SENIOR SECONDARY IMPROVEMENT PROGRAMME 2013

education

Department: Education
GAUTENG PROVINCE

UNITY IN DIVERSITY

GRADE 12

BUSINESS STUDIES

LEARNER NOTES

TABLE OF CONTENTS

LEARNER NOTES

SESSION 3

TOPIC 1: LEGISLATION – SKILLS DEVELOPMENT ACT (NO. 97 OF 1998)

Learner Note: All legislation is compulsory. Businesses do not have the option of non–compliance, but can develop strategies to accommodate legislation. After the Apartheid regime certain labour legislation had to be introduced or revised. You are required to know all the provisions of every Act. Study the notes and answer the questions.

SECTION A: TYPICAL EXAM QUESTIONS: TOPIC 1

QUESTION 1:   **35 minutes**   **40 marks**   *(DOE Preparatory Exam 2008)*

HINTS:
This is an essay question. Structure is important: Introduction, body and conclusion.
Sub-headings are important to use as they count for analysis.
Do not write in paragraph style. Use full sentences but in point form.

The Skills Development Act has the potential to change the lives of millions of previously disadvantaged people who were deprived of opportunities in education during the Apartheid era.

You are a front-runner for the development of skills as the human resource manager of your company. Convince management about the aims and benefits of this Act and inform them about the purpose and roles of SETAs.   [40]

QUESTION 2: 5 minutes   **8 marks**   *(DOE Nov. 2010)*

HINTS: The motivation in this question means that you should use examples. 2 marks for fact and 1 mark for motivation.

How does the National Skills Development Strategy (NSDS) deal with the shortage of skills in the labour market? Motivate your answer.   [8]

TOPIC 2: LEGISLATION - THE NATIONAL SKILLS DEVELOPMENT STRATEGY (NSDS) (1/4/2005 – 31/3/2010) / THE HUMAN RESOURCE DEVELOPMENT STRATEGY

SECTION A: TYPICAL EXAM QUESTIONS: TOPIC 2

QUESTION 1:   **10 minutes**   **10 marks**   *(DOE Nov. 2008)*

HINTS: The examples that are required are the names of any 2 SETAs.

The following questions are based on SETA (Sector Education and Training Authority):

1.1 Explain the contribution of SETAs towards ensuring that quality skills development
      takes place. Illustrate by using any TWO examples.   (8)
1.2 Describe how SETAs are funded.   (2)
                                                                                                 [10]

QUESTION 2:   **20 minutes**   **20 marks**   *(DOE Preparatory 2008)*

HINTS: You need to know the % contribution by business towards the SDL in order to calculate the amount in Q 2.2.

Zandile was awarded a license to extract timber from the Ngodini forest near Nelspruit. She uses 100 trucks to transport the timber and has 1 500 employees. The monthly salary and wage bill of Zandile's business is R6 400 000. The factory processes the timber into semi-finished products in the form of planks which are sold to furniture manufacturers as well as the building industry.

2.1   Does Zandile's business qualify for paying the Skills Development
       Levy? Motivate.   (5)

2.2   Use the information above to calculate the amount that Zandile's factory will
       pay for skills levy every month. (Show ALL the calculations.)   (4)

2.3   Explain the procedures to be followed if a dispute arises between Zandile's
        business and the SETA.   (10)

2.4   To which economic sector would the extraction of timber be classified?   (1)
                                                                                                 [20]

QUESTION 3:   **10 minutes**   **10 marks**   (Various sources)

Discuss the objectives of The National Skills Development Strategy.   [10]

SECTION B: ADDITIONAL CONTENT NOTES: TOPIC 1

Purpose of the Skills Development Act is to:

- develop the skills of the South African workforce.
- encourage employers to:
  - ✯ use the workplace as an active learning environment.
  - ✯ provide employees with the opportunities to acquire new skills.
  - ✯ provide opportunities for new entrants to the labour market to gain work experience
  - ✯ employ persons who find it difficult to be employed.
- encourage workers to participate in learnerships and other training programmes.
- ensure quality of education and training in the workplace.
- assist work seekers to find employment, retrenched workers to re-enter the labour market and employers to find qualified employees.
- improve the employment prospects of persons previously disadvantaged by unfair discrimination, and to redress those disadvantages through education and training.
- improve the quality of life of workers as well as career possibilities.
- improve productivity in the workplace and the competitiveness of employees.
- promote self-employment.
- improve the creation of social services.
- increase the levels of investment in education and training in the labour market and to improve the return on that investment.
- provide and regulate employment services.

Paying the Skills Development Levy

- An employer must pay a skills development levy of 1% of the total amount paid in salaries to employees every month, if:
  - ✯ the employer has registered the employees with SARS and/or
  - ✯ the employer pays over a certain threshold per annum (R500 000 as of
  - ✯ June 2010) in salaries and wages to their employees.
- The levies paid to SARS are put in a special fund.
- 20% of this fund will be paid into the National Skills Fund.
- The National Skills Fund is administered by the Director General.
- The National Skills Fund will fund skills development projects that don't fall under SETAs.

Who is exempt from payment of SDL?
- Public service institutions
- Religious or charity organisations
- Public entities that get more than 80% of their money from Parliament
- Employers:
  - ✶ whose total pay to all its workers is less than R500 000 per 12 month period
  - ✶ who do not have to register according to the Income Tax Act.

Sectorial Education and Training Authority - SETA

- This is an organisational institution which implements the skills plan in that specific sector, in collaboration with the trade unions of that sector.
- They are active in all economic sectors.
- Each economic sector has one SETA.
- There are 27 SETAs which cover all work sectors in South Africa.
- SETAs are responsible for developing and implementing skills development plans.
- They must control the education standards of the labour force in that specific sector.
- SETAs determine, in collaboration with businesses in that sector, the needs for certain skills that must be developed.
- SETAs do the selection and appointment of service providers who will develop the skills programmes, in that specific sector.
- They control the quality of education and training to meet the specific skills to be developed.

Financing of SETAs'

- The SETAs' receive 80% of the funds collected from the skills development levies.
- Money paid to the SETA from the National Skills Fund.
- Grants, donations and bequests made to the SETA.
- Income earned on surplus money deposited or invested.
- Income earned on services rendered.
- Money received from any other source.
- These funds are administered by the Director-General and must be audited.

Functions of SETAs / Aim of SETAs/ Role of SETAs

- Develop a skill plan for that specific sector within the framework of the National Skills Development Strategy.
- Implement its sector skills plan by:
  - ✶ establishing learnerships.
  - ✶ approving workplace skills plans.
  - ✶ allocating grants in the prescribed manner to employers, education and training providers.
  - ✶ monitoring education and training in the sector.

- Promote learnerships by:
  - ✵   identifying workplaces for practical work experience.
  - ✵   improving the facilitation for learning.
  - ✵   assisting in the conclusion of learnership agreements.
- Liaise with the National Skills Authority on:
  - ✵ the national skills development policy
  - ✵ the national skills development strategy
  - ✵ the skill plan for that sector
- Supporting the development of training materials
- Responsible for quality control in training
- Ensuring that required skills are available
- Registration of learnership agreements
- Within a week from its establishment, apply to the SAQA for accreditation. Must be accredited within 18 months of application.
- Collect and disburse the skills development levies in its sector.
- Businesses who make use of training programmes through the SETAs, may claim a grant from the SETA after auditing the number of workers trained, as well as their race, gender, etc.Report to the Director-General on:
  - ✵   its income and expenditure.
  - ✵   the implementation of its sector skills plan.
- Appoint staff needed for the performance of its functions.

Examples of SETAs

W&RSETA   Wholesale and Retail Sector Education and Training Authority
BANKSETA Banking Sector Education and Training Authority
THETA   Tourism and Hospitality Education and Training Authority
CHIETA   Chemical Industry Education and Training Authority
ESETA   Energy Sector Education and Training Authority

SECTION B: ADDITIONAL CONTENT NOTES: TOPIC 2

Learnerships:

- An approved institution providing a skills programme for workers in a specific sector.
- This programme must give workers the opportunity to learn a specific occupation while they are employed in that specific sector.
- Their quality of work must be assessed by the specific SETA.

Conditions under which a learnership may be established:

- The learnership consists of a structured learning component
- This should include practical work experience of a specific nature and duration.
- The learnership would lead to a qualification registered by SAQA and related to an occupation.
- The intended learnership is registered with the Director-General in the prescribed manner.

Procedure to follow when disputes arise between the SETA, employer and employee:

- Any party who wants to declare a dispute, must refer in writing to the CCMA.
- The party who declares the dispute, must satisfy the Commission that a copy of the referral has been served on all the other parties involved in the dispute.
- The Commission must attempt to resolve the dispute through conciliation.
- If the dispute remains unsolved, any party may request that the dispute be resolved through arbitration as soon as possible.
- Legislation related to the lawfulness and unfair dismissal must be applied.

Problems resulting from this Act:

- It is difficult to assess the contribution of the SETAs towards skills development.
- Difficult to assess the performance of the various SETAs.
- Many businesses who contribute cannot afford to send employees on training due to work and time constraints.
- To claim back from relevant SETA involves administrative work.
- Leads to increased costs and paperwork for business enterprises that contribute towards the National Skills Fund.
- Workers need regular training to meet the demand of a dynamic working environment and this will influence continuity in the workplace.

Advantages of this Act:

- Developing skills of employees that are required by employers.
- Improving employment opportunities for workers.
- Giving workers opportunities in the marketplace by equipping them with useful skills.
- Promoting overall efficiency in the workplace.
- Trained employees are more productive.
- Addresses discrimination through training.

SOUTH AFRICAN QUALIFICATIONS AUTHORITY ACT, 1995 (SAQA)

Purpose:
- Control training delivered through the service providers of the different SETAs.
- Registration of SETAs
- Keep a register of qualifications by learners achieved through the different SETAs to prevent fraud of qualifications.

THE NATIONAL SKILLS DEVELOPMENT STRATEGY (NSDS) (1/4/2005 – 31/3/2010)

Principles:

- Support economic growth through employment creation and poverty eradication.
- Promote productive citizenship.
- Accelerate BBBEE and Employment Equity (85% Black, 54% women and 4% people with disabilities).
- Support, monitor and evaluate the quality assurance systems necessary to implement NSDS.
- Advance the culture of excellence in skills development and lifelong learning.

Objectives:

- Prioritising and communicating critical skills for sustainable growth, development and equity.
- Improving the quality and relevance of provision of training and education and skills development.
- Promoting and accelerating quality training for all in the workplace.
- Assisting designated groups to acquire critical skills to enter the labour market and self-employment.
- Promoting employability and sustainable livelihoods through skills development.

The Human Resource Development Strategy

Key mission - To implement a plan:

- to maximise the potential of all South Africans through the acquisition of knowledge and skills;
- to work productively and competitively to a rising quality of life for all.

Objectives:

- Improving the foundation for human development
- Improving the supply of skills
- Increasing employer participation in lifelong learning
- Supporting employment growth through innovation and research
- Ensuring that the four objectives are linked

SECTION C: HOMEWORK

QUESTION 1:   **5 minutes**   **6 marks**   *(Sunday Times Avusa 2009)*

Four possible options are provided as answers to the following questions. Choose the correct answer and write only the letter (A – D) next to the question number, for example 1.7 B

1.1   1% of the wage bill of every business must go towards …

    A. Skill Development Act
    B. Employment Equity
    C. SETA
    D. BEE   (2)

1.2   This organisation is responsible for developing standards and qualifications criteria for
    the National Qualifications Framework (NQF).   (2)

    A. SETAs
    B. FET colleges
    C. Learnerships
    D. SAQA

1.3   Learnerships in insurance is offered by the …..

    A South African Reserve Bank (SARB).
    B Industrial Development Corporation (IDC).
    C Sector Education and Training Authority (SETA).
    D Manpower Commission.   (2)
                                                                                      [6]

QUESTION 2:   **15 minutes**   **12 marks**   *(DOE Exemplar 2008)*

Explain the purpose of the Skills Development Act, 1998 (Act 97 of 1998) and
comment on the progress of this Act in industry.   [12]

QUESTION 3:   **10 minutes**   **12 marks**   *(Various Sources)*

Discuss the objectives of The Human Resource Development Strategy.   [10]

SECTION D: SOLUTIONS AND HINTS TO SECTION A – TOPIC 1

QUESTION 1

Introduction

SETA - Sector Education and Training Act. √
SETAs are here to stay and it is only to the benefit of employers to make use of
the training programmes which are offered by the various SETAs. √
Any other relevant comment √   (any 1 x 3) (3)

Content / Body

The aim of the Skill Development Act no. 97:
• Rectify the imbalances of the past. √√
• To improve the level of investment in educating and training in the workforce.√√
• To use the work place as a learning environment.√√
• To encourage to take part in leadership.√√
• To improve employment opportunities of disadvantaged people. √√
• To ensure quality training and education in the work place- this implies. √√
  that any training programme to be offered, must first be accredited. √√
• Assist job seekers to find work, retrenched workers to return to labour market.√√
• To provide and regulate employment services.√√
• To encourage employers to participate in learnerships.√√
• Any other relevant answer.√√   (any 6 x 2) (12)

Benefits of the Skills Development Act No. 97

• It ensures core levels of training to be consistent with the skill requirements
  of the labour market. √√
• It alleviates the free-rider problem thereby ensuring that all businesses
  contribute to the cost of training. √√
• It improves collection efficiency - collection of the levy by
  South African Revenue Services will improve compliance. √√
• It promotes training effectiveness and efficiency. √√
• It ensures multipartite participation from employers and employees in the
  Governance of training and education funds.√√
• Any other relevant answers. √√   (any 5 x 2) (10)

Purpose of SETAs

• SETAs were established as implementing agencies of the skill development
  strategies √√√ or
• to replace the Industry Training Boards. √√√   (any 1 x 3) (3)

Roles of SETAs

• To collect funds.√√
• To distribute the funds to the National Skill Fund and various SETA'.√√
• To implement learnerships and skill programmes that replaced the tradition as apprenticeship.√√
• To develop a sector skills plan. √√
• To report to the Director General.√√
• To support the development of training material.√√
• Any other relevant answer. √√   (any 5 x 2) (10)

6.3 Conclusion

The services which SETAs offer do not only benefit the employees but also the
employer. √√   (2)

Breakdown of mark allocation:

Introduction	3
Content:	
Aim of Skills Development Act	12
Benefits Skills Development Act	10
Purpose of SETAs	3
Role of SETAs	10
Conclusion	2
	40 (max 32)

Insight:

Structure	2		
Synthesis	2		
Analysis and Interpretation	2		
Originality, examples and recency	2		
	8 (max 8)	(32 + 8)	**[40]**

QUESTION 2

Option 1

- Use skills development. √√
        Promote sustainable livelihood and employability. √
- Providers of education and training. √√
        Should comply with the minimum quality assurance standards when
        they offer skills programs and workshops. √
- Ensures that quality training takes place in the workplace. √√
        Requires reports.
        Assist people who want to be self employed. √√
        Acquires the necessary skills. √
- To ensure critical skills for development. √√
        Sustainable growth and equity. √
- Promote economic growth. √√
        This leads to job creation and poverty alleviation. √
- Creates a database. √√
        Assists in identifying skills related to market demand. √

- Provides for the establishment of SETAs. √√
      Implementation of learnerships. √
- Unlike the Manpower Act, √√
      Skills Development is now enhanced by SETAs for all sectors. √
- **Any other relevant answer related to the
      objectives/purpose/benefits of the National Skills Development
      Strategy.**
- **Consider relevant information from the Skills Development Act**

(Any 3 x 3) (9)
Max. [8]

Option 2

By providing skills development more people will be skilled or any rationale on NSDS.
Rationale: Promotes skills development or any rationale on NSDS.
Motivation:
- Use skills development. √√
- Providers of education and training. √√
- Ensures that quality training takes place in the workplace. √√
- Assist people who want to be self employed. √√
- To ensure critical skills for development. √√
- Promote economic growth. √√
- Creates a database. √√
- Provides for the establishment of SETAs. √√
- Any other relevant answer related to the objectives/purpose/benefits of the
      National Skills Development Strategy.

Rationale: (2)
Motivation (Any 3 x 2) (6)
Max.[8]

SECTION D: SOLUTIONS AND HINTS TO SECTION A – TOPIC 2

QUESTION 1

**1.1 Explain the contribution of SETAs towards ensuring that quality skills
      development takes place. Illustrate by using any TWO examples.**

- Manage the learnerships and training in each SETA sector. √√
- Ensure that skills requirements of different sectors are identified. √√
- Ensure that training is of the appropriate quality. √√
- Responsible for skills programmes to improve skills of current workers. √√
- Assist unemployed people to enter the job market by providing skills programmes. √√
- Provide accreditation to facilitators and training providers.
- Any other relevant skills development programme. √√

(any 2 x 2) (4)

EXAMPLES:
SETA
- Engineering which provides training and skills development in the
            engineering field e.g. Electronic engineering. √√
- Office Administration which provides training and skills
            development to Secretaries and Office Assistants in office work. √√
- MQA – Mining Qualifications Authority. √√
- INSETA – Insurance Sector. √√
- HWSETA – Health and Welfare Sector. √√
- FOODBEV – Food and Beverages Manufacturing Sector. √√
- FASSET – Financial and Accounting Service Sector. √√
- ETDP – Education Training and Development Practices. √√
- CTFL – Clothing, Textile, Footware and Leather Sector. √√
- CETA – Construction Sector. √√
- PSETA – Public Sector. √√
- SERVICES SETA – Services Sector. √√
- THETA – Tourism and Hospitality and Sport Sectors. √√
- W & R SETA – Wholesale and Retail Sector. √√
- CHIETA – Chemical Industry Education Training Authority. √√
- ISETT- Information System, Electronic and Telecommunication
            Technology. √√
Any other relevant SETA.
ACCEPT: Acronyms or Full details.

(any 2 x 2) (4)
Contributions Max 4
Example Max 4

1.2 Describe how SETAs are funded

Receive 80% of the funds collected from the Skills Development Levy that
qualifying businesses must pay. √√
- Employers pay a monthly levy equivalent to 1% of the total salary and wage
expense of the business. √√
Increase in income from services rendered by Setas. √√
- Grants, donations and bequests. √√
- Funding from the National Skills Development Fund. √√
- Income from surplus funds invested. √√
Actual percentage is not necessary.   **(any 1 x 2) (2)   [10]**

QUESTION 2

2.1   Yes √√
       Motivation – Her monthly wage bill is R6 400 000 √√√   (5)

2.2   Monthly salary and wage bill X skills levy of 1%
       6 400 000 √X 1/100 √ =R64 000 √√   (4)
       Answer only without any calculations allocate 2 marks.

2.3
- Any party who wants to declare a dispute, must refer in writing to the CCMA. √√
- The party who declares the dispute must satisfy the Commission that a copy of the referral has been served on all the other parties involved in the dispute. √√
- The Commission must attempt to resolve the dispute through conciliation. √√
- If the dispute remains unsolved, any party may request that the dispute be resolved through arbitration as soon as possible. √√
- Legislation related to the lawfulness and unfair dismissal must be applied. √√ (5x2) (10)

2.4   Primary Sector √   (1)
                                                                          [20]

QUESTION 3

- Prioritising and communicating critical skills for sustainable growth, development and equity. √√
- Improving the quality and relevance of provision of training and education and skills development. √√
- Promoting and accelerating quality training for all in the workplace. √√
- Assisting designated groups to acquire critical skills to enter the labour market and self-employment. √√
- Promoting employability and sustainable livelihoods through skills development. √√
                                                                    (5 x 2) **[10]**

SESSION 4

TOPIC 1: ENTREPRENEURIAL QUALITIES, SUCCESS FACTORS AND AREAS OF IMPROVEMENTS FOR A BUSINESS VENTURE.

> **!** **Learner Note:** Although many entrepreneurs are born entrepreneurs, entrepreneurial qualities can be developed or improved. Many entrepreneurs are so involved that they tend to ignore the qualities that need to be worked on, and it is these very qualities that can bring them down. Entrepreneurial qualities can be success factors for a business but there are many other factors that could lead to a businesses success.

SECTION A: TYPICAL EXAM QUESTIONS – TOPIC 1

QUESTION 1:   **30 minutes**   **40 marks**   *(DOE Mar. 2010)*

There is no magic formula for entrepreneurship. Although there are many different and successful approaches to business success, it is the power of good entrepreneurial qualities that will finally determine the level of performance a particular business venture will attain. Explain any FIVE entrepreneurial qualities of a successful business enterprise. Discuss how key success factors, such as sustainability, profitability and the customer base, can influence the overall performance of any business venture.   [40]

> **HINTS:**
> This is an essay question. Structure is important: Introduction, body and conclusion.
> Sub-headings are important to use as they count for analysis.
> Do not write in paragraph style. Use full sentences but in point form.
> Use current examples of entrepreneurs to obtain marks for originality.

QUESTION 2:   **10 minutes**   **12 marks**   *(Nov. 2008)*

Read the extract below and answer the question that follows.

> **Are You Entrepreneurial Material?**
>
> Entrepreneurs are …
> 1. optimistic and goal-setting people who have a strong focus on results.
> 2. able to rely on themselves and have a great deal of confidence, determination and dedication to do the best at all times.
> 3. able to interact effectively with people.
> 4. positive, pleasant and eager to meet people and satisfy them.
> 5. inquisitive, intuitive and enjoy new challenges.
> 6. ambitious and have the ability to judge and act on incomplete information.
>
> [Adapted from: *Succeed*, December 2006]

Analyse any THREE qualities of a successful entrepreneur.
Use the examples from the extract to support your answer.   [12]

> **HINTS:** Remember to use characteristics with examples from the extract. 2 marks for quality of answer, and 2 marks for the example.

TOPIC 2: HUMAN RIGHTS, INCLUSIVITY, AND ENVIRONMENTAL ISSUES.

!

> **Learner Note:** Business enterprises are facing constant pressure not only to be profitable, but also to contribute towards human rights, inclusivity and environmental issues. Business enterprises are assessed against these criteria (human rights, inclusivity and environmental issues) to ensure that all enterprises compete on an equal basis.

SECTION A: TYPICAL EXAM QUESTIONS – TOPIC 2

QUESTION 1:   **15 minutes**   **18 marks**   *(DOE Nov. 2010)*

Discuss how businesses in South Africa can contribute to human rights,
inclusivity and environmental issues in the workplace.   [18]

> **HINTS:** The mark allocation is 18 marks so you should write for 6 marks per issue. This means that every issue should have two facts and an example - 2 marks for fact and 1 mark for an example.

QUESTION 2:   **10 minutes**   **8 marks**   *(DOE Mar. 2009)*

Discrimination in the workplace is one of the human rights issues that has a negative impact on the relationship between employers and employees.

2.1 Do you agree or disagree with this statement? Motivate your answer.   (4)

2.2 Indicate how discrimination can be resolved in the workplace.   (4)

    [8]

> **HINTS:** Question 2.1 needs motivation to earn marks. No motivation, no marks.

QUESTION 3:   **10 minutes**   **8 marks**   *(DOE Preperatory 2008)*

Study the extract from an interview below and answer the question that follows.

INTERVIEW WITH A TEACHER

Q: What does your career involve?
A: Teaching subject content to learners, assessing their progress, coaching sport,
   counselling learners with personal problems or family issues, rehearsing dramas
   and supervising fundraising activities to mention but a few.
Q: What do you like about your job?
A: I enjoy working with young people and seeing them lighting up when learning
   something new, or understanding a difficult concept, and achieving their goals.
Q: What does creativity mean in your job?
A: You often have problems finding information or resources to use for teaching your
   learning area. Therefore, you learn to use all resources that you can lay your hands on,
   very creatively to teach your learners.
Q: How do team dynamics influence your workplace?
A: It is important that all staff members work as a team. This ensures that all the
   learners are taught well, and they all have the opportunity to reach their
   goals and perform according to their abilities.
Q: What advice can you give learners who are interested in following a similar career path?
A: To be a teacher you have to love working with people, be diligent, competent,
   honest, reliable, compassionate, extremely hardworking and diverse.
Q: Should teachers be respectful toward colleagues?
A. Yes, every teacher must understand human rights issues and how to implement
   them in the workplace.

Employers and employees should promote basic human rights in the workplace. Identify
FOUR examples of these rights.   [8]

HINTS: Always remember that if the answers to these human rights are not in the text, you
should know them from what you have learned in the notes.

SECTION B: ADDITIONAL CONTENT NOTES – TOPIC 1

Defining an Entrepreneur

Entrepreneurship is one of the four factors of production.
Entrepreneurs are responsible for combining the other three factors of production
(labour, capital and natural resources).
They are able to see a business opportunity and have the ability and courage to change this
opportunity into a profitable business.
This allows them to earn profits and create jobs for others.

Important entrepreneurial qualities are:

- Calculated risks takers.
- Self motivated and disciplined.
- Creative and innovative.
- Perseverence
- Persistency.
- Desire for responsibility and immediate feedback
- Energetic
- Have a clear vision
- Flexible, able to adapt to change
- Positive attitude
- Good management and communication skills
- Set realistic goals

Factors which contribute to the success of a business:

- **Sustainability** - This means that the business can continue to exist despite all the challenges and threats it is confronted with.
- **Profitability** - Money is managed is such a way that a sound return on investment can be guaranteed to investors.
- **Customer base** - Successful businesses have a continuous customer base to sell their goods and services to.
- **A great idea** - Goods and services must fulfill the needs and desires of consumers. A successful business has to offer better goods and services than its competitors.
- **A clear and executable strategy**. – Having a clear vision and strategies that work in order to achieve your goals.
- **Good management principles**. – Having the elements of management in place and being professional and ethical.
- **Correct form of ownership**. – Operating the business under the most suited form of ownership.

Identifying areas for improvement

Areas to improve any business would vary according to the shortfalls which can be identified. The business must be assessed on an ongoing basis to see where improvements are needed. The following are some possibilities of areas where improvements might be needed:

- Constantly evaluate the enterprise's performance against predetermined goals.
- Purchasing products of good quality.
- Constantly improve technology so as to improve productivity.
- Training staff to improve customer relations.
- Showing good leadership qualities so as to motivate employees.
- Marketing techniques should be appealing to the target market
- Do financial analyses regularly to control costs.
- Budget regularly so as to keep expenditure under control.
- Providing regular staff training so as to improve skills.

SECTION B: ADDITIONAL CONTENT NOTES – TOPIC 2

Human rights

All the people of this country have certain rights as included in the Charter of Human Rights in the constitution.
These are basic rights and freedoms to which all human beings are entitled.
Human rights must be respected by all, including employers and businesses enterprises.
Business may not violate the rights of their employees and clients.

Human rights include:
- The right to be treated in a dignified manner
- The right to be treated equally and fairly
- The right to freedom of speech
- The right to vote
- The right to practise one's religion

Consumers' rights include:
- Choice
- Information
- Representation
- Compensation
- Safety
- A healthy environment

Employees' rights include:
- The right to fair treatment in the workplace
- The right not to be discriminated against
- The right to belong to a trade union.
- The right to be included in decisions that directly influence the employee.
- The right to fair payment

Inclusivity

This means that no person in the workplace may be discriminated against or excluded because of faith conviction, sexual preferences, gender, race, disability, etc.
Diversity in the work place must be evident and according to the demographics of the country.
Complaints regarding inclusivity issues are handled by the Human Rights Commission.

Inclusivity aims to:
- redress the imbalances of the past.
- address gender discrimination
- address discrimination against people who are physically challenged.
- address unfair discrimination.

The following legislation promotes inclusivity:
- Employment Equity Act
- Broad Based Black Economic Empowerment
- Skills Development Act

Environmental issues

All businesses have a responsibility to protect the environment as businesses use resources from the natural environment in their daily operations.

This leads to exploitation of natural resources, pollution and global warming.

Businesses generate a lot of commercial waste through their daily operations.

Legislation has been passed to put pressure on businesses to consider their environmental impact, and businesses that do not comply can be fined.

Businesses should ensure environmental sustainability and not compromise the ability of future generations to meet their own needs.

Business enterprises should develop environmental policies which aim to:

- Promote nature conservation
- Lead to the development of alternative sources of energy
- Minimise pollution

SECTION C: HOMEWORK

QUESTION 1:   **5 minutes**   **4 marks**   *(DOE Mar. 2010 / Nov. 2009)*

Four possible options are provided as answers to the following questions. Choose the correct answer and write only the letter (A – D) next to the question number, for example 1.7 B

1.1 Freedom of expression, association and security is commonly known as basic …

A	human justice.
B	human principles.
C	human rights.
D	right principles.	(2)

1.2 Business ventures are required by law to charge customers for plastic packaging. This is one of the ways in which the business addresses ...   issues.

A	human rights
B	gender equity
C	disability
D	environmental	(2)

[4]

QUESTION 2:   **20 minutes**   **24 marks**   *(DOE Nov. 2009)*

Read the following case study and answer the questions that follow:

The Story of Tom's Fashion Design Business

Mazwe Tom completed Grade 12 but remained unemployed. He always dreamed of a career in fashion design but could not afford to further his studies. As an innovative self-starter, this young man joined the classes offered by a community-based project that trained people to sew.

Using his skills from the sewing classes, combined with his own initiative and self-motivation, a viable business idea was created.

He was put in contact with Donne Nicols of Cyril Ramaphosa's Shakunda Foundation. They immediately gave him machines for domestic and industrial sewing, as well as for over-locking.

He started making clothes according to orders from members of his local community. Word quickly spread about his unique designs. Tom marketed the business by means of flyers and the clothes his customers were wearing.

The most significant challenges that Tom faced were cash-flow management and poor client payment. Though modest in size and equipment, the business has grown. In the first year he was able to support himself and set aside some profit for capital.

When questioned about his success factors, Tom points to the uniqueness of the clothes he designs. 'I get my inspiration from all over – from watching how famous people dress. My designs are 100% original. I take in what I see, change it and put the Tom's Fashion Design stamp on it,' he says. Looking to the future, he says his sights are set on becoming a top South African designer. And if his story proves anything, it's that it pays to dream.

                                                        [Adapted from: Entrepreneur, February 2008]

2.1.1 Analyse any THREE qualities of Mazwe Tom as a successful entrepreneur. Use examples from the case study to support your answer.   (12)

2.1.2 Identify any TWO key success factors of Mazwe Tom's business enterprise.   (4)

2.1.3 Mazwe Tom stays that the most significant challenges to his business are cash-flow management and poor client payment. Advise Mazwe on ways to overcome these challenges.   (8)
                                                                                     [24]

SECTION D: SOLUTIONS AND HINTS TO SECTION A: TOPIC 1

QUESTION 1

Introduction:
- Generally, most businesses have failed because of lack of good entrepreneurial qualities. √
- Therefore, quality entrepreneurial skills will lead to a successful business venture. √
- The following are some of the most important and significant qualities of a successful entrepreneur. √
  (Any other relevant answer related to entrepreneurial qualities.)   (Max 3)   (3)

Qualities of a successful enterprise

Risk Taking √√
- Able to take calculated risks. √√
- Should do a risk analysis on an ongoing basis to minimise losses. √√
- Risks taken should help the business to achieve its desired goals. √√ (Max 6)   (6)

Vision/goals √√
- Must lay down clear vision/goals which is communicated to all employees. √√
- These must be constantly revised in line with the dynamics of the market environment√√ (Max 6)   (6)

Creativity √√
- Must provide creative solutions for the business. √√
- Proactive in anticipating problems. √√
- Employees have the opportunity of experimenting with new ideas. √√ (Max 6)   (6)

Good interpersonal relations √√
- Communicates and motivates workers. √√
- Have an open door policy. √√
- Willing to listen to employees. √√ (Max 6)   (6)

Displays good leadership and management skills √√
- Ability to make sound decisions in line with the business. √√
- Coordinate all the activities of the various departments into a profitable unit. √√
- Highly committed to his work and is an example to others within the organisation. √√
                                                                          (Max 6)   (6)

Financial management √√
- Sound knowledge of financial systems and recording. √√
- Compile a budget for the enterprise based on previous financial results. √√
- Maintain proper control over business expenditure. √√   (Max.6)   (6)

Economic conditions√√
- Must be sensitive to changes in economic environment. √√
- Economic recession may cause the business to fail. √√
- High levels of inflation allow prices of goods to increase. √√   (Max.6)   (6)
  Any other relevant answer regarding the entrepreneurial qualities of
  a successful enterprise.   (Any 5 x 6) (30)

Sustainability
- The entrepreneur must possess the necessary skill to ensure his business will be in operation for a long time. √√
- Must be able to device strategies to address the challenges and threats to his business. √√
- Adequate provisions in his capital budget for funds to be used in future expansion. √√
   (Any other relevant answer related to sustainability.) √√   (Max 4)   (4)

Profitability
- Must ensure that he/she generates maximum profits every financial year end. √√
- There is an improvement in profitability on a year on year basis. √√
- Attract other investors into his/her business for expansion. √√
   (Any other relevant answer related to profitability.)   (Max 4)   (4)

Customer Base
- A business cannot make profits if it does not have any customers to sell its products to. √√
- The entrepreneur must have on record a customer base which will enable constant contact through mail/SMS, etc. √√
- Maintain and also increase customer base by providing goods/services of quality. √√
   (Any other relevant answer related to customer base.)   (Max 4)   (4)

Conclusion
- Entrepreneurs must also constantly update themselves by consulting with experts in bring success to entrepreneurs. √√
- Strive to meet the needs of customers which are continuously challenging. √√
   (Any other relevant answer related to entrepreneurial qualities in relation to business success.)   (Any 1 x 2) (2)
                                                                                                    Max   (32)

INSIGHT
Layout   2
Analysis, interpretation   2
Synthesis   2
Originality, examples   2
                                          (32 + 8)   [40]

QUESTION 2

- Good organisational and management skills √√
- Optimistic and goal-setting people do not lose sight of essential management functions. √√
- Good communication skills. √√ - Interact effectively with people, positive and pleasant . √√
- Creativity and the ability to be innovative √√ - Inquisitive, intuitive and enjoy new challenges, full of new ideas. √√
- Interpersonal skills and the ability to work with people. √√
- Eager to meet people and satisfy them. √√
- Ability to take calculated risks to increase output and profits.√√

- Ability to judge and act on incomplete information. √√
- Positive and committed to the business. √√
- Self confidence, determination and dedication to do their best at all times. √√
    - Gave examples without mentioning the quality - allocate 2 marks.
    - Learner gave only the numbers - allocate 2 marks.

    Fact/explanation 2   Extract from case study 2   (Any 3 x 4) **[12]**

SOLUTIONS AND HINTS TO SECTION A: TOPIC 2

QUESTION 1

(a) Human Rights

- Businesses should respect the Bill of Rights as outlined in the constitution as it is a legal
    instrument.√√
    Example: Equal and fair treatment, fair remuneration, freedom of speech and the right
    to practise one's religion. √
- Businesses that fund projects that promote the basic rights and freedom to which all South
    Africans are entitled. √√
    Example: Freedom Day Celebrations. √
- Businesses must promote the basic human rights in respect of
    health care. √√
    Example: HIV Aids, welfare and education. √
- Consider answers from learners that list human rights with
    applicable examples.
- Any other relevant answer related to human rights.

Heading/Explanation 2 marks   Example 1 mark   **Max. (6)**

(b) Inclusivity

- Businesses must aim to address the imbalances of the past. √√
    Example: Include disabled people in your workforce. √
- Some big businesses have invested in specialised projects. √√
    Example: Providing funds for education, arts and culture. √
- No individual should be discriminated against. √√
    Example: Accommodate different official languages. √
- Make reference to the Human Rights Commission, √√
    because it deals with issues on inclusivity. √
- Understand/contribute/implement the various legislation that has been passed, to promote
    human rights. √√
    Example: Having a percentage of the workforce who are physically challenged.√
- Any other relevant answer related to inclusivity.

Heading/Explanation 2 marks   Example 1 mark   **Max. (6)**

(c) Environmental Issues

- Funds donated by businesses are used to preserve the environment. √√
    Example: Nedbank contributes funds for nature conservation.
- Business contributes funds for the prevention of pollution. √√
    Example: Sappi monitors pollution of water and its discharge into rivers. √
- Businesses contribute to waste management.√√
    Example: Establishing businesses that recycle cans, paper. √
- Any other relevant answer related to environmental issues.

Heading/Explanation 2 marks   Example 1 mark   **Max. (6)**
                                                                 [18]

QUESTION 2

2.1   Agree √√

Motivation:
- Dissatisfaction can lead to low morale. √√
- Any other relevant answer on disadvantage of discrimination in the workplace.

OR

Disagree √√
Motivation:
- Workers may prefer security and high remuneration in comparison to
  satisfaction/morale.√√
- Consider any relevant answer relating to dissatisfaction/intrinsic or extrinsic
  motivation, etc.

Mark allocation: Agree/Disagree 2   Reason 2   (4)

NOTE: If only Agree/Disagree is given without any explanation - NO marks.

2.2
- Prepare a code of ethics for the company. √√
- Recognition of the collective agreement between the management and labour.√√
- Provide for the training, role play and simulation of various acts of discrimination
  so that stakeholders are aware of the basic human rights of workers. √√
- Reference must also be made to the Equity Act. √√
- Any other relevant answer for resolution.   Any (2 x 2) (4)
                                                                   [8]

QUESTION 3

• The right to fair remuneration. √√
• The right to a safe working environment. √√
• The right to freedom of speech and association. √√
• The right to be treated fairly and equally. √√
• Any other relevant answer   (Any 4 x 2) **[8]**

SESSION 5

TOPIC 1: INSURANCE

> ! **Learner Note:** Insurance in today's times is necessary as it helps to reduce the risk / losses by shifting the risk to the insurer. It would be very difficult to operate a business without having insurance as it provides protection to business enterprises against future losses. It also helps to keep high reinstatement costs under control. Study the notes and answer the questions.

SECTION A: TYPICAL EXAM QUESTIONS

QUESTION 1:   **10 minutes**   **8 marks**   *(DOE. Nov. 2010)*

The property of Turbo Distillers has a current market value of R300 million.
The warehouse was partly damaged by fire. Damages were assessed at
R60 million. The insurance company is not prepared to pay the full amount of
the claim because Turbo Distillers insured the property for only R200 million.

1.1 Which principle of insurance is applicable to the above claim? (2)

1.2 Calculate the compensation that Turbo Distillers will receive from the insurance
company. Show ALL the calculations. (6)

[8]

> **HINTS:** Remember that Turbo Distillers was not fully insured. The word **principle** should not confuse you. You will have to utilise the formulae to calculate what compensation will be paid.

QUESTION 2:   **15 minutes**   **16 marks**   *(DOE. Nov. 2010)*

The following questions are based on the Unemployment Insurance Fund (UIF):

2.1 Define the nature of the fund. (2)
2.2 Describe how it is funded. (4)
2.3 List THREE benefits of the fund for employees. (6)
2.4 Does the UIF benefit the employer? Motivate your answer. (4)

[16]

> **HINTS:** Question 2.1 requires for you to say what this fund is all about. Look at the mark allocation to determine how much to write for each of the questions above. Remember 2 marks for a full fact. 2.3 wants you just to list. Benefits are advantages or the provisions of UIF. 2.4 No marks allocated with no motivation.

QUESTION 3:   **15 minutes**   **6 marks**   *(DOE. Nov. 2010)*

State THREE provisions of the Road Accident Fund (RAF). [6]

QUESTION 4:   **10 minutes**   **8 marks**   *(DOE. Nov. 2008)*

Bongani's General Dealer business is not insured. You are an insurance broker. Bongani approaches you to advise him on insurance. You complete a proposal form for Bongani's business. The monthly premium is calculated at R2 800 on a total value of goods amounting to R2 800 000.

4.1   Identify the type of insurance that Bongani needs and give ONE reason why this insurance is beneficial to him.   (4)

4.2   Bongani states that the premium of R2 800 per month is not within his budget. What advice would you offer? Provide TWO suggestions.   (4)

[8]

HINTS: 4.1 – 2 marks for identifying the type of insurance and 2 marks for an advantage.
     4.2 Any acceptable suggestion for 2 marks.

SECTION A: TYPICAL EXAM QUESTIONS - 2

QUESTION 1:   **30 minutes**   **40 marks**   *(DOE Mar. 2009)*

Just as your home and car needs insurance cover, your business also requires protection against theft, damage and liability. A major burglary or a fire can cause an uninsured or under-insured business to go bankrupt. Minimising risks and losses is one of the pillars of business success especially for small businesses.
[Source: Succeed, December 2006 (adapted)]

Write a report indicating whether you agree or disagree with the above statement. Your report must clearly establish the reasons/significance for insurance, show a distinction between compulsory and non-compulsory insurance, as well as be able to illustrate each type using examples.   [40]

HINTS
This is an essay question. Structure is important. Introduction, body and conclusion.
Sub-headings are important to use as they count for analysis.
Do not write in paragraph style. Use full sentences but in point form.
Use current examples of entrepreneurs to obtain marks for originality.

QUESTION 2:   10 minutes   12 marks   *(DOE Exemplar 2008)*

Classify each of the following descriptions under COMPULSORY INSURANCE
or NON-COMPULSORY INSURANCE. Write the appropriate category next to
the question number, and give a reason for your answer.

2.1   Safety of passengers travelling in a taxi on a public road
2.2   Business premises destroyed by fire
2.3   Protection of employees against injury in a factory employing 60 workers   [12]

HINTS: Answer the question in the same manner as per example.
Example: Shoplifting – Non-compulsory
Reason: The owner reserves the right to absorb the risk.

SECTION B: ADDITIONAL CONTENT NOTES: TOPIC 1

INSURANCE (PRINCIPLE OF INDEMNITY)

Insurance is a contract between two parties, the insurer and the insured.
The purpose of insurance is to indemnify the insured against certain types of risk.
The insurer undertakes to indemnify the insured for losses suffered as a result of a
specified risk while the insured undertakes to pay a monthly premium in return to the insurer
for the indemnification.
Indemnification applies and this means that the insurer covers for an event that might happen.
They will only pay out if the event occurs, e.g. losses due to fire, theft, burglary, etc.
This type of insurance is based on the principle of indemnity.
The object of indemnification is to place the insured after the loss in the same position that
was occupied immediately before the loss.
The insured is not to be placed in a better or worse position.
This means that neither the insurer, nor the insured may profit from insurance.

BENEFITS OF INSURANCE:

INDIVIDUALS
*   To get security for themselves and next of kin on reaching a certain age (retirement /
    death).
*   Protect themselves against losses due to fire, theft, burglary, motor vehicle accidents
    and storm damages.
*   To protect themselves against losses due to illness (medical aid).
*   To protect themselves against losses due to unemployment (UIF).
*   To utilise the contract in the future for security so as to obtain a loan.
*   To protect themselves from losses because of damages to assets (home insurance).

BUSINESSES

- Provides protection to business enterprises against future losses.
- Protects the business from theft and fire of stock.
- Protects the business from losses because of dishonesty of employees.
- Protects the business from losses because of the death of a debtor.
- Protects the business against claims by employees when injured during normal working hours.
- Protects against the death or permanent disability of a key person in the enterprise.

Basic forms of insurance include:

Short term insurance: (Not compulsory)
Insurance of goods, e.g. multi-peril policies, asset policies, personal property policies

Long term insurance:
Life insurance, e.g. retirement annuities, pension funds

Non-insurable risks:

Insurance companies **are not** prepared to take these risks.
Examples:
- Changes in fashion
- Shoplifting
- Improvement in technology
- Financial losses because of bad management, obsolete stock, etc.
- Loss of income because stock is not received in time from the suppliers.

Insurable risks include:

Fire - Fire insurance indemnifies the insured against losses due to fire.
It is the duty of the insured to notify the insurer and the police that there was a fire
at the business premises.

According to the Iron Safe Clause, the insurer is compelled to keep all financial
and stock records in a fire proof safe to enable the insurer to provide evidence of
the amount of stock that was on the premises.

The premium that the insured pays to the insurer depends on the value of the items that need
to be insured, as well as on the risk.
The insurer will calculate the premium with the probability of the risk occurring in mind.
Important factors that may affect the risk are:
- Nature of the products or buildings
- Nature of adjoining buildings
- Availability of fire sprinklers, alarms, etc.
- Proximity of fire station

Storms - Insurance against storm damages indemnifies the insured against losses due to storms, wind, rain and hail

Burglary - Insurance against burglary indemnifies the insured against losses due to forced entry into the business premises when the business is not open for business

Theft - Insurance against theft indemnifies the insured against losses due to all forms of theft, such as shoplifting and theft by employees.

Money in transit - Business owners should insure their businesses against losses occurring when cash is stolen while it was being transported from the business to the bank

Fidelity insurance - Insure possible losses because of dishonesty of an employee. Employer pays the premium and receives the money if there was dishonesty. Insurer will investigate the character of the employee before the employment contract is finalised, e.g. cashier working with money.

Comprehensive insurance - Instead of taking out different insurance policies for the different risks, you can include all the risks in one contract.

How an insurance policy is taken out:

- Proposal form must be completed
- Insurer quotes a premium after risks have been studied.
- If satisfied, insured pays premium.
- Insured receives a receipt (cover note) which serves as preliminary policy.
- Insurance policy is handed to insured – policy is a statement of the terms, risks and conditions of the insurance contract.

Requirements for an insurance contract to be valid:

Good faith
- Both parties must disclose all material facts.
- All questions asked by the insurer must be answered honestly.
- Insured must disclose everything that may affect the extent of the risk.
- Otherwise, the policy may be declared void in a court of law.

Insurable interest

Insured must be able to proof that he/she derives a financial benefit from the existence of the object which is being insured and/or that the insured stands to lose financially if goods are destroyed or by the death of a person.
Example:
- A person has insurable interest in himself/herself.
- A person has insurable interest in spouse.
- A creditor has insurable interest in his/her debtor.
- A person has insurable interest in his/her partner.

TERMINOLOGY RELATING TO INSURANCE

Insurer	Insurance company who will take over specified risks from persons to indemnify them if the persons pay premiums.
Insured	Persons who want to insure their assets / life.
Insurance contract	A document issued by the insurer to the insured which includes all the stipulations of the contract.
Policy holder	The owner of the insurance contract.
Premium	The amount of money to be paid monthly / annually by the insured to the insurer for indemnification.
Excess	Short term insurance includes a clause which stated that the insured is responsible for a fixed amount of the claim, when lodging a claim.
Risk	Possibility of losses / damages.
Insured value	The amount of money agreed to by the insured and insurer to insure assets / life of a person when the contract is signed.
Book value	The purchase price of an asset, less depreciation.
Reinstatement value	The market value of the asset at this moment.
Re-insurance	Dividing of risks between different insurers. One insurer divides the risk between him and other insurers. The premiums are divided between all the insurers involved and each of them has to contribute when the specified risk occurs.
Cession	The rights which the insured has according the stipulations in the insurance contract, may be transferred to another person by means of a written clause, e.g. your spouse or a bank, for security purposes.
Subrogation	The right of the insurer, after the insured has been indemnified for losses/ damage, to stand in the place of the insured and to claim the amount being paid for the loss / damage from the guilty party.
Pooling	The combination of several small groups into one large group for insurance purposes, such as obtaining lower premiums or more group benefits.
Surrender .	Applies to life assurance and means to terminate a policy. A cash amount is paid to the policyholder, no further premiums are paid and no further cover is provided

AVERAGE CLAUSE (OVER AND UNDER-INSURANCE)

This is an insurance clause which refers to under-insurance and over-insurance.

Under insurance means that property is not insured for its full market value.
If goods/buildings are not insured for their full value, the full amount of the loss will not be paid out.
The average-clause will be implemented to determine the amount that will be paid.
The following formula will be used: Insured value ÷ replacement value x damage / loss amount.
The payment by the insurer will be less than the amount of the damage, because the full value of the assets is not insured.

Over-insurance means that property is insured for more than its market value.
In the case of over-insurance, the insurer can choose to reinstate the insured for
the losses suffered. This is known as reinstatement.

ASSURANCE (PRINCIPLE OF SECURITY)

The insured is assured of payment. If the person covered by a life assurance policy dies or retires, a sum of money will be paid out, e.g. retirement or death.
This type of insurance is based on the principle of security.
This principle is based on the possibility of loss due to events that will occur, such as death and retirement

Life insurance
- Insurance of life of a human being (that cannot be replaced).
- Includes life policies, endowment policies and disability policies.
- Allows a person to make provision for their dependants when the person dies or becomes permanently disabled.
- A life insurance policy pays out a lump sum after a person has died, to provide for dependants and settling of debt

Retirement annuities (RA)
- A personal pension plan (governed by the Pension Funds Act) which aims to create wealth for retirement.
- Originally created for self-employed people, because self-employed people do not receive any employer's contributions towards a pension fund.
- One of the main advantages of investing in an RA is the tax advantage, because RA contributions are tax deductible up to a specified amount.
- When you become a member of an RA fund, the fund makes investments on your behalf.
  .

COMPULSORY INSURANCE (INSURANCE THAT IS ENFORCEABLE BY LAW.)

Unemployment Insurance Fund (UIF)

Employees who work longer than 24 hours per month contribute 1% of their monthly salary to this fund. Employers also contribute 1% to this fund, which means that the total contribution per month is 2%.
The fund is created to insure workers against loss of earnings arising from unemployment and to provide employees with financial support during their efforts to find employment.

Unemployment benefits

Applications should be submitted within 6 months of becoming unemployed.
Workers can claim from the day they stopped working, until their benefits are exhausted, or they start working again.

Illness benefits

Illness benefits can be claimed if a person is unable to work for more than 14 days and does not receive a salary, or receives only part of his/her salary.
Illness benefits cannot be claimed if the contributor refuses to undergo medical treatment.

Maternity benefits

Maternity benefits can be claimed for up to 17 weeks (four months).
Persons who have had miscarriages can claim for six weeks.

Adoption benefits

Can be applied for when a child below the age of two is adopted, and the person takes unpaid leave, or is receiving only a portion of his/her salary while at home caring for the child.

Dependant's benefits

Can be applied for if the person who has been financially supporting the household, dies.
The spouse of the deceased can claim the benefit whether he/she is employed or unemployed.

Road Accident Fund (RAF)

- This fund provides cover for all drivers of motor vehicles against claims by persons injured in vehicle accidents, or claims of dependants of people killed in vehicle accidents.
- Every time that road users fill up fuel they automatically contribute to this fund as the fuel price includes a levy which goes to the RAF.
- People who are injured in road accidents or killed (next of kin) are compensated from this fund.
- RAF will pay approved claims to drivers, passengers and pedestrians injured in an accident because of the negligence of a driver of the vehicle.
- The fund only pays claims for medical expenses and loss of income and not for damage to assets / property.
- Medical persons must determine the nature of the injury and this will determine the amount to be paid from the fund.
- Claims for medical expenses are limited to tariffs levied by public health centers.
- The maximum amount to be paid for loss on income, is R160 000.

- Dependants of persons that die in a car accident may claim a maximum of R160 000.
- The RAF only indemnifies the driver to compensate for losses suffered due to bodily injuries sustained, or the death of a person and not for damage to the property.
- In the following cases the RAF will pay claims to injured parties, but has the right of recovery by the driver:

- where the car has been stolen or where the person is driving the car without
- the consent of the owner.
- where the driver was under the influence of alcohol or any other substance.
- where the driver is not in possession of a valid driver's license.
- where the driver causes an accident owing to negligence.

Compensation for Occupational Injuries and Diseases (COIDA)

- The fund provides cover against disability owing to injuries, occupational diseases or death which are sustained during the normal course of work.
- Compensation is paid to workers or their next of kin.
- Employers using machinery in e.g. factories had to contribute to this fund.
- Avoid claims being lodged against employer for medical expenses because of injuries / illness of workers.
- All accidents / injuries / illness conditions in the work place must immediately reported to management / employer.
- Negligent workers may not claim.

SECTION C: HOMEWORK

QUESTION 1:   10 minutes   12 marks   *(DOE Preparatory 2008)*

Classify the following cases of insurance under COMPULSORY INSURANCE
or NON-COMPULSORY INSURANCE. Give reasons for each answer.
1.1   Insuring one's own life
1.2   Safety of passengers travelling in a bus on a public road
1.3   A factory insuring itself against any injury that occurs to employees on duty   [12]

QUESTION 2:   10 minutes   10 marks   *(Sunday Times AVUSA 2009)*

Business must take out compulsory insurance for employees. What is this insurance called, and what benefits does it offer the employees?   [10]

QUESTION 3:   **10 minutes**   **7 marks**   *(DOE Nov. 2009)*

Study the following scenario regarding insurance and answer the questions that follow:

Karen Jones owns a retail outlet at the Century City Shopping Centre in Cape Town. She sells imported ladies' garments. The business is insured against fire for R800 000. The market value of her business enterprise is R1 000 000 (one million rand). Fire caused damage to her business, which was assessed at R300 000.

3.1   Calculate the compensation that Karen Jones will receive from the insurance
       company.   (5)
3.2   Give a reason for using the calculation method in QUESTION 3.1 above.   (2)
                                                                                              [7]

SECTION D: SOLUTIONS AND HINTS TO SECTION A – 1

QUESTION 1

    1.1   Under-insurance. √√ (accept indemnity). √√   (2)

    1.2   Compensation = <u>Insured amount</u> √ x Loss/damage √
                     Market value
            = <u>200 m</u> √ x 60 m√
              300 m√
            = R 40 million. √   (6)
                                                                                              [8]

QUESTION 2

2.1   Money paid out of the fund to contributors(workers) who become
       unemployed or for any other legitimate reason. √√
       Any other relevant definition on the nature of UIF.   (2)

2.2   Workers who work for more than 24 hours per month make a contribution of 1% of
       the earnings they receive from the employer. √√
       The employer also makes an equal contribution of 1% of the worker's earnings to
       the fund. √√   (4)

2.3   Unemployment benefits. √√
       Sick benefits. √√
       Maternity benefits. √√
       Death benefits/dependant benefits. √√
       Adoption benefits. √√
       If financial benefits are given allocate a maximum of 2 marks.
       Any other relevant benefits related to UIF.   (3 x 2) (6)

2.4 - Yes √√

 The employer does not have to make full monetary payments if the employee is sick.√√

 The employer does not have to make full monetary payments if the employee is pregnant. √√

 The employer does not have to make a full monetary contribution if the employee dies.√√

 No sudden lump sum payment that is not budgeted for. √√

 Any other relevant answer related to the benefits of the UIF to the employer.

        Yes (2) Motivation (1 x 2) (2)   Max 4

 No√√

 Not tax deductable√√

 Reduces the cash flow (1%) √√

 Increases expenses/cost to the company√√

        No (2) Motivation (1 x 2) (2)   Max 4

 Yes or No without motivation award zero marks.   **[16]**

QUESTION 3

A levy is charged on the sale of petrol and diesel to fund the Road Accident Fund. √√

The main provision of the RAF is to compensate innocent victims who were injured in motor vehicle accidents. √√

The claim for loss of income or support shall not exceed R 160 000 per year.√√

The protection afforded to the injured party is that compensation will be paid whether the negligent driver is rich or poor, insured or uninsured. √√

The RAF pays compensation to drivers, passengers and pedestrians who are injured in accidents provided that the accident is as a result of someone else's negligent driving. √√

The RAF indemnifies drivers to compensate for losses due to bodily injuries or death of a person and not for damage to property. √√

Claims for emotional shock like witnessing a road accident is no longer considered. √√

Any other relevant answer regarding the provisions of Road accident Fund. (Any 3 x 2) **[6]**

QUESTION 4

4.1 Non-compulsory insurance / Short term insurance / Fidelity insurance /Insurance of stock. √√

  Insurance protects Bongani against possible losses he may suffer as a result of fire, burglary, theft, storm damage, etc. Therefore, if he is insured he will be indemnified for losses by the insurance company. √√

  Any relevant answer on non compulsory insurance. (4)

  Do not accept any answer regarding Long Term Insurance.

  Advantage must be relevant to scenario.

          Type (2) Reason (2) (4)

4.2   Under-insurance is an option to suit his budget. √√
        Bongani should reduce his stock.√√
        Obtain a quote from another broker. √√
        Precautionary measures to reduce risk. √√
        Reduce operational costs / unnecessary costs. √√
        Ability to absorb risks. √√
        Any other relevant answer relating to viable options. √√   (2 x 2) (4)
                                                                                        [8]

SECTION D: SOLUTIONS AND HINTS TO SECTION A – 2

QUESTION 1

Introduction
- I agree/disagree with the statement. √
- Many businesses are faced with risks such as fire, theft, burglary, storm
  damage etc. √
- Should any of these perils/dangers occur and the business is not insured, then
  the businessperson could suffer major financial losses. √
- Any relevant contribution towards introduction.   (Any 3 x 1) (3)

Reasons/significance/purpose
- Transfer of the risk from the businessperson to the insurance company.
  The transfer of the risk is subject to the terms and conditions of the contract. √√
- The business will be compensated for the insurable losses e.g. destruction of the
  property through fire or the loss of life. √√
- Insurance protects the businessperson against future losses.
  The size of the loss is reduced considerably.
  Businesspersons do not have control over fire, floods, storms etc. √√
- Replacement costs for damaged machinery and equipment are very high
  because of inflation.
- Insurance against these losses is essential. √√
- Protects the business against the loss of earnings as a result of natural disasters
  such as floods, storm damage and fire.
  e.g. Strikes by employees result in losses worth millions of rand.
  Therefore, the enterprise can purchase insurance for protection against loss of
  earnings. √√
- Insurance can be taken against the life of partners in a partnership business as
  well as key personnel within the organisation. √√
- Should the services of these key personnel be lost as a result of accidents or
  death, the proceeds of the insurance policy are paid out to the business. √√
- It is also possible for a business to insure against bad debts i.e. debtors who
  default on the payment of their accounts. √√   Max. 8

Distinction between compulsory insurance and non-compulsory insurance

Compulsory insurance

- In South Africa there are three types of insurances that are compulsory by law. √
- Premiums are contributed by the business into a common fund which is administered by Government. √

Non-compulsory insurance

- The following types of insurance are voluntary since the organisation can decide whether or not to make use of it. √√   Max. 4

Types/examples

Compulsory insurance

(a) Workers Compensation Fund (WCF) √√

- Workers who are injured on duty are entitled by law to compensation from the Workmen's Compensation Fund. √√
- This fund insures the workers for medical expenses that they incur as a result of being injured or contracting any illness as a result of performing their occupational duties. √√
- This fund also compensates workers financially for any disability that may arise as a result of accidents while performing their duties in the workplace. √√   Max. 6

(b) Unemployment Insurance Fund (UIF) √√

- It is compulsory for the employer and the employee to contribute to the UIF. √√
- This fund provides benefits to workers who have been working and are now unemployed. √√
- Benefits are also paid to the dependants of deceased contributors. √√
- UIF also provides benefits to people who are not working as a result of illness or are on maternity leave. √√   Max. 6

(c) The Road Accident Fund (RAF) √√

- The Government levy that all motorists pay when they buy petrol or diesel ensures that there is sufficient funds to be paid against claims. √√
- Compensation is paid when a person is disabled or injured in a road accident and to the dependants of the individual killed in a road accident. √√   Max. 6

    Max. 12

Non-compulsory Insurance

Examples:

(a) Fire Insurance√√

- This refers to losses incurred by fire to a business. √√
- Fire damages the property and assets of the business. √√   Max. 4

(b) Theft Insurance√√

- Losses that result from burglaries and robberies. √√
- Insurance in this regard protects the business by compensating for the losses as well as the cost of repairing any damage to property during the burglary. √√   Max. 4

(c) Life Assurance √√
- The death of key personnel such as partners, management personnel etc. may cause
  serious problems and financial losses to the enterprise. √√
- Therefore, it is possible for the enterprise to take life assurance against the death of
  such key personnel. √√   Max. 4

(d) Motor Car Insurance√√
- Most business enterprises have assets such as motor vehicles. √√
- Losses as a result of theft, hijacking and accidents are for the cost of the enterprise. √√
- Therefore, most business enterprises insure their vehicles. √√   Max. 4

(e) Public Liability Insurance √√
- This type of insurance protects the business from claims arising out of
  injuries to an individual on the business premises. √√   Max. 4
- Any other relevant example of non-compulsory insurance

                                                                              Max 12

Conclusion
- From the above discussion it is clear that insurance is more a need rather than a
  luxury in the business environment. √
- There is a growing trend for business to protect themselves adequately against all
  the risks mentioned above. √   (2)
                                                                           Max. 32

Insight:

Structure	2	
Synthesis	2	
Analysis and Interpretation	2	
Originality, examples and recency	2	
	8	(Max. 8)
		[40]

QUESTION 2

2.1 Compulsory insurance. √√
    This refers to the Road Accident Fund (RAF) which is a compulsory
    insurance paid by motorists through the fuel levy legislated by Government.√√
2.2 Non compulsory insurance. √√
    This depends on the ability of a business to overcome the losses resulting from fire.
    This could be shifted to insurance companies; which is optional.√√
2.3 Compulsory insurance. √√
    This refers to the Workmen's Compensation Act nr. 130 0f 1993, which is
    applicable to all enterprises employing more than fifty workers. √√   (3 x 4) **[12]**

SESSION 5

TOPIC 2: INVESTMENTS

Learner Note: By investing money we allow the money to generate wealth and income, and therefore, grow. This should happen without labour effort. Money not invested will lose value. Investments generate passive income. A business invests surplus funds. Businesses make use of investment managers to make sure that the business's money is invested in the best possible way. Study the notes on investments and answer the questions.

SECTION A: TYPICAL EXAM QUESTIONS - 1

QUESTION 1:   **10 minutes**   **8 marks**   *(DOE Mar. 2010)*

Basil invested R10 000 of his annual bonus in a fixed-deposit account at Standard Bank, earning an interest rate of 12% p.a.

1.1   Using the simple interest method, calculate the return earned by Basil over a period of 12 months.   (4)

1.2   Give TWO reasons why Basil's investment in a fixed-deposit account is good.   (4)

        [8]

HINTS: The quickest way to calculate interest is by using the formulae. Remember that it is simple and not compounded interest. Show your calculations as you can get part marks if your final answer is incorrect.

QUESTION 2:   **10 minutes**   **12 marks**   *(DOE Mar. 2010)*

Economists describe the Johannesburg Securities Exchange as the 'heartbeat' of South Africa's economy.

2.1   List any FOUR functions of the Johannesburg Securities Exchange (JSE).   (8)

2.2   Assume that you are given R200 per month as pocket money and you want to invest most of it in the JSE.
    Suggest TWO ways in which this investment can be done.   (4)

        [12]

HINTS: Remember that the question is asking for investment in companies listed on the JSE.

QUESTION 3:   **10 minutes**   **9 marks**   *(DOE Nov. 2009)*

Zamisa Zulu bought 100 000 ordinary shares at R2 per share from a public company listed on the Johannesburg Securities Exchange. At the end of the financial year, he received his first dividend cheque of R40 000 from the company.

3.1   Calculate the percentage return on investment received by Zamisa Zulu.   (5)

3.2   Will Zamisa Zulu be happy with his return on the investment?
    Motivate your answer.   (4)

        [9]

HINTS:

3.1 – Use the formulae for calculating return on investment. Show your calculations as you can get part marks if your final answer is incorrect.

3.2 – No motivation no marks awarded.

QUESTION 4:   10 minutes   12 marks   *(DOE Mar. 2009)*

Describe each of the following investment opportunities and evaluate whether you consider it to be a low, medium or high risk investment:

4.1   Shares   (6)

4.2   Unit trusts   (6)

                                                                                                                                  [12]

HINTS: Remember not to forget the risk factor. The golden rule is that the better the return, the higher the risk.

SECTION A: TYPICAL EXAM QUESTIONS - 2

QUESTION 1:   30 minutes   26 marks   *(DOE Nov. 2008)*

Study the following scenario and answer the questions that follow.

Investment Opportunities and Returns

Three family members, Bob, Sam and Rina, received R400 000, R200 000 and R300 000 respectively from their deceased grandfather's estate in January 2005.
Bob immediately invested his R400 000 in fixed property in Ballito, a coastal resort in KwaZulu-Natal. In September 2007, the local government gave the go-ahead for the construction of the new King Shaka International Airport, and this boosted the demand for residential property in the surrounding area. In December 2007, Bob received an offer of R500 000 from an estate agent and sold his property.
Sam, on the other hand, invested his R200 000 in Gold Reef Shares. He purchased 20 000 shares at R10 each in January 2005. In December 2007 Sam sold all his shares at R20 each.
Rina invested her R300 000 for two years in a fixed-deposit account at a commercial bank at an interest rate of 15% p.a.

1.1   Analyse each family member's investment in terms of the risk factor for the
        two-year period.   (6)

1.2   Determine which investment earned the highest return. Show calculations to
        substantiate your answer.   (10)

1.3   Name the institution that buys and sells shares in South Africa.   (2)

1.4   Name TWO functions of the institution mentioned in QUESTION 1.3.   (4)

1.5   Recommend TWO ways of investing in this institution.   (4)

                                                                                                                                  [26]

HINTS: You will need to use the formula to calculate the return on investment. Always remember that the return is usually dependent on the risk factor. The answers to 1.3, 1.4, 1.5 are not in the case study. You need to study your notes.

**QUESTION 2:   10 minutes   9 marks   *(DOE Exemplar. 2008)*

Read the case study below and answer the questions that follow.

New Township Salon

Thandiwe Ntombela opened the New Age Hair Salon in Bisho in 2003. She provided employment for five staff members who travelled from the local township, which is 50 kilometres from work. They worked long hours. They started work at 08:00 and finished at 19:30, seven days a week. Thandiwe was not well equipped because she was making use of old and slow hairdressing equipment in her salon. On 1 July 2007 Thandiwe bought new hairdressing equipment and a computer to use as a database for clients. This was financed through a loan of R40 000 from ABSA Bank at 17,5% p.a. interest, linked to the prime interest rate of the South African Reserve Bank (SARB).
During October 2007 the governor of the SARB announced an increase of 1% in the prime interest rate.
Thandiwe was still excited about her plans for the business for the future.
She wanted to explore the possibility of opening a branch in the neighbourhood.

2.1   Explain the term *prime interest rate*.   (2)
2.2   Calculate the interest that will have accrued on the loan on 31 December 2007.   (3)
2.3   The prime interest rate has increased by 1% to 18,5%. What strategic options
        does Thandiwe have with regard to this increase in the interest rate? Explain.   (4)
                                                                                            [9]

HINTS: Remember mark allocation. 2.3 is for 4 marks. You need to write at least two facts.

SECTION B: ADDITIONAL CONTENT NOTES

INVESTMENTS

The term investment refers to the putting capital or money to use so as to generate growth. Investments can take different forms and investors have different options.
The rate of return should serve as a guide as to which option is most viable.
Various investment options are available, including:
  • share investments
  • unit trust investments
  • Off-shore investments
  • property investments
  • fixed deposits in a commercial bank

RETURN ON INVESTMENT

Generally growth or returns would depend on the amount, the time and the risk.
The profit, interest, dividends, etc. received on investments, should be determined as a percentage of the investment amount so as to compare the return from different investment possibilities.

Formula: $\underline{\text{Income}}$ (profit, interest, dividends, etc) x $\underline{100}$ =   %.
         Investment   1

An investment portfolio is a term used to describe all investments owned by an enterprise.
A business should diversify its portfolio to reduce risk.
'Never put all your eggs in one basket'.
Different investments would have different risks. (High, medium or low)
Remember, the higher the risk, the greater the returns.
Investors must choose the safest possible investment opportunities.
Some opportunities offer a low income on invested capital, but it could be a safer opportunity than an opportunity that promises a higher income.
Look at opportunities with a history of good return.
Look at the taxation implications of each opportunity.
Inflation also plays a roll on your investment.

Shares – Medium to high risk

Both public and private companies issue shares to raise the capital they need.
Any member of the public can own a part of a public/listed company. If you own shares, you own part of a company.
Therefore, they are entitled to share in the profits in the form of dividends.
Shareholders are not responsible for the debts of the company as they have limitedly liable and if the company is declared bankrupt, they can only loose the money invested in shares.
Also, investors buy shares for either long-term investment or speculative reasons.
Speculative means that they buy and sell the shares for a profit.
A medium-to-high risk investment, because the value of the shares may decrease, as well as the profits of companies, especially in times of a recession.
Investors who would like to invest in shares can do so through registered brokers at the JSE, on-line, or through financial institutions like banks, etc.

Functions/Services of the Johannesburg Securities Exchange (JSE)

A stock market is a place where shares, bonds and other securities are traded.
The JSE is a stock market and shares are the main commodity.

Main functions:
- serves as a link between investors and entrepreneurs
- serves as a barometer of economic conditions
- encourages small investors to obtain a share in the commerce of a country by buying shares
- enables financial institutions to invest their surplus funds in shares
- shares of companies are valued and assessed by experts
- share prices are published daily on the previous day's trading – this keeps investors informed about tendencies in the market
- STRATE (Share Transactions Totally Electronic) enables people to trade on the JSE in an electronic way.

Types of shares:

- **Ordinary shares/Equity shares** - Holders receive dividends from profits that remain after fixed dividends have been paid to preference shareholders.
- They may receive larger dividend than preference shareholders when profits are high, because dividends on these shares are not fixed.
- Dividends are decided by the company's directors, and depend on the retained income and on the company's profit.

- **Ordinary Preference shares** - These shareholders have a preference over ordinary shareholders in the payment of dividends as dividends are first paid to preference shareholders who receive a fixed percentage dividend irrespective of profits.
- If the company is liquidated, preference shareholders would share in proceeds after creditors have been paid out, but before ordinary shareholders. Different types:

- **Cumulative preference shares** - Enable shareholders to be compensated for any past dividends they may have missed during loss-making years.

- **Participating preference shares** - If there is surplus profit after all shareholders have received dividends, these shareholders can share in that surplus.

- **Bonus shares** - When the company has a large reserve fund or if they do not issue profits, they issue bonus shares to existing shareholders. These shares are not sold and shareholders receive them without any payment. Bonus shares are normally ordinary shares.

- **Founders' shares** – These shares are issued to the founders of a company usually for the services they might have rendered.

OTHER TERMINOLOGY IN CONNECTION WITH SHARES:

Blue chip shares - Stable and quality shares in companies that have paid regular dividends in both good and bad years - good long term investment.
Growth shares - Shares issued by companies that have produced above average revenue and earnings growth in the recent past.

Penny stocks - Shares priced at less than R1 per share.
Bull market – Share prices are on the rise.
Bear market – Share prices are stable.
Stag market – Share prices are dropping.

Debentures – Medium risk

Public companies borrow money from investors and investors receive interest on this investment.
Redeemable debentures will be paid back to the investor after a fixed period.
Non-redeemable debentures are where invested amounts will not be paid back but the investor continues to receive interest.

Unit trusts – Low risk

Unit trusts allow a large group of people to pool their capital for investment in the stock, capital or money markets, or in general funds, specialist funds or income funds
To earn a good return the investment capital must be invested for a medium to long term.
Because their investment is spread out, the risk is reduced.
Money is invested on an individual's behalf by an asset management company.
The asset managers do not give the shares to the investor, but combine the shares in a portfolio which is then divided into equal units.
Anyone can buy units by investing a single lump sum, or by investing on a regular monthly basis.

Advantages of unit trust

No need for the investor to have experience on investments, because a specialist portfolio manager handles the investment.
May invest small amounts monthly.
Lower risk as when invested in shares of individual companies.
Can receive a good income.
•
Off-shore investments - Medium or high risk
•
These investments are influenced by various factors such as interest rate, inflation rate and overall economic performance of the country in which the money has been invested.
•
Property investments – Low to medium risk
•
People invest in property for two reasons. The one reason is to generate income in the form of rent. The second reason is that people hope that the value of the property will increase over time.
Property investments are most effective as a long term investment.

Business ventures - Low, medium or high risk.

Depends on the type of business venture, the location of the business venture and the way in which the venture is managed.

Stokvels - Low risk

This is when a number of persons pool together the same amount, and each month one of them will get the total sum.

Fixed deposits - Low risk

Money invested in a bank where the interest rate is fixed for the term of investment. Different types of fixed deposit accounts are available.

Interest

Interest is the cost of borrowed money, or the return on an investment.
There are two types of interest: simple interest and compound interest

Simple interest
Simple interest is interest paid on the original amount only, and not on the interest accrued.
There are three components to calculate simple interest:
- The original amount invested
- Interest rate (in %)
- Time

Formula for calculating simple interest: $I = Art$
I=interest
A=original amount
r=interest rate (per year)
t=time (in years or fraction of a year)

Compound interest
Compound interest means that the interest will include interest calculated on interest.
If you have an investment, it earns interest and this interest is constantly added to your original investment. As the interest is added to your investment, your capital increases.
You will now earn interest on a bigger investment.

The components to calculate compound interest are:
S=total amount (original investment + interest)
A=original amount
i=interest rate per conversion period
n=total number of conversion periods
Formula for calculating compound interest: $S = A(1+i)n$

SECTION C: HOMEWORK

QUESTION 1:   10 minutes   10 marks   *(DOE Various sources)*

Four possible options are provided as answers to the following questions. Choose the correct answer and write only the letter (A – D) next to the question number, for example 1.7 B

1.1   Zapiro buys 1 000 shares at R5 each. The return he receives from this investment is in the form of …

    A   interest.
    B   dividends.
    C   premiums.
    D   unit trusts.

1.2   Income earned from investment in fixed property is called …

A   rent.
B   annuity.
C   interest.
D   real estate.

1.3   Of the four listed, this form of investment carries the highest risk:
A.   Shares
B.   Property
C.   Unit trusts
D.   Fixed deposit

1.4   Jane borrows R20 000 from ABSA bank for one year at a rate of 18% p.a.
        The total amount payable would therefore be …

A   R36 000.
B   R3 600.
C   R20 018.
D   R23 600.

1.5   Patricia won R50 000 in the Lotto draw. She invested the money in a fixed deposit
        account for two years, earning an interest rate of 14% p.a. compounded annually.
        The maturity value of her investment is …

A   R46 270,73.
B   R85 000.
C   R64 980.
D   R35 000.   (5 x 2) [10]

QUESTION 2:   20 minutes   18 marks   *(DOE Exemplar 2008)*

Study the following information on share trading and answer the questions that follow.

NAME	Close	High	Low	DM	YM%	DY	PE	DV
FOOD PRODUCERS								
Illovo	1 915	1 945	1 900	+15	14,9	3,8	12,7	124 075
Oceana	1 650	1 670	1 650	-20	10,7	4,5	14,6	4 700
Rainbow	1 660	1 660	1 650	+3	68,5	3,6	11,0	738	672
TigerBrands	18 250	18 507	18 000	-25	3,2	3,3	15,1	416 285
Tongaat	12 850	13 200	12 750	+50	33,1	4,3	19,3	161 123

[Source: *Business Report*, Tuesday 10 April 2007]
Close: Market close; **High**: Day's high; **Low**: Day's low; **DM**: Daily move; **YM%**: Last 12 months' percentage move; **DY**: Dividend yield; **PE**: Price-earnings ratio; **DV**: Day's volume

2.1   Which institution publishes this type of information in the newspapers?   (2)
2.2   Name TWO functions of the institution mentioned in QUESTION3.4.1.   (4)
2.3   Explain what happened to Tiger Brands' shares during the day's trading on
        10 April 2007.   (2)
2.4   What was the price of Illovo shares at the end of the market day?   (2)

2.5   How does regular information, as given in the table above, assist you in deciding which shares to buy? Substantiate your answer. (4)

2.6   Would you prefer to buy shares or unit trusts? Motivate your answer. (4)

[18]

SECTION D: SOLUTIONS AND HINTS TO SECTION A - 1

QUESTION 1

1.1   Interest = P x R x T

$$= R10\ 000\ \surd \times \frac{12}{100}\ \surd \times \frac{12}{12}$$

$$= R1\ 200\ \surd\surd \tag{4}$$

1.2

Low risk because return is guaranteed. √√

The return of 12% may be better than other forms of investment. √√

(Any other relevant answer related to the reasons why the investment is good.) (4)

[8]

QUESTION 2

2.1   Serves as a link between investors and entrepreneurs. √√

Serves as a barometer for economic conditions. √√

Enables financial institutions to invest their funds in shares. √√

Publishes share prices daily – so as to keep investors informed about tendencies in the market. √√

Encourages small investors to obtain a share in the economy by buying shares. √√

Employs experts who help in assessing company shares. √√

Any other relevant answer related to the functions of the JSE. (4 x 2) (8)

2.2   Buy endowment policies that focus on investment in shares. √√

Invest in unit trusts. √√

Invest in accredited financial institutions. √√

Use brokers who are accredited financial service providers. √√ (2 x 2) (4)

[12]

QUESTION 3

3.1   Return on Investment = $\frac{\text{Return}}{\text{Amount invested}}$ x 100% √

$$= \frac{R\ 40\ 000\ \surd}{R\ 200\ 000\ \surd}\ \times 100\%\ \surd$$

$$= 20\%\ \surd\surd \tag{5}$$

3.2 Yes. √√

The return on his investment in shares is much higher than on alternative forms of investment, e.g. fixed deposits and notice deposits at commercial banks. √√

Higher than inflation rate. √√

OR

No. √√
>   Returns fell below similar shares in the market. √√
>   Accept relevant options that relate to returns.
>   Yes/no only without motivation, no marks allocated.   (4)

[9]

QUESTION 4

4.1 Shares

Description
Shares are sold by companies to raise capital. √√
People have an opportunity to buy shares in a company. √√
Shareholders receive profits from the company in the form of dividends for their investment.√√
Shares could be bought or sold in the immediate/medium or long term. √√
Government owned enterprises are now been listed in the JSE as public companies. These shares are offered well below its market value to the previously disadvantaged. √√   (1 x 2) (2)

Risk
Investment in shares is generally regarded as low, medium or high risk. √√
(Accept if nature of risk is explained or implied. Write risk and indicate 2 ticks (√√)   (2)

Motivation
If the company goes bankrupt, the shareholders lose only their investment portion of their money. √√
May receive a portion in the form of dividends if the company is liquidated. √√
The concept of limited liability applies in terms of the companies act whereby the shareholder loses only the amount invested in shares. √√
Any relevant motivation on risk   (1 x 2) (2)

4.2 Unit trusts

Description
Unit trusts refer to the pooling of investors money that can be invested in a wide portfolio of shares or equity. √√
Investments can be made in three main categories, i.e. general funds, specialist funds and income funds. √√
Usually a medium or long term investment. √√   (Any 1 x 2) (2)

Risk
Investment of funds in unit trusts is regarded as low or medium risk. √√   (2)
(Accept if nature of risk is explained or implied. Write risk and indicate 2 ticks √√

Motivation
Unit trusts are managed by portfolio experts who understand the unit trust market before making an investment decision.√√   (2)
Any relevant motivation on risk

Mark allocation for each: Description 2 marks   Risk 2 marks   Motivation 2 marks
Max 6 marks for each   =   [12]

SECTION D: SOLUTIONS AND HINTS TO SECTION A - 2

QUESTION 1

1.1   Bob - This is a low / absolute risk-investment. √√
Sam - This is a high / relative or medium risk investment. √√
Rina - There is little or no risk / low / absolute attached to fixed deposits at a bank. √√
Alternative answer:
Learners who have ranked the risk correctly, allocate full marks.   (3 x 2) (6)

1.2   The following formula must be applied by the candidates:

Percentage return = $\dfrac{\text{Profit}}{\text{Initial investment}}$ x $\dfrac{100}{1}$

Bob's investment:
Profit = R500 000 – R400 000
        = R100 000. √
Percentage return = $\dfrac{100\ 000}{400\ 000}$ x $\dfrac{100}{1}$ %√
        = 25 %√
Allocate maximum if answer is 25% OR R 100 000   (Max. 3) (3)

Sam's investment:
Profit = R400 000 (20 000 x R 20) - R200 000
        = R200 000√
Percentage return = $\dfrac{200\ 000}{200\ 000}$ x $\dfrac{100}{1}$ √ %
        = 100 %√
Allocate maximum if answer is 100% OR R 200 000   (Max. 3) (3)
METHOD 1: Rina's investment
Interest = $\dfrac{15\ x\ 300\ 000}{100}$
        = R 45 000 √ (Learners may show this calculation)
Percentage Return = $\dfrac{45\ 000}{300\ 000}$ x 100 √ x 2
        = 30 %√   (3)

OR

Allocate full marks if the learner writes 30% OR R 90 000.   (3)
METHOD 2: Rina's Investment
Year One = $\dfrac{15\ x\ 300\ 000}{100}$ √
        = R 45 000 √ (Learners may show this calculation)
Year Two = $\dfrac{15\ x\ 345000}{100}$
        = R 51 750 √
Percentage Return = $\dfrac{96\ 750}{300\ 000}$ x   100 %
        = 32 % √   (3)
(Award full marks if the learner writes 32% or R 96 750 √√√
(Award full marks if answer is correct, otherwise, part marks for the understanding of
   the concept/process/procedure up to a maximum of 1 mark for each member.)

OR   (Alternative answer)
The profits could be used as an alternative to demonstrate the investment that earned the highest return.
Bob - R 100 000 (3 marks)
Sam - R 200 000 (3 marks)
Rina - R 90 000 or R 96 750 (3 marks)
Sam's investment in Gold Reef Shares earned the highest rate of return. √√   (2)

Calculations 9
Sam's investment 2
(Max. 10)

1.3   The Johannesburg Securities Exchange. √√
OR
JSE or JSE LTD or Johannesburg Stock Exchange
OR
Banks √√
Stockbrokers √√
Private Company √√
Public Company √√
Insurance Company √√
Broker √√   (2)

NB.   1. Do not accept "STRATA" as an answer.
2. Must be linked to buying and selling shares.

1.4   - To keep investors informed by publishing share prices in the
      newspapers. √√
    - Small investors are given an opportunity to invest in the economy and
      growth of the country. √√
    - Mobilises the funds of insurance companies and other institutions. √√
    - Financial redevelopment sector. √√
    - Regulated market for dealing with shares. √√
    - Venture capital market. √√
    - Raising primary capital. √√
    - Orderly market for securities. √√
    - Encourage new investment. √√
    - Channel funds into Commerce and Industry and keep investors
      informed. √√
    - Link between investor and entrepreneur.
    - Any other relevant function of the JSE. √√
    Note: If learner gave Banks or another answer – Mark relevant answer
    according to the institution in Question 1.3 above.   (2 x 2) (4)

1.5   - Buying unit trusts √√
    - Through financial institutions √√
    - Other registered financial service providers, e.g. brokers. √√
    - Investing online. √√
    - Buying shares in public companies. √√
    NB. Will depend on the name of the institution (Q 1.3)
    Please note: Q 1.3 to 1.5 are linked.   (2 x 2) (4)
    [26]

QUESTION 2

2.1   The prime rate is the interest that the Commercial Banks charge their
       preferential clients / best clients. √√   (2)

2.2

      Interest = R 40 000 x $\frac{17.5}{100}$ x $\frac{6}{12}$ √

        = R 3 500. √√   (3)

2.3
Example:
- Pay off the loan as quickly as possible so that the interest burden is
  reduced √√
- Curtail borrowing. √√
- Admit a new partner so that the cash flow is improved. √√
- Any other relevant answer.   (4)
                                                                     [9]