

**GAUTENG DEPARTMENT OF EDUCATION  
SENIOR CERTIFICATE EXAMINATION**

**BUSINESS ECONOMICS HG**

**Possible Answers March 2006**

**SECTION A**

**QUESTION 1  
COMPULSORY**

1.1	A			1.11	B		
1.2	D			1.12	B		
1.3	C			1.13	C		
1.4	B			1.14	B		
1.5	C			1.15	B		
1.6	D			1.16	C		
1.7	C			1.17	D		
1.8	B			1.18	C		
1.9	D			1.19	D		
1.10	B			1.20	A		(20x3 each) = (60)
1.2.1	Preference						
1.2.2	Mortgage bond						
1.2.3	Reinstatement						
1.2.4	Corporation of public deposits						
1.2.5	Primary						(5x2 each)= (10)
1.26	Dividend						
1.27	Status report						
1.28	Commission agent						
1.29	Convenience goods						
1.30	Prospectus						(5x2 each)= (10)
1.31	False	-	Private companies				
1.32	False	-	Work measurement				
1.33	True						
1.34	True						
1.35	False	-	Instalment sales agreements				
1.36	False	-	Chambers of Commerce (Sakekamers)				
1.37	False	-	Trade marks				
1.38	False	-	Fixed assets				
1.39	True						
1.40	True						(10x2 each)= (20)

**[100]**

**SECTION B****QUESTION 2**

- **Insight**
- Act 69 of 1984 makes provision for the establishing of Close Corporations.
- The purpose was to make provision for smaller enterprises which could exclude some of the disadvantages of sole proprietors and partnerships.
- Members of a CC have limited liability for the debts of the undertaking and the continuity is ensured.
- Upon registration, the business obtains its own legal entity. (2 each: maximum 4)

**CHARACTERISTICS**

- At least 1 to a maximum of 10 members.
- All the members contribute to management.
- Must complete a Founding statement (CK1).
- Must be registered with the Registrar of Close Corporations.
- Members have limited liability for the debts of the business, but the limited liability may fall away in certain circumstances, e.g. if the letters CC are not used in the documentation of the enterprise.
- Name of the business must be registered and end on CC.
- Have its own legal entity.
- All the members must contribute to the capital. No shares capital.
- A member of a CC cannot sell his/her interest in the business without the approval of the other members.
- The profit is divided according to the percentage interest of each member in the CC.
- Has continuity and does not dissolve by change in membership. Dissolves only when deregistered or insolvency.
- A company or other CC may not have an interest in the CC.
- Auditing of financial statements are not compulsory.
- Compulsory to employ a financial officer.
- Must compile financial statements up to the balance sheet within 9 months after the ending of the financial year.
- The CC pays income tax on the profits and the members on their income out of the CC. (2 each: Maximum 14)

**ADVANTAGES**

- CC has its own legal entity
- Members have limited liability for the debts of the undertaking, except in certain circumstances.
- Profits are divided according to each member's percentage interest in the undertaking.
- Easy to change the contents of the Founding statement.
- Easy and less expensive to establish a CC.
- Has continuity.
- More capital can be gained as with a sole proprietorship.

- All the members are active in management.
- Save on audit fees.
- Not compulsory to hold meetings. (Maximum 12)

#### DISADVANTAGES

- Membership is limited to 10 members which limits the capital contribution.
- Effective management can be hampered because it is not controlled by legislation.
- Dependant on the mutual trust between the members.
- A member may not sell his/her interest in the CC without the approval of the other members.
- A CC cannot be sold to a company. It must first be transformed into a company, which may delay the sales transaction. (Maximum 8)

#### DOCUMENTS / PROCEDURES FOR ESTABLISHMENT

- Members must complete a Founding statement (CK1) and submit it to the Registrar of Close Corporations for registration.

Contents of Founding statement:

- Name of the CC
- Purpose of the business
- Address of the registered head office
- Name and ID numbers and address of each member
- Particulars of the capital contribution of each member
- Particulars of each members interest, indicated as a percentage
- Date of the end of the financial year
- Name, address, occupation and consent of the financial officer
- Working agreement between the members (division of duties)

If all is in order, the

- Registrar of Close Corporations will issue a Certificate of Incorporation and a registration number. The CC may commence with business.

(2 each: Maximum 12)

**Contents: Maximum 46**

**Insight: Maximum 4 [50]**

### QUESTION 3

#### • INSIGHT

- Advertising costs normally form a big part of the expenses of an undertaking.
- To ensure that the funds are spent to the advantage of the undertaking, management must ensure that the advertisements are successful.
- Thorough planning must be done before the advertisement is designed and lodged.
- Undertakings must also ensure that the principles of advertising are adhered to, to ensure success and to prevent unethical practices.
- The undertaking can use the services of advertising contractors because they specialise in the design and placement of advertisements.

(2 each: Maximum 4)

## PLANNING OF AN ADVERTISING CAMPAIGN

- DEFINITION

- A balanced compiling of advertisements in one or more advertising media.
- It must convey the message in the most effective way to the consumer.

## STEPS

- Market research
  - Thorough study of potential market
  - Survey of the number of competitors with their pro's and con's
  - Review the legislation affecting the trade
- Define aims / objectives of the campaign
  - Describe the planning of the marketing campaign
  - No vague aims
- Budgeting for the marketing campaign
  - Sufficient funds must be available
  - The chosen media will influence the budget
  - Undertaking plans the budget with the help of the advertising practitioner
- Choice of advertising media
  - Task of the advertising practitioner
  - The rates charged for the medium, play a role
  - Look at available time/space
  - What will be the best media to reach the target market?
  - Nature of the product / service will determine the media
- Design and wording of the advertisement
  - Must comply with the requirements of a good advertisement
  - Chosen media will also influence the design and wording
  - The advertisement must be worded and designed in such a manner that the customer will believe that he/she will be better off by buying the product
- Coordinating
  - Launching the campaign in time
  - Product must be available when the customer reacts to the advertisement
  - Bear similar products of competitors in mind with the timing of the advertisement
- Testing of results of the campaign
  - Methods to see if the campaign was a success
  - Show the name of the firm differently in different media
  - Use different addresses in different media (mail and street address)

- Use different telephone numbers (cell and land line)
- Use different departmental letters for enquiries in different newspapers/magazines
- Include a coupon to be completed by the consumer
- Ask the customer where he/she heard of the product

(Headings 1, Contents 2 each: Maximum 40)

## PRINCIPLES OF ADVERTISING

- Only goods of quality must be advertised
- The advertiser must make a thorough study of the characteristics of the product/service
- Choose a striking design/slogan
- Avoid false/incorrect information
- Do not criticize competitors
- Choose the best medium to reach the target market
- Advertisements must be of simple design/attractive/humoristic
- Advertising expenses must be kept as low as possible but with maximum success

(Only 1 each: Maximum 6)

**Contents: Maximum 46**

**Insight: Maximum 4 [50]**

## QUESTION 4

### • INSIGHT

- (Look at the learners' **opinion**. Do they agree or not).
- It is important to plan the finances of the undertaking.
- With a view to the gearing of the business, the financing source must be considered thoroughly.
- Undertakings strive for maximum profit, therefore they must utilise the available capital in such a manner that the enterprise gains profitability.

(2 each: Maximum 4)

## FINANCIAL PLANNING

- Done by means of **budgets**
- Plan financially for the future
- Planning of capital needs and the financing thereof
- Look at possible income and expenses

### - **Capital budget**

- Planning of fixed capital needs
- Compiled for 5 to 10 years into the future
- Annually adjusted

### - **Cash budget**

- Determination of working capital needs
- Compiled annually and adjusted monthly

( Maximum 12)

## CHOICE OF FINANCING SOURCE

- Term of financing
  - Issuing of shares/capital contribution by owner(s) are permanent.
  - Loans must be repaid within a certain time.
- Control
  - Issuing of new shares / new owner(s) may result in a change in management.
  - Suppliers of loans do not have an influence on control/management of the business.
- Solvency
  - The ratio between own and borrowed capital must be 2:1 or better.
  - Do not borrow more money than the money invested in the business.
- Flexibility
  - Dividends / profits are only divided if there is a profit.
  - Interest on loans must be paid regardless.
- Nature of assets
  - Link the choice of finance to the lifespan of the asset.
  - Assets with a lifespan of 5 years or less must rather be financed with borrowed capital.
- Urgency
  - It is quicker to gain borrowed capital than when making provision for own capital

(Maximum 18)

## ECONOMICAL USE OF CAPITAL

- All capital (own and borrowed) must be utilised in such a way that the undertaking makes maximum profit
- There must be sufficient cash available to pay current expenses in time
- A favourable ratio between own and borrowed capital must be maintained
- **Over capitalisation**
- If the total capital investment in the undertaking is too large in comparison to the turnover (profit)
- The profitability is too low
- All the capital is not used productively
- Expand the business or reduce the capital

– **Under capitalisation**

- Insufficient capital to manage the business successfully
- Hampers the progress of the business
- Not enough cash to purchase stock. Purchase on credit and pay more
- Cannot advertise efficiently
- Get more money or reduce the operations of the enterprise

(Maximum 16)

**Contents: Maximum 46**

**Insight: Maximum 4 [50]**

**QUESTION 5**

**Insight**

- To manage an undertaking successfully, the management team should pay attention to the named main elements, as well as the other two, namely planning and control.
- There is an interaction between the four basic elements as well as between the basic and additional elements.

(2 each: Maximum 4)

**PLANNING**

- The management of the firm looks into the future
- Devises plans to do certain operations and execute them successfully
- Alternatives must be considered
- Choose the best plan/alternative
- Principles of planning
- Should be flexible and adaptable to changing circumstances
- Planning must be scientific
- Choose the best method/technique to obtain the objective
- Plans on different management levels must be coordinated
- Must be realistic/feasible/economic
- There must be a balance between the different management levels
- Communicate the plans effectively with all stakeholders
- Realistic future planning
- The period of advance should be realistic
- Should be in writing to avoid problems in the execution of the planning

**Planning on different management levels**

- Top level management
  - Planning starts at the highest authority in the enterprise
  - Planning of operations of the undertaking as a whole is done at this level
  - Includes planning of objectives, policy planning, organisation planning, etc.
  - Long-term in nature
- Middle level management
  - Planning to obtain the objectives of the undertaking
  - Medium-term of nature

- Planning of routine instructions for the lower management level
- Lower level management
  - Planning of daily operations
  - Planning of the execution of orders received from the middle level management
  - Short-term in nature

#### Budgets as method of formal planning

- Planning of the finances for the undertaking
- Scientific determination of the short- and long-term needs for the future and how it must be financed
- Must be in writing
- Must be controlled regularly to ensure that the business operates within the budget, especially expenses

(Maximum 24)

#### CONTROL

- Effective control over the planning and general management of the enterprise to work according to actual operating results.
- Assessing deviations and report any
- If necessary, take remedial steps

#### Importance of control

- To see if the enterprise is heading towards the set objectives
- Is everything going according to plan?
- Are the chosen organisational aspects according to plan?
- Are the workers motivated?
- Is everything done within the set time schedule?

#### Steps in the control process

- Set certain standards measuring the actual planning, e.g. turnover of stock, etc.
- Test the results on the set standards
- Analyse the deviations and look at possible reasons and remedial measures
- If necessary, remedial action should be taken to reach the objectives of the enterprise

#### Methods of control

- Inspection at strategic points and times
- Regular auditing of financial statements, worksheets and production/turnover figures
- Implementation of the budget
- Setting of standards e.g. production specifications and the tolerance points thereof
- Manuals containing standard instructions
- Reprimand negligent workers
- Disciplinary action against negligent workers

(Maximum 22)

**Contents: Maximum 46**



**SECTION C****QUESTION 6  
FORMS OF OWNERSHIP**

6.1 Differences between:

<b>PARTNERSHIP</b>	<b>PRIVATE COMPANY</b>
Minimum of 2, but not more than 20 persons, except professional firms which may have more than 20 partners.	At least 1 to a maximum of 50 shareholders.
Is managed by the partners as determined by the partnership agreement.	Choose at least 1 director from the shareholders to manage the company.
No legal formalities needed. Needs only an oral/or written agreement.	Must comply with the requirements of the Companies Act.
Partners are jointly and severally unlimitedly liable to the debts of the partnership.	Shareholders are limitedly liable for the debts of the company. Company liable for its own debts.
May choose any name; normally "and" or plural in name.	Name must end on (Pty) Limited.
No legal entity. It sets in the partners.	Has own legal entity, independent of the shareholders.
Partnership does not pay income tax, because it is not a legal entity. Partners are responsible according to their income from the partnership.	Pays income tax according to the scale applicable to companies. Shareholders do not pay on the dividends they receive.
Profits are divided between the partners according to the partnership agreement.	Shareholders receive dividends according to the number and kind of shares that they hold.
No continuity. Must dissolve when there is a change in membership, retirement, death or bankruptcy of a partner.	Has continuity, as long as there is 1 shareholder.
A partner may only sell his/her interest in the partnership with the agreement of the other partners, BUT then the original partnership must first dissolve and a new partnership must be formed.	A shareholder must also get permission from his/her fellow shareholder to sell his/her shares in the company, BUT the company does not have to dissolve.
Each partner contributes to the capital in the form of cash, assets or services.	Promoters buy shares in the company.

(Any 6 differences x 2)= (12)

6.2 Factors influencing the choice between a partnership and public company

6.2.1 Continuity

- A partnership has no continuity
- A public company has continuity

(2x2)= (4)

## 6.2.2 Income tax implications

- In a partnership, the partners pay income tax on their income from the partnership.
- A public company pays tax on the profits and the shareholders on the dividends that they receive. (2x2)= (4)

## 6.2.3 Implications when a member wants to sell his/her interest in the undertaking.

- The other partners must agree but the partnership must dissolve and a new partnership must be formed.
- Shares in a public company are freely transferable. Shareholders may sell their shares to any one at any time, without the consent of the other shareholders. It does not influence the continuity of the business (2x2)= (4)

## 6.3 Constitution of a company

## 6.3.1 Articles of association (2)

## 6.3.2 a) Meetings

- Kinds of meetings: AGM, Directors meetings, special meetings etc.
- Notice of meetings
- Meeting procedures
- Quorums for each type of meeting
- Power of attorney to vote for another shareholder
- Method of voting
- Voting rights of shareholders/directors (Any 6x1 each)= (6)

## b) Directors

- Number: At least 1 for a private company and at least 2 for public companies
- Qualifications
- Remuneration
- Powers and duties
- Disqualification
- Duties and appointment of managing director
- Rotation (Any 6x1 each)= (6)

## 6.4 Disadvantages of a sole proprietor (full sentences)

- Owner has unlimited liability because his/her personal assets may be sold to pay the debts of the business
- No continuity, because it depends on the life of the owner
- Problem to obtain loans because of limited assets for security
- Not easy to acquire good qualified employees because there is not much to offer in the way of promotion and benefits
- Salaries paid to workers are normally lower than the salaries bigger undertakings can offer
- Owner must handle all the managerial functions, sometimes without the necessary experience
- Strong competition, because there are many enterprises with the same objectives e.g. café's
- Prices asked by sole proprietors are normally higher than those of the other forms of ownership. Consumers will buy where the price is the cheapest for the same quality
- Normally limited capital to expand the business
- Owner is the only person with direct interest in the business and his/her decision depends on his/her own judgement. Wrong decisions can be made
- If the owner is not dedicated to the business, it may lead to bankruptcy

(Any 6x2 each)= (12)  
(50)

### QUESTION 7 MARKETING FUNCTION

## 7.1 Reasons why packaging is important

- Attractive to catch the eye of the consumer
- It must suit the product
- Should be appropriately designed for the target market
- Have an own identity to distinguish from competitors
- Promote the image of the enterprise
- Suitable for display purposes
- Well-designed, strong and convenient
- Easy to handle
- Comply with the requirements of the retailers who are marketing the product.

(Any 5x2 each)= (10)

## 7.2 Factors influencing price determination

## 7.2.1 Form of market

- Perfect competition
  - A large number of buyers and sellers
  - Prices are determined by supply and demand

- Monopolistic competition
    - Only one manufacturer for this product
    - Buyers must pay the price that the manufacturer asked
  - Oligopoly
    - A few sellers dominate the market
    - Price determination with each is influenced to an extent by the price of the competitors
  - Monopoly
    - Only one retailer selling the product
    - Determine the price without influence of competitors
- (Heading 1, discussion 2 (4x3 each)= (12)

#### 7.2.2 Normal trading practices

- When a discount is granted it must be included in the price determination to absorb the discount. (4)

#### 7.3 Reasons for indirect distribution

- Manufacturer does not have the financial resources to distribute the goods
  - Use the available capital for production purposes
  - Lack of knowledge required for efficient marketing
  - The manufacturer does not have a wide variety of related goods
  - Consumers are scattered over a large area
  - Distribution channels are available who can handle the distribution
- (Any 5x2 each)= (10)

#### 7.4 Reasons of the informal sector

- Create own job/employment opportunities
  - Opportunity to earn an income
  - Serve as in-service training as an entrepreneur
  - Stimulates the free market system
  - Provides services and goods for the needs of consumers
  - Capital requirements to start are small
  - No need to hire a building/use cheap constructions
- (Any 4x2 each)= (8)

#### 7.5 Disadvantages of franchises

- Long process to start the franchise
  - Buyers are not the permanent owner of the franchise
  - Minimum initiative and creativity is left to the owner/management regulation
  - Large start-up costs
  - The original owner of the franchise can demand a percentage of the profits
  - Other franchises and their actions could have a negative influence on the whole chain
- (Any 3x2 each)= (6)

[50]

**QUESTION 8**  
**MARKETING AND FINANCIAL FUNCTION**

## 8.1 Internal publicity

- General impression given by the appearance of the building
- Display of the equipment and goods
- Neatness of correspondence
- Good telephone manners (etiquette)
- Appearance and behaviour of staff
- Quality of service
- It serves no purpose to spend a lot of money on advertising while the internal publicity falls short

(Any 3x2 each)= (6)

## 8.2 Requirements for a good advertisement

- Attract attention
- Arouse interest
- Create a desire for the possession of the product
- Leads to action

(4x1 each)= (4)

## 8.3 Terminology

## 8.3.1 Fixed capital

- The portion of the total capital
- Which is invested in fixed assets -such as land, buildings, equipment
- That remains permanently in the business

(4x1 each)= (4)

## 8.3.2 Factoring of debtors

- Selling of debts of debtors to a financial institution
- The financial institution keeps a portion of the amount for financial costs and interest
- Pays the balance to the business
- Business receives a large amount of money instead of small amounts each month
- Debtor pays the factor
- Normally used in instalment sale transactions

(Any 3x2 each)= (6)

## 8.4 Sources of information regarding credit worthiness

- Business reference: A report on how the person pays his debts from the undertakings where the person already has an account
- Bank reference: A confidential status report from this persons' bank
- Credit agencies: Institutions which specialise in the gaining of information on the financial status of persons
- Chambers of commerce: Making a black list of persons who did not pay their debts
- Employers: Give information on income, character of a debtor etc.
- Application form for credit: Compiled in such a manner that all possible information on the creditworthiness of the person is gained

(Any 5x1 each for the heading and x 1 each for the discussion)= (10)

## 8.5 Purpose of stock control

- To determine at any stage, without stocktaking, the number and value of the stock
- Compare on a regular basis the cost and selling price of the goods
- Ensure that there will be sufficient stock at all times to meet the demand of the consumers
- Check the stock with the records to detect obsolescence and theft

(4x2 each)= (8)

## 8.6 Acid test ratio

- Current assets LESS stock: Current liabilities. (1)
- R51 000 LESS R13 000 : R18 000. (1)
- = R38 000 : R18 000.
- = 2,11:1. (2)
- That means that the business has R2,11 available, without the value of the stock, for each R1,00 of their debts on the short-term. (2)
- It is a good liquidity situation: Exceeds norm. (2)
- The **cash** (liquid) component is relatively high – good. (2)
- The aim is 1:1 or better. Debtors are low, shows good control of credit. (2)

(As indicated = 12) [50]

### QUESTION 9 FINANCIAL FUNCTION: INSURANCE

## 9.1 Terminology

## 9.1.1 Iron safe clause

- A clause in the fire insurance policy which requires from the insured to keep a complete set of books in a fireproof safe after working hours
- To enable the insurer to determine the value of the fire damage
- If safe is also damaged, the contract is still viable

(Any 2x2 each)= (4)

## 9.1.2 Insurance of money in transit

- Applicable to the theft / hold-up of money from the business to the bank and back
- Very popular as a result of the increase in hold-ups (4)

## 9.1.3 Principle of indemnification

- Applicable on possible risks
- Insurance of assets
- Short-term insurance
- Insurer will pay / indemnify the insured for the loss / damage of specified assets and risks
- Insured may only claim when there are damages or losses (Any 3x2 each)= (6)

## 9.1.4 Good faith

- The insured is bound to disclose to the insurer everything that may affect the extent of the risk
- All questions must be answered correctly and honestly, if not the policy may be declared void
- Insured and insurer must have trust in each other
- Insurer and insured must keep to the stipulations in the contract (Any 2x2 each)= (4)

## 9.2 Economic risks

- The lapse of time between the placing of the order and delivery of the goods: Place the order as closely to the delivery date as possible.
- Difference in price levels at different places: Research the prices of different sellers.
- Changes in fashion / preferences and needs of the consumer: Buy the minimum **or** good stock control.
- Improvement in technology: Lease the asset.
- Loss because of irrecoverable debts: Good credit control.  
(1 For listing and 1 for method to minimize it) (5x2 each)= (10)

## 9.3 Fire insurance

## 9.3.1 Factors that will determine the risk

- Nature of the buildings/goods
- Nature of adjoining buildings/goods in the immediate vicinity
- Availability or absence of fire fighting equipment/fire brigade (3x2 each)= (6)

## 9.3.2 Procedure

- Applicant completes an application form in good faith
  - Insurer determines the risk
  - Quotes a premium
  - If insured is satisfied, he/she pays the first premium
  - Insured receives a receipt which serves as a preliminary policy (cover note) until final contract is completed
  - Insurer completes the contract and hands it over to the insured
- (Any 4x2 each)= (8)

## 9.3.3 Duty of the insured

- Must notify the insurer as soon as possible of the fire damage
  - Must submit evidence to prove the extent of the damage
  - Must comply with the stipulations in the contract (iron safe clause)
  - If possible, do anything to stop the fire and reduce the damage
- (Any 3x2 each)= (6)

## 9.3.4 Principle at under insurance

- Average clause
- (2)  
[50]

**QUESTION 10**  
**PRODUCTION AND ADMINISTRATION FUNCTION**

## 10.1 Advantages of mass production

- Lower production costs per unit
  - Stockpiling costs are low/minimum storage capacity is needed
  - Specialisation of workers is possible
  - Manpower distribution ensures a higher degree of skills
  - Minimum idle time for workers and machinery
  - Restricts the handling of material
  - Production control process is simplified
  - Less working capital invested due to the high turnover rate
  - Standardized and uniform products are manufactured
  - Production is quick and cheap
- (Any 6x2 each)= (12)

## 10.2 Advantages of correct factory layout for the undertaking

- Unnecessary movement is eliminated, so that work time can be used optimally
  - Fewer labourers are needed which leads to savings in salary expenses
  - Higher productivity
  - Transport costs in the factory are lower
  - Goods of a high quality can be manufactured
  - Production control can be done efficiently
  - Less working capital is needed
  - Improves factory safety
- (Any 4x2 each)= (8)



## 10.3 Production control steps

- Route determination
- Working arrangements
- Scheduling (synchronisation) of production
- Cost estimation
- Production authority
- Progress control

(Any 4x1 each)= (4)

## 10.4 Terminology

## 10.4.1 Work measurement

Determination of the exact time which a qualified worker uses to finish a certain task to try and determine a standard time for that task (2)

## 10.4.2 Method study

An accurate analysis of existing working methods to try and find a better method (2)

## 10.4.3 Machine utilisation

The number of hours per day that a machine is used for actual production (2)

## 10.4.4 Specialised machines

Build for a specific factory according to certain requirements (2)

## 10.5 Accounting records

- The accounting principles and systems which are used to keep record of all the transactions
- Compiling of financial statements at set times
- Control over this record keeping of transactions
- Administration of sales and debtors
- Administration of purchases and creditors
- Administration of stock
- Administration of wages and salaries
- Administration of cash / cheques / other means of payment

(Any 5x2 each)= (10)

## 10.6 Disadvantages of centralised administration

- Excessive centralisation of office activities can lead to red tape
- Widely dispersed office activities can hamper production and marketing activities
- The technical nature of the work does not favour centralization
- Confidentiality of some information may be jeopardized
- A concentration of a large number of office workers at one spot can lead to impersonal relations

(Any 4x2 each)= (8)  
[50]

**QUESTION 11****FUNCTION OF GENERAL MANAGEMENT AND THE ENTERPRISE AND ITS ENVIRONMENT**

## 11.1 Formulation of business policy

- Mission
  - The basic function of the enterprise
  - The purpose of the business
- Aim
  - Specific short-term task that must be completed
  - To reach the goal of the enterprise
- Objective/goal
  - Long-term purpose for the future
  - Destination to which the activity is aimed
- Policy
  - General statement which serves as a guideline for decision making
  - Must allow for the use of discretion within certain limits
- Strategy
  - Plan of action (vision of the manager) and the use of resources to obtain overall objectives
- Plan
  - Specific actions to reach the goal

(x1 for the heading and x2 for discussion) (4x3 each)= (12)

## 11.2 • Project organising structure (2)

- Use employees of the enterprise to finish a certain task
- After finishing the task, they return to their original jobs
- Make use of a project manager
- Example: stocktaking

(Any 3x2 each)= (6)

## 11.3 Communication

- Transfer and receipt of knowledge, etc. between management and workers.
- Can be done by verbal orders or written notices.
- Promotes healthy relationships between management and workers.
- Brings management and workers together.
- Workers have the opportunity to speak to management about their needs, etc.
- Promotes the flow of information between the different management levels.
- Improves the employees relationship towards the undertaking.

(Any 5x2)= (10)

## 11.4 Services of:

## 11.4.1 Chambers of Commerce

- Promoting trade in their own town
- Settle disputes amongst members by means of arbitration
- Eliminates unnecessary competition between members
- Study new legislation/regulations and bring it to the attention of the members
- Work towards uniformity in salaries and wages
- Agitate for municipal laws and regulations to the advantage of the members
- Organise seminars for the members
- Give advice to members
- Keep a black list of bad payments by debtors

(Any 3x2 each)= (6)

## 11.4.2 South African Reserve Bank

- Bank of issue
- Custodian of gold reserves
- Keep the cash reserves of commercial banks
- Clearing bank
- Government bank
- Controls credit of the country
- Control inflation rate/money in circulation (inflation)
- Determination of interest rates
- Control over the amount of money which a person may take out of the country
- Control over the exchange rates according to the Rand

(Any 4x2 each)= (8)

## 11.4.3 Land Bank

- Granting of long-term loans to farmers
- Granting of short-term credit to farmers
- Seasonal credit
- Loans to agricultural cooperative societies
- Advances to control boards

(Any 3x2 each)= (6)

**[50]**