higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N480**(E)**(N25)H
NOVEMBER EXAMINATION

NATIONAL CERTIFICATE

ENTREPRENEURSHIP AND BUSINESS MANAGEMENT N6

(Second Paper)

(4090336)

25 November 2016 (X-Paper)
09:30–12:00

Open book examination.
5 reference works are allowed - dictionaries, pocket calculator, textbooks, student files containing lesson notes.

This question paper consists of 8 pages.

GENERAL STUDIES

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE
ENTREPRENEURSHIP AND BUSINESS MANAGEMENT N6
(Second Paper)
TIME: 2½ HOURS
MARKS: 150

NOTE: If you answer more than the required THREE questions, only the first three questions will be marked. All work you do not want to be marked must be clearly crossed out.

INSTRUCTIONS AND INFORMATION

1. Answer any THREE of the four questions.
2. Read ALL the questions carefully.
3. Number the answers according to the numbering system used in this question paper.
4. Start each question on a NEW page.
5. Marks will not be allocated for copying directly from the textbook.
6. A systematic presentation of facts is required.
7. Write neatly and legibly.

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SECTION B

Answer any THREE of the four questions in this section.

QUESTION 1

Read the following case study and then answer the questions.

Peter Parker is a well-known businessman in Gauteng. He inherited his father's cardboard box manufacturing business, CARDBOARDS. While surfing the internet, he came across a very interesting article on Angola. In the article, Angola is referred to as an 'oil-rich nation' which continues to grow. It also emphasises Angola's 'appetite' for South African products.

Peter contacted the Department of Trade and Industry to enquire whether cardboard boxes were on Angola's list as a product that they needed from South Africa. DTI confirmed this and also provided Peter with valuable information.

Angola is the second largest producer of diamonds in Africa and has a population of 19 million. The adult literacy rate is 70,4% and the life expectancy is 55 years. Mobile cellular phones are widely used by 9,8 million people. Portuguese and English are the two languages used with their trading partners. The main airport, Quatro de Fevereiro, is one of the best in Africa. The road infrastructure is good and all potholes have been filled. Railways and seaports, Cabinda and Luanda, allows for convenient transportation.

The state controls all media with nationwide reach. Television and radio is state-owned, but there are 6 private radio stations. Water and electricity supply is insufficient and generators have to be employed. Currently, visitors to Angola have difficulty to get visas for entry and disparity between rich and poor still exists. Luanda is described as the most expensive city in the world.

[wikitravel.org]

1.1 Explain FOUR factors which could encourage Peter Parker to export his cardboard boxes to Angola. (4 × 2) (8)

1.2 Explain any FOUR factors that may discourage Peter Parker from exporting his cardboard boxes to Angola. (4 × 2) (8)

1.3 What kind of assistance can Peter Parker expect from the South African Government (DTI) if he decides to export cardboard boxes to Angola? (4 × 2) (8)

1.4 Peter Parker plans to grow his business, CARDBOARDS, internally.

Discuss THREE ways in which he can achieve internal growth. (3 × 2) (6)

1.5 Explain FOUR ways in which Peter Parker can obtain a competitive advantage for his business, CARDBOARDS. (4 × 2) (8)

1.6 How can Peter Parker use 'guerilla offensives' as a strategy to secure his competitive advantage? (2 × 2) (4)

1.7 How can Peter Parker use 'block competitors' offensives' as a strategy to protect his competitive advantage? (4 × 2) (8)

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QUESTION 2

Study the following case study and answer the questions.

Joe Stone, owner of 'Stellies', a well-established pub in Stellenbosch, decides to emigrate to Malawi. He wants to sell his pub. The staff has indicated that they would like to stay on and work for the new owner. The pub is very popular with the students of the university, who regularly visit to eat and drink. The pub is situated in the centre of town and provides live bands for entertainment. Stellies is open every day of the week from 12:00 until 24:00.

The assets of the pub amounts to R400 000. The liquidation value is R320 000. The net profit is as follows: R200 000 for Year 2012, R180 000 for Year 2013 and R220 000 for Year 2014. He gets 15% interest on investments. The salary of the owner-manager for a similar business is R100 000.

2.1 Calculate a fair price for 'Stellies'. (26)

2.2 State any FOUR advantages for a potential buyer when buying an existing business, by referring to 'Stellies'. (4 × 2) (8)

2.3 Explain how new management can manage resistance to change from staff if they decide to change the working hours to 8:00 until 24:00 every day of the week. (4 × 2) (8)

2.4 Joe Stone is considering the option of becoming a consultant for small businesses once he has emigrated to Malawi.

Give reasons why you think that he would be able to perform the functions of a consultant. (4 × 2) (8)

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QUESTION 3

Read the following case study and answer the questions.

Businessman Charles Ngobeni owns seven Wimpy franchises. At the beginning of 1996, he had found the brand he had been looking for and a unit that was up for sale, a Wimpy in Hillbrow, which was teetering on the edge of decline. He bought it for R85 000.

'Three years later the deterioration in the area forced me to move or close the business, losing my investment. With the help of the franchisor, I relocated to Park Station.'

Ngobeni enjoyed great success with the relocation and used his Park Station profits to build his first Wimpy in Jabulani Mall, Soweto.

'To make multiple units work you need a number of things in place: A brand that is very systematised and will 'run itself' if you follow the procedures, good suppliers and great managers. My best managers have come from internal promotion and they're very loyal. They help keep costs down through minimal food wastage and sticking to procedure and they're motivated by promotion and cash incentives.

'I've also struck a great balance with my suppliers. Wimpy has some proprietary products, but I can source my own milk, eggs, vegetables and meat with the right specs. Don't try to drive the price too low as your supplier won't stick around. Negotiate but be reasonable and you'll get the right quality, quantity and delivery frequency essential for a good store.'

'I'm not getting any younger, so I'm training my eldest son to run my Wimpy stores. Right now he's managing the two stores in Limpopo and through that experience he'll then take over the rest of the stores and grow them to the next level.'

'I was the first franchisee to build a Wimpy in a black township,' he says. 'I knew Maponya Mall would be completed and a great place for a Wimpy, I geared Jabulani Mall so that a year later I could afford to open in Maponya Mall.'

'I've found that it's cheaper to build a new unit than to buy an existing one because there's no goodwill. It does come with its risks though because there's no track record. But if you pick the right location and have a good performing store, you can sell it for double your purchase cost in a very short time.'

'Save as much money as you can before buying a franchise and be prepared to work very hard, long hours and weekends. Don't think that because it's a franchise it will run itself. You must be hands-on. You must also work hand-in-hand with your franchisor, listening to recommendations and reports, and be open with your needs and suggestions.'

[http://www.franchisezone.co.za/article/charles-ngobeni-multi-unit-wimpy-franchiseey]

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3.1 Explain the benefits for the business, Wimpy, when staff are promoted to the position of a manager. (2 × 2) (4)

3.2 Name the type of franchise that Wimpy is. (2)

3.3 Name the industry of which Wimpy is part. (2)

3.4 Discuss the advantages for the franchisee/franchisor of buying a Wimpy franchise. (4 × 2) (8)

3.5 'I was the first franchisee to build a Wimpy in a black township.'

3.5.1 Give the name of the offensive strategy that George Ngobeni used. (2)

3.5.2 Motivate your answer in QUESTION 3.5.1. (2 × 2) (4)

3.6 Explain what is meant by 'no goodwill' as mentioned in the case study. (2 × 2) (4)

3.7 Name FOUR criteria, from the case study, that George Ngobeni uses when selecting a supplier. (4 × 2) (8)

3.8 Give reasons why George Ngobeni fits the profile of an entrepreneur. (4 × 2) (8)

3.9 Write any long-term objective that George Ngobeni might aim at, using the two requirements: measureable and timebound. (2 × 2) (4)

3.10 What is meant by *proprietary products*? (2)

3.11 Is the following statement TRUE or FALSE? Write only 'true' or 'false' next to the question number (3.11) in the ANSWER BOOK.

George Ngobeni is running his Wimpy stores as a family-owned business with his eldest son. (2)

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QUESTION 4

Read the following case study and answer the questions.

Sakhumzi's restaurant has become a successful and sustainable business since it started 13 years ago.

From employing 4 people to a staff complement of 70 now, the growth of Sakhumzi's restaurant has been impressive.

This Soweto spot has become a popular choice for tourists and locals alike. Situated in the culturally rich Vilakazi street, the success of Sakhumzi's restaurant can be attributed to its owner, Sakhumzi Maqubela.

Maqubela's recipe for success is simple. He cites hard work, discipline and excellent service as the tools of his achievements.

Maqubela says that after working in various departments within the bank, he became an IT technician and saved enough money to start his own business. He also sourced funding from matured policies he had taken out years before.

'I did my homework and decided to save and use my policies. It also helped that I started small, using my house and converting it into a restaurant.'

He counts working long hours (up to 18 hours a day), maintaining a high level of service at all times and constantly learning on the job, as factors that grew his business.

Investing in training is a priority for Maqubela. Through joint initiatives with the Departments of Trade and Industry and Tourism, he has benefited from training courses for his staff.

Going forward, Maqubela plans to open a number of Sakhumzi branches around the country. He is proudest, though, of the direct impact his restaurant has had on his community. By creating employment opportunities for local communities, Sakhumzi provides a sustainable livelihood for 150 people.

'We have put Soweto on the map. Besides Sakhumzi, there are four other restaurants that have created jobs for people. The crafts market also benefits the community. For me that is what success really is – helping others to build a better life.'

[http://www.destinyconnect.com/2014/03/19/sakhumzi-a-journey-to-success]

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4.1 State the THREE factors that contributed to the internal growth of Sakhumzi's restaurant. (3 × 2) (6)

4.2 Sakhumzi used his own funds to start the business.

4.2.1 State whether this statement is TRUE or FALSE. (2)

4.2.2 Motivate your answer in QUESTION 4.2.1. (2 × 2) (4)

4.3 It also helped that I started small, using my house and converting it into a restaurant.

4.3.1 Name the kind of entrepreneur Sakhumzi is, by referring to the statement above. (2)

4.3.2 Name the advantages for Sakhumzi's business. (3 × 2) (6)

4.4 Explain the contribution that Sakhumzi's restaurant is making towards the economy. (4 × 2) (8)

4.5 4.5.1 How does Sakhumzi plan external growth for his business? (2)

4.5.2 Suggest any TWO other ways for external growth to Sakhumzi. (2 × 2) (4)

4.6 Who is Sakhumzi's target market? (2 × 2) (4)

4.7 Complete a SWOT analysis for Sakhumzi Maqubela and his restaurant. Give ONE example for each component. Give your answer in table form. (4 × 2) (8)

4.8 State how Sakhumzi Maqubela can use the focus strategy in his business as a generic competitive strategy. (2 × 2) (4)

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TOTAL SECTION B: 150

(FIRST PAPER AND SECOND PAPER) GRAND TOTAL: 200

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