful online clothing platform that delivers to your door. They make use of various types of vehicles to successfully provide this service.

6.1.1. Assist the financial department of Takealot in taking out vehicle insurance by naming and differentiating between the **TWO** different vehicle insurance options. (10)

Fully comprehensive: ✓

Fully comprehensive insurance means the insured's car and the other vehicle will be repaired ✓ in the case of an accident. Damage caused by fire ✓ will be covered or if the car is stolen the insured will be indemnified. ✓ It is important to remember that items such as expensive sound systems ✓, laptops and other expensive items must be specified separately to avoid these assets not being covered by the insurance policy. Insurers can work out a tailor-made solution to cover the individual needs of the insured.

Third party, fire and theft: ✓

The older the vehicle, the less the value ✓. If a vehicle is relatively old, it may not be financially viable to continue paying fully comprehensive insurance ✓, because the chances are the insurance company will write off the vehicle if it is damaged and not pay out a decent value ✓. In such a case, if the driver is to blame for an accident to another expensive car, the damage to the other car will be paid ✓ by their insurance company. This type of insurance also pays out if the car is stolen or damaged in a fire. ✓

6.1.2. One of the delivery drivers of Takealot got into a serious accident and got injured and would like to claim from the Road Accident Fund. Assist the driver by explaining the purpose of this fund. (6)

- The RAF is a compulsory insurance that covers all road users in SA. ✓

- The RAF assists people who had been injured in a motor car accident and will pay for rehabilitation, as well as medical claims. ✓
- The RAF offers indemnity to the person who is guilty of the cause of the accident so that the injured person or their family cannot claim from the guilty party. ✓
- The RAF fund will pay out in the following instances:
 - Any person who is injured in a motorcar accident, whether as pedestrian or passenger. ✓
 - The family of a deceased victim may also claim. ✓
- Contributions to the fund are included in the petrol/diesel price and are adapted by the government. ✓

6.2. Discuss **THREE** requirements that should be considered to ensure an insurance contract is valid. (6)

Absolute good faith: ✓

This is also known as utmost honesty and requires the insured to disclose ✓ all relevant information that may affect risk. If all questions are not answered honestly and accurately, the risk will not be covered ✓ and the policy will be declared null and void.

Insurable interest: ✓

A person has insurable interest if it can be proved that they will sustain a financial loss if a certain event takes place. ✓ The following are examples of insurable interest:

- A person has insurable interest in his own assets. ✓
- A person has an insurable interest in their own health or in their life. ✓
- A married person has insurable interest in the life of a spouse.
- Business partners have an insurable interest in the lives of co-partners, because they are jointly and separately liable for the debts of the business.
- A creditor has an insurable interest in the life of his debtor.

Contractual capacity: ✓

Means the person entering into the insurance contract is of legal age and sound mind. Legal age in South Africa is 18 years of age.

6.3. Use the given information to answer the questions that follow.

6.3.1. Which company's share is expensive?

Name: Mr Price group Ltd ✓	(1)
Price (ZAC): 19.27 ✓	(1)

6.3.2. Which company yields the lowest ROI?

Name: Foschini group Ltd ✓	(1)
Percentage: 2.27% ✓	(1)

6.3.3. Discuss the element of risk when investing in equities. (4)

- **The JSE have strict rules for companies to list on the stock exchange to protect investors and decrease the risk of investing in these listed companies. Equities are still seen as moderate to high risk investments.** ✓
- **Blue-chip shares are shares in high end companies on the stock exchange and the risk of acquiring these shares is smaller** ✓ **than having shares in another company. The ROI in these blue-chip companies is usually higher than in other companies.** ✓
- **Investors usually take smaller risks than people speculating with shares.** ✓

6.3.4. Discuss how the demand for shares in Mr Price can be impacted. (5)

- **The level of confidence in the state of the economy.** ✓
- **Government policies or new legislation will impact on the overall confidence in the economy of the country and therefor, the share prices.** ✓
- **Industry performance will affect the companies listed in that industry.** ✓
- **Financial performance of the business.** ✓
- **Management and the public's confidence in the management team.** ✓
- **Social issues surrounding the company.**
- **Legal issues.**
- **Media coverage.**

- 6.4. Name **FIVE** instances that are considered uninsurable by insurance companies. (5)
- War and associated risks are generally uninsurable as insurance companies regard it as a risk that should be managed by the government. ✓
 - One risk, that is generally considered to be uninsurable, is bad debt. There is however, insurance available against bad debt, but it is one of those risks that are almost unaffordable. ✓
 - Business risks, such as price fluctuations due to time intervals, are not covered by means of a traditional insurance policy. The business may decide to hedge against such risks. ✓
 - If trading inventory becomes obsolete or outdated due to changes in fashion, it is a business risk that is uninsurable. ✓
 - Technology changes at quite a rapid pace and constant improvements are made to machinery and the production processes. A business cannot take out insurance against machines becoming outdated. Leasing, however, is an option to prevent being stuck with outdated equipment. ✓
 - No one can take out insurance against committing an illegal act.
 - Some insurers consider the risk associated with natural disasters as too high, to cover these areas.
- 6.5. Evaluate the importance of commercial insurance. Include examples of insuring both the contents of your business as well as the structure of the business. (8)
- Business insurance is probably one of the most important decisions which the entrepreneur or manager needs to consider to protect the business from unforeseen events which could include the following:**
- Theft ✓
 - Burglary ✓
 - Public liability if a client for example slips on a wet floor in the shop and gets hurt. ✓
 - Damages due to natural disasters
 - Partial or total loss of income if the business can not function. This loss of income is protected if it is a force majeure.

- A possible example is a pothole in the front of the entrance in the street that makes it dangerous for people to get close to the business and therefor the business must temporarily close their doors.
- Covid-19 has been covered by some insurance policies if the policy made provision for a force majeure and the business could not generate income due to the lockdown.
- Although fire insurance is listed as a separate insurance policy, the fire insurance usually forms part of the general business insurance.
- The contents of the business are covered against fire by:
- Content insurance:
 - Equipment like fridges, cash registers and machines that are used during manufacturing processes lose value over time ✓ and the business must adapt the value of the equipment on the insurance policy otherwise the business will be over insured. The policy must also be updated when new equipment is bought, to avoid being under-insured.
 - Insurance for stock will include a “iron safe clause”. It requires that the insured keeps a record of available stock ✓ in a safe/ strong room that cannot be destroyed in a fire. However, with the technology available these days where copies of stock records are kept elsewhere, it is not necessary to keep it in a fire proof safe on the premises.
- Damage to the structure of the building caused by fire ✓ is usually included in the compulsory insurance enforced by the bank when the bank offers a bond or mortgage loan to finance the building.
 - The more flammable a structure or stock is, the higher the risk, the higher the premium. ✓
 - The nature of the surrounding buildings could also have an impact on the risk and the premium. If the insured building is next to a filling station that sells petrol and diesel, there will be a high risk attached to the insurance and thus a premium that has to be paid. ✓

6.6. Name **TWO** aspects a person must consider when taking out long-term insurance. (2)

- The greater the amount of life insurance that a person would like to take out, the higher the premium will be. ✓
- If a person is involved in a risky profession or hobby or even lives dangerously the premium will also be higher. ✓

SECTION C

QUESTION 7

Fact marks are allocated as per the rubric for:

- Naming
- Explaining/justifying/motivating
- Examples
- Strategies to solve problems
- Current affairs
- 10 additional facts – must add value to the discussion/argument(s)

The importance of manpower planning:

- Manpower planning is a prerequisite for recruitment and selection.
- Manpower planning is a top-down process.
- This means that the strategic plan of the business will determine what skills are needed to achieve the goals of the business.
- The required skills will be acquired through manpower planning and training.
- Manpower planning refers to the process of estimating the number of employees.
- Assessing the range of skills required for the business to operate and calculating the time frame of the employment needs of the business.
- To complete manpower training, the business needs to analyse each job in the business through job analysis, job description and job specification.

(Consider any other relevant point on the importance of manpower planning for Mr Price)

Advantages of internal recruitment

It is done by transferring an existing employee to a new position or by promoting an existing employee.

- The employee morale is improved if they know there are opportunities for promotion.
- It is more cost effective.
- The employee's past performance and attitude towards the business is known.

The advantages of recruiting externally are:

- New ideas and skills are brought into the business.
- It may give Mr Price an opportunity to employ more Affirmative Action candidates to meet Employment Equity targets.
- When an employee is head hunted, he/she may provide insight into the operations of competitors.
- No fighting occurs among employees for the position.

Selection procedure

Once the recruitment process is complete, the selection process begins by identifying the most suitable candidates to interview for the position. Selection consists of a number of steps and ends with the employee signing the employment contract and filling the vacant position.

- In response to the position advertised, Mr Price will receive application forms, CVs and other relevant information. This is checked to ensure pertinent information has been received from the candidates applying for the vacancy.
- The next step is to evaluate all the application forms and CVs to see which candidates meet the prescribed criteria. Those candidates not meeting the criteria are informed that their applications were unsuccessful. The business often stipulates in the advert: "if you have not been contacted by ... (date), your application was not successful."
- The next procedure is to compile a shortlist of candidates for the first round of screening. This is done by comparing each application to a predetermined list of criteria required for the position. This procedure ensures the process is objective.
- A background and reference check is done. A pre-defined list of questions verifies the applicant's references and ensures fairness. If the nature of the position requires it, credit checks and checking for a criminal record occurs.
- Interviews are conducted, following the selection of the most suitable candidates. It is preferable that the interviews are conducted by a panel using a predetermined interview guide (set of questions). This helps to ensure complete impartiality. If needed, a final

interview may be conducted with people selected after the first round of interviews. The purpose of interviews is to obtain additional information from the applicants and to assess the qualities of these people and their suitability for the position and Mr Price. The interview also allows the candidate/interviewee to ask questions about the position and Mr Price.

- Candidates may be required to undergo certain tests to evaluate their suitability for the position.
 - Work sample tests measure the candidate's ability and their actual performance. Psychometric tests may be used to check if the candidate's mental ability and personality are well-matched for the position.
 - A medical examination may only be conducted if a certain health aspect is an inherent of the job. It may, for example, not be a stipulation to send a candidate applying for a financial manager for a medical examination. If a prospective employee is sent for medical tests, the business pays for any costs incurred.
- In order of preference, candidates are ranked and the highest - rated candidate who meets all or most of the requirements is offered the position. If the person does not accept the offer, an offer may be extended to the next suitable candidate.
- Once the employment offer is accepted, a contract is signed by both parties: the employer and the employee. Details specified in the employment contract may include:
 - Full details of the employer
 - Full details of the employee (full names, ID number, address, contact details, tax number, etc.)
 - Details regarding the position (date of appointment, job title, duties, responsibilities, probation period, working hours, leave, remuneration, notice period to terminate the contract, retirement age, etc.)

It is often that the recruitment activity is positive, but the selection process is negative. This implies that when the business recruits, all possible candidate are invited to submit their CVs, but the selection process favours the most desirable applicants. Only the selected few progress to the next step of the process. Unsuitable candidates are disregarded.

Legislation impacting on the Human Capital function

Employment Equity Act

Purpose

- The Act is designed to redress the inequalities of the past.

- This is done through Affirmative Action (AA).
- Affirmative Action means designated groups who were previously marginalized in the workplace, now get preferential treatment to ensure that there is equal representation in all job categories and at all levels of the workplace.
- When looking at issues such as training, promotion and remuneration, any inequality due to past practices has to be rectified.
- The issue of EEA compliance is serious. If a business is a designated employer and it does not comply with the act, heavy penalties could be faced.

Implications/Impact

Positive:

- Imbalances and unfairness of the past are addressed.
- A more diverse workforce with better representation from all people.
- A more diverse management team with better representation from all people.
- Increased emphasis on training of previously disadvantaged people.
- Businesses that meet EE targets may be in a better position to negotiate contracts with government.
- Employers have to conduct an analysis to identify equity issues and then submit this in their EE report.

Negative:

- One of the disadvantages of EE is that it places an additional workload on the business to submit an EE report.
- The recruitment process may be more time consuming to find the correct candidates that meet EE requirements. A position may not be filled, if there is not suitable EE candidate.
- Employees from non-designated groups may feel that their opportunities are limited as a result of EE.

Black Economic Empowerment (BEE) and Broad Based Black Economic Empowerment (BBBEE)

Purpose:

The “Black” of the BBBEE in this context refers to Blacks, Coloured and Indians. BBBEE aims to redress the imbalances of the past by bringing the black majority of the country into the economic mainstream. It is suggested that this is achieved by focusing on the five elements (pillars) of the BBBEE scorecard (implementation date October 2013 – previously SEVEN pillars).

- The percentage of black owners in a business (as measured by their voting rights in the business) has to be increased to a maximum of 40% black ownership to get the maximum BBBEE points.
- The aim is to empower more black people to become active at management level in the business. This is achieved via Employment Equity targets.
- Encourage the implementation of mentorships, learnerships and internships in order to promote human capital development of black people and to keep emphasising skills development as part of BBBEE.
- To ensure businesses use black- owned businesses as their suppliers, and in turn, to help these suppliers to develop where possible. This pillar carries the biggest weighting as it forces businesses to use other Black owned businesses as their suppliers and as such bring more Black people into the economy.
- To establish socio-development by ensuring black people have access to funds to become economically empowered and to become business owners.

Implications/Impact

Positive

- It promotes human rights as granted in the South African Constitution.
- A large portion of the black middle class has experienced dramatically improved standards of living, owing to promotion by businesses to meet BBBEE targets.
- Real opportunities have occurred for black people to become part of the economy.
- Skills development for black people has increased.
- A good BBBEE rating will improve the image of the business
- BBBEE can be used as a tool for marketing the business to other businesses looking for a BBBEE compliant supplier.
- It boost staff morale by developing the employees' potential and skills.
- Improves the income distribution and as a result the standard of living of the growing black middle class

Negative:

- It can lead to corruption, nepotism and cronyism.
- Many employees get jobs based on BEE rating rather than on their qualifications or proficiency.

- Implementation of BEE has been poor and the intended objective of uplifting the masses has not been achieved. Instead the emergence of an economic elite black group, may with political connections, has occurred.
- Although the majority of black people in the country have not benefited from BBBEE and still live in abject poverty, it could be argued that it is not a limitation of BBBEE, but rather a consequence of a lack of skills. BBBEE has therefore not managed to redress all economic problems created through Apartheid as yet.
- There are still companies that try to manipulate the system through “window-dressing” in order to achieve maximum BBBEE points to secure government contracts.

Basic Conditions of Employment Act (BCEA)

- The BCEA is aimed at ensuring that employees are treated in a fair manner in the workplace and through this, the BCEA promotes economic development and social justice.
- The BCEA protects workers against unfair labour practices. No employer may include anything in an employment contract not allowed under the BCEA. Even if the worker signs the contract, that condition of employment will not be valid in terms of the law.

Implications/Impact

Positive

- promotes equal opportunities in the workplace.
- Prevents unfair discrimination.
- It protects vulnerable employees such as part-time workers, farm and domestic workers against being exploited by employers.
- It provides mechanisms to set minimum wages for farm and domestic workers (sectoral agreement).
- It prevents child labour.
- It protects employees against unreasonably long working hours, especially in areas such as the transport and security industries.
- It ensures employees are treated in a fair manner.

Negative:

- If an employee would like to work longer hours to earn more money, it is not allowed and as such limits the income potential of the employee.

- Employers often argue that they can't afford to employ people if the minimum wage is too high or even that they will be able to employ more people that are prepared to work for a lower wage.

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BUSINESS STUDIES PAPER II: LOWER ORDER THINKING RUBRIC (60% WEIGHTING)

CRITERIA	0		1		2		Question 1
Format	Not meeting the correct standard		Partially correct format		Correct format		
	0	1	2	3			
Terminology	No use of business terminology	Isolated / limited use of business terminology	Good use of business terminology		Outstanding use of business terminology		
Content (number of relevant facts)	Maximum 50 facts. Divide by 2 to get mark out of 25. Marks are inter alia given for mentioning the fact, explanations of facts or statements, relevant examples; expansion of acronyms. NOTE: Listed facts that are not explained = max 4 marks (8 facts)						
Sub-Total: (30 marks)							

BUSINESS STUDIES PAPER II - HIGHER ORDER THINKING RUBRIC (40% WEIGHTING)

CRITERIA	0		1		2		3		4		Question 1
Substantiation (justification for statements made)	No attempt at Substantiation.		Very limited Substantiation.		Less than half of the statements are substantiated.		The majority of the statements are substantiated.		The majority of the statements are thoroughly substantiated showing breadth and / or depth of understanding.		
	0	1	2	3	4						
Application to context/ industry	Superficial reference based on the case study / context given (Just keep mentioning the name of the business repeatedly without relevant examples)		Continuous reference is made to the case study / context given with some applicable examples given.		Continuous reference is made to the case study / context given with several examples that are fully integrated into the answer.		Examples are relevant to the case study / context given and fully integrated into the response showing understanding of the issues at hand. Reference is made to current affairs.		Examples are relevant to the case study / context given and fully integrated into the response showing understanding of the issues at hand. Current affairs is fully integrated into the response.		
	0	1	2	3	4	5	6				
Creative Problem Solving	No understanding of the problem and no solution given.	Identification of the problem and an incorrect/poor solution suggested.	Identification of the problem with breadth but no depth (superficial).	Good insight and understanding of half the problem with solutions offered showing depth of understanding OR less than half in breadth and depth	Good insight and understanding of the majority of the problem(s) with solutions offered showing depth of understanding OR half in breadth and depth.	Good insight and understanding of the holistic problem with solutions offered which are fully discussed, showing understanding on all aspects OR the majority in breadth and depth.	Good insight and understanding of the holistic problem with solutions offered which are fully discussed, showing breadth and depth of understanding				
	0	1	2	3	4	5	6				
Synthesis	None of the criteria as listed below are met	At least one of the criteria fulfilled	Any two of the criteria fulfilled	Any three of the criteria fulfilled	Any four of the criteria fulfilled	Any five of the criteria fulfilled	All six of the criteria are fulfilled				
1 Introduction – don't just re-write question, but shows an understanding of the "link" between the topics											
2 Conclusion – this should be a logical affirmation of the points raised											
3 Flow of thought, i.e. paragraphs leading into one another											
4 Integration of topics given in the question											
5 Integration of question with other Business related topics to enhance the quality of the answer											
6 Arguments are developed											
Sub-Total: (20 marks)											

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