higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

ENTREPRENEURSHIP AND BUSINESS MANAGEMENT N6

(Second Paper)

23 NOVEMBER 2018

This marking guideline consists of 9 pages.

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SECTION B

QUESTION 2

2.1
- Increased rate to R5 per km✓ – decrease the running costs✓
- Sweet Go Travellers (competitors)✓ – be competitive with your prices, offer added value to your service✓
- Loss of Department of Education as client✓ – source different markets e.g. other government departments, tourism industry✓
- Increase of the interest rate by 1%✓ – macro✓
- Increase in fuel price by 59 cents✓ – cut down on running costs, become more cost-effective✓

(Any other relevant answer relating to the challenges in this environment)
(Any 3 × 2) (6)

2.2 2.2.1
- His business sells good quality products at reasonable prices and provides an excellent service.
- Ncholo is growth-minded – He runs a profitable award-winning agency, servicing blue-chip companies.
- Sales are growing steadily – He started the business with R350 in 2001.
- The demand for his product has increased – He has regional offices in Cape Town, Durban, Namibia and Zambia.
- He is hands-on in the business – He is responsible for implementing the company's policy and developing strategic plans.
- He has built and maintained an effective management team, putting in place adequate operational planning and financial control systems. (Any 3 × 2) (6)

2.2.2
- He used his industry connections to provide entertainment, a venue and catering and décor for his clients.
- He is creating employment opportunities for large numbers of people.
- Over the past 12 years, he has run a profitable award-winning agency servicing numerous blue-chip clients.
- He employs more than 300 staff members operating throughout the Southern African development communities.

(Any other 4 × 2) (8)

2.2.3
- Attack his competitors' strengths✓ – He can outmatch his competitors' strengths e.g. price cutting, running comparison advertisements✓
- Attack his competitors' weaknesses✓ – Entering geographic area where the competitor has a low market share✓
- Use grand offensives✓ – Launch a new range of products to disrupt consumer preferences✓
- Use end-run offensives✓ – Using next generation technology to replace existing products✓
- Use guerrilla offensives✓ – Selected price cuts, bursts of increased advertising✓
- Use pre-emptive strikes✓ – Obtain the business of high profile customers✓ (Any 4 × 2) (8)

2.2.4
- Passion✓ – Passion for his idea turned it into a reality, he saw a gap in the market and started hiring out entertainment and venues, doing catering and décor for his clients.✓
- Perseverance✓ – He started the business with R350 and today he does marketing for blue-chip companies.✓
- Resourcefulness✓ – He noticed the opportunity to organise matric dances for schools and his idea grew from there.✓
- Open-mindedness✓ – He believes in collective efforts and sharing of skills with his employees.✓
- Sponge-like nature – He is willing to learn, he takes risks, gets his hands dirty and does what is meant to be done. (Any 4 × 2) (8)

2.2.5 Simplicity – being able to relate to clients
Believing – keeping to company's ethics
Empowering – loving to inspire and provide opportunities to others
(Any 2 × 1) (2)

2.2.6
- Dealing with cash flow and expertise✓ – outsource to an accounting firm✓
- He can be tough when clients take long to pay✓ – charge interest on outstanding accounts, 50% deposit and the balance on completion of the service rendered✓
- Training staff to ensure that they have the necessary expertise can be costly✓ – in-house training, on-the-job training, learnerships, set up his own training academy✓ (3 × 2) (6)

2.2.7 (a) Technological changes - technologies eventually (or sometimes very quickly) reach the limit of their performance and become obsolete. If demand for the product persists, a new technology will soon replace the old. The new technology usually performs better than the old. Sometimes it performs at a lower level but is cheaper to produce and becomes attractive from a price perspective. Keeping abreast of technology will give his business a competitive advantage.

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(b) Product innovation – by introducing a good or service that is new or has significantly improved characteristics or intended uses will increase his sales and open up into new markets.

(c) Market innovation - the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing will also increase his market share.

(3 × 2) (6)
[50]

QUESTION 3

3.1 Service trademark holder – retailer (2)

3.2
- The world's leading pizza delivery chain
- It has been in existence since 1960
- Built on a strong cash-on-cash returns
- Draws on extensive experience of knowledgeable local and international management teams (4 × 2) (8)

3.3
- Debonairs
- Scooters
- Pizza Hut (Any other relevant answer) (2 × 1) (2)

3.4 Return on invested capital measures how well a company generates cash flow relative to the capital it has invested in its business. It is also called *return on capital* (ROC) (2 × 2) (4)

3.5
- Enables online ordering✓ – ease of access for customers, quicker service✓
- Direct e-mail marketing✓ – the database has already been captured and can reach a wider market✓
- Cost controls✓ – all stores are monitored on their cost controls✓
- Store management✓ – the manager is able to detect wastage, pilfering, change in buyer preference, etc.✓ (4 × 2) (8)

3.6
- Credibility
- Boosting industry representation
- Networking and marketing opportunities – seminars, expo's, workshops, publications, electronic (web) marketing opportunities
- Dispute Resolution Service
- Access to funding (Sefa and other programmes)
- Education in the form of a franchise industry qualification (Any 2 × 2) (4)

3.7
- They will retain the tastiest local pizzas on the menu.
- They will also add some South African flavour to the pizzas. (2)

3.8
- Outlets are visited regularly by a head office consultant.
- The consultant does a business performance assessment.
- The consultant provides assistance and support in areas that require attention.
- Regional operations managers and trainers provide ongoing product
- and on-site training and assistance on local marketing support. (5 × 2) (10)

3.9
- The success of the business concept has been proven in the market.
- The type of product/service can be marketed nationally.
- An experienced franchiser can be trained to manage the specific kind of product/service.
- The product/service has potential for repeat sales.
- The product/service can be sold at a good profit.
- The product/service is in the growing phase of its life cycle.
- The franchise fees justify the support provided by the franchisor.

(Any 5 × 2) (10)
[50]

QUESTION 4

4.1

Tangible net worth			10 000 000✓✓
Average net earnings			
(8 600 000 + 9 000 000 + 9 400 000) ÷ 3✓✓		9 000 000✓✓	
LESS: Reasonable income for buyer		-2 500 000✓✓	
Earning power R196 800 @ x 15 %✓✓	1 500 000✓✓		
PLUS: Reasonable salary for owner	+1 000 000✓✓		
Extra earning power for business		6 500 000✓✓	
Value of intangibles			
5 x 6 500 000✓✓			32 500 000✓✓
FINAL PRICE			**42 500 000**✓✓

(26)

4.2 4.2.1 Location: Are you open to moving, or do you need something close to home? Or you may be looking at businesses not tied to a specific location. Either way, remember that the location of your business will affect labour costs, taxes and other financials that can change the business' bottom line.

4.2.2 Size: Do you want to own a small family business or a large, bustling enterprise? Buying a larger business could mean bigger profits, but will likely also involve a higher purchase price and more stress in the transition.

4.2.3 Industry: What are the areas where you already have experience? What causes are you passionate about or what hobbies are you interested in?

4.2.4 Lifestyle: Are you interested in a job involving a lot of travel? Are you open to working odd hours, or would you rather stick to a traditional nine-to-five job? As the owner of a business, the buck stops with you – so think twice before choosing the kind of hands-on business that might involve emergency phone calls at 3 in the morning.

(4 × 2) (8)

4.3
- Evaluate the turnover achieved by the business very carefully.
- Does the business use special technology to produce its merchandise for sale? What is the cost of maintaining and upgrading this technology?
- Keep a copy of the lease agreement if the business is renting premises. If it expires in a few months, you might be faced with a rental increase. Usually you must obtain the consent of the landlord before buying the business and it would be wise to consult the landlord about terms of a new lease.
- Let the seller sign a restraint of trade agreement.
- Do not buy the creditors or debtors of the business. Not all creditors would be disclosed by the previous owner or the debtors could be bad.
- Consider the advantages of advertising the sale of the business in the newspapers in both official languages as well as in the Government Gazette, 30 days before the sale comes into effect. This is done in accordance with Section 34 of the Insolvency Act and protects you against unseen creditors.
- Stock must be checked and reasonably valued. Old or damaged items must not be taken over.
- The value of the stock must be calculated at cost price and stocktaking must be done on the day of takeover. A minimum amount of stock must be agreed upon and stated in the sales agreement.
- List all moveable assets in the business and ensure it is stated in the deed of sale. Check the items the day you take over.
- The equipment must be checked by a knowledgeable person for faults and wear and tear.
- Calculate the outstanding leave pay of all employees at take-over date. Remember to check other staff benefits such as medical aid, pension, bonuses, etc.
- Check with local authorities for licensing requirements, permits and zoning.
- Are there unfulfilled contracts?
- Are there guarantees or obligations to others?
- Are there any pending damage claims or lawsuits?
- Are there any matters pending with government departments?
- Are you buying a company, CC or sole proprietorship? Each has its own set of legal requirements.

(Any 5 × 2) (10)

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4.4
- Resistance to change is the act of opposing or struggling with modifications or transformations that alter the status quo in the workplace.
- Listen to the gossip and observe the actions of your employees. Note whether employees are missing meetings related to the change. Late assignments, forgotten commitments and absenteeism can all be signs of resistance to change.
- Something as simple as listening to how employees talk about the change in meetings and hall conversations can tell you a lot about resistance.
- Some employees may come to you for help navigating the changes. They may also share that the level of resistance is bringing them down.
- Some employees will publicly challenge the change, the need for the change, or how the change is unfolding. The more powerful the resisting employee, in terms of job title, position and longevity, the more success he or she will have with the resistance.
- Less well-positioned employees may resist collectively in ways such as a work slowdown, staying home from work, misunderstanding directions, and in rarer cases, organising to bring labour union officials to the workplace.
- Resistance to change appears in actions such as verbal criticism, nit-picking details, loudly and verbally failing to adopt, snide comments, sarcastic remarks, missed meetings, failed commitments, endless arguments, lack of support verbally and even, in a worst-case scenario, committing outright sabotage.
- Employees also resist change by failing to take action to move in the new direction, quietly going about their familiar and accustomed business in the same ways as always, withdrawing their interest and attention and failing to add to the conversations, discussions and requests for input.

(Any 3 × 2) (6)
[50]

QUESTION 5

5.1
- The life cycle of the product in South Africa is saturated but it may still sell in Namibia.
- The competition abroad may be less than in your own country.
- The manufacturing capacity of their factory is not fully utilised because the local market is not that big. Exporting can lead to an increase in utilising their capacity.
- Export incentive – the government gives certain incentives, such as tax deductions to encourage exporting.
- Geographic diversification – this is a way to reduce risk, if the product fails in one, it might still be successful in another country.
- Economies of scale – the more your manufacture of a product, the cheaper the production costs become.
- Reduce seasonal fluctuations – if a company produces a product that is highly seasonal it may benefit by exporting to another country in the opposite hemisphere, e.g. the northern hemisphere.

(Any 4 × 2) (8)

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5.2
- Unless you're careful, you can lose focus on your home markets and existing customers.
- Your administration costs may rise as you may have to deal with export regulations when trading outside the European Union.
- You will be managing more remote relationships, sometimes thousands of miles away.
- In overseas markets, you may lose some of the control that you are used to at home.
- You will need to think of your new market differently to the home market. The customers will be different with their own reasons for buying your products. (Any 4 × 2) (8)

5.3
- Economic empowerment
- SMME development
- Industrial development
- Trade, export and investment advisory services
- Financial assistance
- Legislation and business regulation
- Building export capabilities
- Export readiness assessment kit
- Desktop export readiness questionnaire (Any 4 × 1) (4)

5.4
- It leads to a rise in living standards, new growth opportunities and expansion of the economy.
- Money comes into the country, which means a better balance of payments.
- It creates employment, which means more people pay tax and fewer depend on the government for support.
- New technology and knowledge are imported which makes a country more competitive.
- Additional taxes are generated through tariffs and duties that are levied on imports. (5 × 2) (10)

5.5
- Indirect exporting
- Direct exporting
- Licensing
- Franchising
- Contract manufacturing
- Foreign market strategies
- Total ownership of foreign production (Any 2 × 1) (2)

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5.6 5.6.1
- Family sit-down restaurant market
- Focus on family and children
- Business people

5.6.2
- Print media
- Television and radio
- Billboards

5.6.3 People with a taste for life

(3 × 2) (6)

5.7
- Take advantage of access to experts.
- Weigh advice against business goals.
- Follow your gut instinct.
- Commit to a business model.
- Honour the relationships that work.
- Change direction when something isn't working. (Any 3 × 2) (6)

5.8
- Does it solve a problem?
- Will people pay for it?
- What will people pay for its value?
- Is there a sizable niche market for it?
- Are you passionate enough about it?
- Have you tested your idea?
- Are you open to advice?
- How will you market your business?
- Are you being realistic about your goals?
- Can you explain your idea in the simplest of terms? (Any 6 × 1) (6)

[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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