



**BUSINESS STUDIES
PAPER 1**

EXAMINER: KA
MODERATOR: GL / GO / AK / LF

DURATION: 2 HOURS
MARKS: 150 MARKS

MEMORANDUM

SECTION A (COMPULSORY)

QUESTION 1

1.1.1 C ✓✓

1.1.2 B ✓✓

1.1.3 C ✓✓

1.1.4 D ✓✓

1.1.5 B ✓✓

(5 x 2)(10)

1.2.1 Angel funding ✓✓

1.2.2 Strikes ✓✓

1.2.3 Internal ✓✓

1.2.4 Market ✓✓

1.2.5 Data ✓✓

(5 x 2)(10)

1.3.1 B ✓✓

1.3.2 C ✓✓

1.3.3 J ✓✓

1.3.4 F ✓✓

1.3.5 I ✓✓

(5 x 2)(10)

SECTION A: 30

SECTION B

QUESTION 2

2.1 Three components of the macro environment

- Political environment✓
- Economic environment✓
- Social environment✓
- Technological environment✓
- Legal environment✓
- Physical environment✓
- International/global environment✓

NOTE: Mark the first THREE only. (3)

2.2 Meaning of micro environment and the extent of control

- The micro environment of a business✓ includes everything inside the business. ✓
- All the internal affairs✓ of the business are managed by the directors or the owners of the business. ✓
- The business has full/complete✓ control over its micro environment. ✓ (4)

2.3.1 Identify socio-economic issue and motivate

HIV/AIDS✓✓

“Pink Matter Hotels have announced that it would provide free antiretroviral treatment (ARV’s) to all their infected employees”. ✓

NOTE: No mark awarded for quote if not in full.
No mark awarded for quote if socio-economic issue is incorrect. (3)

2.3.2 Reasons why socio-economic issues pose a challenge to businesses

- Businesses may not be well supported by customers✓ because of their limited disposable income. ✓
- Absenteeism of employees affected by HIV/AIDS✓ will result in a decrease in productivity of the business. ✓
- Counterfeiting, bootlegging and crime✓ may lead to loss of profit for businesses. ✓
- Businesses may feel pressurised✓ to offer corporate social responsibility projects in disadvantaged communities. ✓
- This in turn could lead to increased business costs✓ and decreased profitability. ✓ (4)

2.3.3 **Meaning of term technological resources as part of organisational resources**

- Technological resources are intangible resources such as software licenses and patents✓, that can help improve performance of an organization. ✓

(2)

2.4 **Relationship between the micro, market and macro environments**

- Changes in the macro environment may affect the micro environment ✓which may then affect the market environment. ✓
- Businesses (the micro environment) are in constant interaction✓ with components of the market and macro environment. ✓
- Businesses are challenged by changes in the market and macro environment✓ which cannot be controlled by the business. ✓
- Businesses must adapt to challenges from the macro environment✓ by formulating strategies to cope with these challenges. ✓

(6)

2.5 **Correlation between management and the success of a business**

- Management plays an important role in making the correct decisions✓ and motivating employees to be productive. ✓
- Poor management can result in ineffective employees✓ and loss of productivity. ✓
- Businesses require ongoing✓ decision-making and problem-solving. ✓
- Problems that cannot be solved and decisions that are not made appropriately✓ can lead to a decrease in productivity. ✓

(4)

2.6 **Importance of the formal sector**

- Business activities are included✓ in the GDP figures of the country.
- Companies pay taxes✓ on their profits.✓
- People who are employed at companies✓ pay personal income tax. ✓
- Provides employment✓ to highly skilled, semi-skilled and unskilled labourers. ✓
- People working in the formal sector✓ gain the necessary skills to start their own businesses. ✓
- Provides a large variety of goods and services✓ to satisfy consumers. ✓

(6)

2.7 **Negative impact of violence on businesses**

- Violence has a negative effect on the workforce✓ as it impacts on the safety and security of workers in the workplace. ✓
- The trauma that workers experience✓ could result in a lack of productivity of the employee. ✓
- Employee absenteeism may increase due to illness✓ like depression as a result of the trauma experienced. ✓
- The business will spend money on employees✓ that require counselling. ✓
- This may become costly as security measures✓ such as installing security gates and burglar alarms are expensive to install and maintain. ✓

(8)

QUESTION 3:

BUSINESS OPERATIONS

3.1 Four business functions

- General management✓
- Administration✓
- Human resources✓
- Marketing✓
- Purchasing ✓
- Production ✓
- Financial ✓
- Public relations ✓

NOTE: Mark the first FOUR only.

(4)

3.2 Methods of carrying out public relations

Media ✓

- Businesses get publicity for promotional events and information through media. ✓
- Includes advertising and the distribution of the business. ✓

Direct contact ✓

- Information about the business is passed on to the members of the public who have been clients/consumers of the business before. ✓
- Direct contact with employees or telephonic communication is a popular for of public relations. ✓

Brochures ✓

- Brochures are an excellent way of distributing information cost-effectively. ✓

Exhibitions ✓

- The business is introduced to the public and meet existing and new customers in shopping centres. ✓

Social responsibility ✓

- The business uplifts the community because the community supports the business by buying their product/s. ✓

Transit advertising ✓

- Advertising on vehicles such as taxis, busses, vans, and so on. ✓

Use of the telephone ✓

- A potential customer phones the business to enquire about something, the person answering the phone is perceived as the business. ✓
- If the potential customer is pleased with information, that person opt to become a permanent customer ✓

NOTE: Mark the first TWO only.

(4)

3.3

3.3.1 Identification of Act

National Credit Act / NCA ✓✓

(2)

3.3.2 Negative impact of NCA on credit providers

- Businesses are forced to budget✓ to keep more cash/have enough cash on hand for stock purchases. ✓
- Businesses can no longer take the risk✓ of selling poor-quality goods at high prices. ✓
- Businesses can no longer✓ carry out credit marketing. ✓
- Leads to loss of sales✓ as many businesses may no longer qualify to buy on credit. ✓
- Businesses can only buy limited stock✓ as credit is not available resulting in loss of customers. ✓
- Complicates the purchasing process✓ because of too much administrative work in the credit providing process. ✓
- The purchasing department must know✓ the terms and conditions of credit granting and the NCA. ✓
- It may take longer to purchase goods✓, and this could influence the overall efficiency of the business. ✓
- The Act compels businesses to sell quality products✓, or they may be forced to reimburse consumers.

(6)

3.4 Purpose of a businesses organizational structure

- The purpose of the organizational culture is to define the business' internal and external identity✓ as well as its core values. ✓
- A strong business culture has the power✓ to turn employees into ambassadors of the business. ✓
- It helps businesses to retain✓ its employees and clients. ✓
- It breaks down boundaries between teams✓, guides decision-making, and improves productivity.✓

(4)

3.5 Difference between leadership and management

LEADERSHIP	MANAGEMENT
A leader creates a vision/sets direction. ✓✓	A manager understands the goals of the business. ✓✓
Leaders create the team ✓ and inspire the subordinates. ✓	Managers ensure that tasks given ✓ to subordinates are completed. ✓
He/she influences✓ human behaviour. ✓	He/she guides ✓ human behaviour. ✓
A leader communicates ✓ using vision/charisma. ✓	A manager communicates ✓ through management functions ✓ for example, line function.
Leaders are born with natural/Instinctive ✓ leadership skills. ✓	A person becomes a manager ✓ because he/she is appointed to the position. ✓
NOTE: Sub-max 4 marks Responses must be in tabular format.	

(8)

3.6 Two factors that influence the organizational structure

- Size of the organisation ✓✓
- Strategy ✓✓
- Technology ✓✓
- Resources✓✓

NOTE: Mark the first TWO only.

(4)

3.7 Importance of stock control

- Enables businesses to determine✓ the amount/value of stock. ✓
- Businesses can check✓ the cost and selling price of products. ✓
- Ensures that there is enough stock✓ to meet the normal demand of customers. ✓
- Keeps the correct levels✓ of stock on hand. ✓
- Records the cost prices✓ and selling prices of stock. ✓
- Identifies theft in the business✓ when the physical stock count is compared with the electronic stock control system. ✓

(8)

[40]

QUESTION 4: MISCELLANEOUS

BUSINESS ENVIRONMENTS

4.1 Meaning of market environment

- The market environment refers to the immediate external components✓ that directly affect the ability of the business to operate. ✓
- For the business to be successful it must be able to influence✓ the components in this environment. ✓
- Businesses have some/limited✓ control over the market environment. ✓ (2)

4.2

4.2.1 Sector identified and motivation

Secondary sector ✓✓

“Frank Ocean Foods is a factory that manufactures canned fruits and vegetables in the Western Cape region.” ✓ (3)

4.2.2 Challenges faced according to business environments

CHALLENGE	BUSINESS ENVIRONMENT
The business is negatively affected by the high rate of employee absenteeism on rainy days ✓	Micro environment ✓✓
Fein Farmers also delayed the delivery fruits and vegetables to FOF ✓	Market environment ✓✓
Severe rainfall damaged agricultural products in the region ✓	Macro environment ✓✓
Sub-max 3 marks	Sub-max 6 marks

NOTE: No marks awarded for challenge if quote not given in full.
No mark awarded for business environment if challenge is incorrect. (9)

4.3 Meaning of bootlegging

- Bootlegging refers to unlawfully✓ manufacturing fake goods for sale. ✓
- It also refers to the recording of live or broadcast performances✓ without the permission of the performers and copyright holders. ✓ (2)

4.4.1 Negative impact of strikes on businesses

- Strikes will result in production losses✓ and reduction in sales. ✓
- Businesses may be forced ✓to close operations after a strike. ✓
- Business may incur damages to their premises✓ due to protests or protest action. ✓ (4)

BUSINESS OPERATIONS

4.5 Activities of the purchasing function

- The purchasers should have expert knowledge of the product/s✓ they need to buy and about the market in which they operate. ✓
- The purchasing manager should find out✓ the needs of other departments. ✓
- They look for suitable, new✓ and better suppliers. ✓
- They ensure that there is enough stock available✓ for continuous production and sales. ✓
- Make follow up on orders✓ placed with suppliers. ✓
- Ensure that ordered products✓ are delivered on time. ✓
- Keep the correct stock levels✓ for stock on hand. ✓
- Record the cost prices✓ and selling prices of stock. ✓

(4)

4.6 Differences between fixed and working capital

Fixed capital	Working capital
Money pays fixed assets✓, for example, land and buildings, and so on.✓	Money pays for day-to-day activity✓, for example, trading stock, raw materials, and so on.✓
Finances the long-term✓ capital needs of the business.✓	Finance the short term ✓ capital needs of the business.✓
Examples: capital market, selling shares,✓ mortgage bonds, and so on.✓	Examples: money market, the credit allowed by suppliers✓, short terms loans, and so on.✓
NOTE: Sub-max 4 marks Responses must be in tabular format.	
NOTE: Sub-max 4 marks	

(8)

4.7 Two methods used to indicate quality

- Trademarks✓
- Samples ✓
- Grades ✓
- Commercial Standards ✓

NOTE: Mark the first TWO only.

(2)

4.8 Quality indicators of the marketing function

- The marketing function should differentiate products✓ to attract more customers by giving real value to the product on offer. ✓
- Market share should be increased ✓by satisfying customers' needs and wants. ✓
- Effective communication with customers should be fostered✓ to get clear feedback with regards to products/services. ✓
- Values in which businesses operate✓ should constantly be reviewed. ✓
- Effective pricing techniques/strategies should be used✓ to ensure that the company gets a competitive advantage over competitors. ✓
- Aggressive advertising campaigns should be used✓ to sustain the market share. (4)

[40]

SECTION C

QUESTION 5: BUSINESS ENVIRONMENT

5.1 Introduction

- Business sectors consist of businesses that are grouped together and classified into primary, secondary or tertiary sectors. ✓
- How the business is classified depends on the nature of its product or service. ✓
- Inclusivity in business is based on a policy that is meant to assist all employees to feel welcome and part of the business. ✓
- Piracy is the illegal copying or reproduction of somebody's product that affects businesses operations. ✓

NOTE: Consider any other relevant introduction.

Do not award marks for rewriting the text before the question.

(2 x 1) (2)

5.2 Two business sectors

Primary sector✓✓:

- Businesses extract/ collect/cultivate raw materials✓ and natural resources such as livestock, fish, timber, coal and gold. ✓
- Examples include agriculture, fishing, forestry, mining etc. Sub-max. (4)

Secondary sector✓✓:

- Businesses transform raw materials from primary sector✓ into finished or semi-finished products. ✓
- The secondary sector is often referred to as manufacturing industries because valuable products are created/ manufactured/ produced ✓ so that these products can serve a meaningful function/purpose to customers/consumers. ✓
- Examples include construction, factories, manufacturing, electricity etc. Sub-max. (4)

Tertiary sector✓✓:

- Businesses that offer services ✓ to other businesses and consumers. ✓
- They exist to facilitate the transport, distribution✓ and sale of goods produced in the secondary sector. ✓
- This sector is also known as the service industry. ✓
- Examples include financing, hospitality, retailers and wholesalers, storage, tourism, transportation etc. Sub-max. (4)

Max. (12)

5.3 Differences between formal and informal sector

Formal sector:

- Businesses in the formal sector are registered with CIPC✓. Businesses pay tax to SARS on turnover and profit made. ✓
- Formal sector activities are monitored✓ by the government. ✓
- These businesses are controlled✓ by the laws and regulations of the government. ✓
- All contributions of these businesses are recorded✓ in the total value of the goods and services produced in a country. ✓
- Employees are protected by legislation✓ such as Basic Conditions of Employment Act, No. 75 of 1997 (BCEA), Compensation for Occupational Injuries and Diseases Act, No. 130 of 1993 (COIDA), Unemployment Insurance Fund (UIF), and so on. ✓

Sub-Max (6)

Informal sector:

- Businesses in the informal sector are not registered with CIPC. ✓ Businesses do not pay tax on the profits of the business. ✓
- These businesses are not monitored ✓ by the government. ✓
- Government laws and regulations pertaining to businesses do not apply to the informal sector✓, but must adhere to municipal regulations. ✓
- It is difficult to calculate its contribution✓ to the total value of the goods and services produced in a country. ✓
- Employees are not protected✓ by any legislation and can easily be exploited. ✓

Sub-Max (6)

Max. (12)

5.4 Purpose of inclusivity

- The goal of inclusivity is to ensure that the business✓ implements fair labour practices. ✓
- It seeks to redress✓ the inequalities of the past. ✓
- Ensure that workplaces are created where people of different races, genders and religions✓ can work together to the benefit of the business. ✓
- Ensure that their workforce is representative✓ of the demographics of the country. ✓
- Try to ensure that the physical business setting ✓ makes provision for individuals with disabilities. ✓

Max .(8)

5.5 Types of gambling

Pyramid Schemes

- Pyramid schemes refers to businesses that may potentially yield high revenues for people who invest their money in them.
- Individuals invest more and more money, but often only the individuals at the top of the pyramid receive large sums of money.

Sub.max (4)

Illegal gambling

- Illegal gambling is when unlicensed businesses offer gambling to the public.
- Illegal gambling activities can also take place in poor communities such as when people play with die (dices) on street corners for money, or when individuals frequent unlicensed casinos.

Sub.max (4)

Money laundering

- Money laundering is the process by which unlawful profits from crimes are invested in valid businesses to cover up their wrongdoing.
- The source of money is camouflaged and made to seem as if it was lawfully gained.

Sub.max (4)

Max. (12)

5.6 Conclusion

- The sectors work together to create an economic chain of production. ✓✓
- Businesses may experience a decline in sales due to copied or imitation products being distributed. ✓✓

NOTE: Consider any other relevant conclusion.

Max (2)
[40]

BREAKDOWN OF MARK ALLOCATION:		
DETAILS	MAXIMUM	TOTAL
INTRODUCTION	2	MAX 32
TWO BUSINESS SECTORS	12	
FORMAL VS INFORMAL SECTORS	12	
PURPOSE OF INCLUSIVITY	8	
METHODS TO DEAL WITH PIRACY	12	
CONCLUSION	2	
INSIGHT		
LAYOUT	2	8
ANALYSIS	2	
SYSNTHESIS	2	
ORIGINALITY	2	
TOTAL MARKS		40

QUESTION 6: BUSINESS OPERATIONS

6.1 Introduction

- Businesses may require money for starting up the business. ✓
- They will need money to replace machinery, equipment and computers. ✓

NOTE: Consider any other relevant introduction.

(2x1) (2)

6.2 Sources of funding

Bank loans:

- This is money borrowed from the bank✓, which will be repaid at an agreed upon timeframe. ✓
- Bank loans are usually used for long-term financing. ✓
- The money is repaid ✓with an interest. ✓
- An entrepreneur who borrows money may attach his/her fixed asset✓ as surety to the value of the loan. ✓

Grants:

- This is money provided by the government✓ to small businesses that are in their development phase. ✓
- The money does not have to be paid back✓ if it benefits the community. ✓
- The government wants to see small developing businesses ✓benefiting the community and the environment in some way. ✓

Asset-based loan:

- Money is lent to successful businesses✓ that want to expand their operations. ✓
- The loan is used to purchase an asset and that asset belongs to the lender✓ until it is fully paid off. ✓
- If the money is not paid back✓, then the lender will take that asset. ✓

Max. (12)

6.3 Purpose of the financial function

- Determines how much capital✓ the business needs. ✓
- Establishes the sources✓ for acquiring the capital. ✓
- Decides how to invest/allocate✓ the capital funds in the business. ✓
- Ensures that the business can generate enough income✓ to cover the cost of raising capital. ✓
- Prepares financial statements to present to the bank/investors✓ to convince them that the business is financially healthy. ✓

Max. (8)

6.4 Quality control vs Control assurance

Quality Control

- Inspection of the final product ✓ to ensure that it meets the required standards. ✓
- Includes setting targets/measuring performance ✓ and taking corrective measures. ✓

Quality Assurance

- Inspection is carried out during and after the production process ✓ to ensure required standards are met at every stage of the process. ✓
- Ensures that every process is aimed at getting the product right the first time ✓ and prevents mistakes from happening again. ✓

Max. (8)

6.5 Importance of quality for businesses

- The quality enables businesses to have a good reputation ✓ and promotes brand awareness. ✓
- Consumers associate the image of the business ✓ with the quality of the product. ✓
- Quality products increase sales, ✓ profits, business growth and attracts prospective investors. ✓
- The business gains goodwill ✓ and support from the community. ✓

Max. (8)

6.6 Conclusion

- Quality is critical to satisfying customers and retaining their loyalty to ensure that they continue buying in the future. ✓
- Quality products make an important contribution to long-term revenue and profitability. ✓

NOTE: Consider any other relevant conclusion.

Max. (2)

[40]

BREAKDOWN OF MARK ALLOCATION:		
DETAILS	MAXIMUM	TOTAL
INTRODUCTION	2	MAX 32
SOURCES OF FUNDING	12	
PURPOSE OF FINANCIAL FUNCTION	8	
QUALITY CONTROL VS ASSURANCE	8	
IMPORTANCE OF QUALITY	8	
CONCLUSION	2	
INSIGHT		
LAYOUT	2	8
ANALYSIS	2	
SYSNTHESIS	2	
ORIGINALITY	2	
TOTAL MARKS		40