higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE

ENTREPRENEURSHIP AND BUSINESS MANAGEMENT N6

(Second paper)

(4090336)

15 September 2020 (X-paper)
09:30–12:00

OPEN-BOOK EXAMINATION

Candidates may use FIVE reference works, including a dictionary, pocket calculator, textbooks and student files containing lesson notes.

This question paper consists of 8 pages.

Copyright reserved

DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

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

INSTRUCTIONS AND INFORMATION

1. Answer all the questions.
2. Read all the questions carefully.
3. Number the answers according to the numbering system used in this question paper.
4. Start each section on a new page.
5. Use only a black or blue pen.
6. Write neatly and legibly.

Copyright reserved

SECTION B

QUESTION 2

Read the scenario below and answer the questions.

CASH CONVERTERS

Cash Converters is the leader in the buying and selling of quality pre-owned goods in South Africa and has been since 1994. Launched in Perth, Australia, in 1984, Cash Converters has grown to become the world's largest cash and asset converter and provider of short-term loans. Today, Cash Converters is a multi-million-dollar international business with more than 750 stores in 22 countries and the brand is still growing.

The Cash Converters business model is based on the principle of providing consumers in the communities they serve with access to cash through a number of different products and services. The international aligned rebrand and new store design of Cash Converters southern Africa ensure that this household brand is top-of-mind when consumers choose to sell their goods or loan cash.

A Cash Converters store is divided into two distinct areas – retailing and financial services. This gives franchisees the security of three revenue streams: (1) Buying and retailing: specialising in the buying and selling of quality second-hand household goods, (2) Cash Advance: secured lending against the customer's valuables (pawnbroking) and (3) PayDay Advance and 1I2I3: unsecured loans against a customer's salary.

[Source: *safranchise warehouse*]

2.1 What type of franchise is Cash Converters? (2)

2.2 What are the indicators that Cash Converters is in the growth phase? (3 × 2) (6)

2.3 How does Cash Converters generate income? (2 × 2) (4)

2.4 Describe who the customers of Cash Converters are. (2 × 2) (4)

2.5 Why do you think that Converters decided to franchise their business model? (2 × 2) (4)

2.6 What are the basic legal requirements that a franchisor needs to abide by in setting up a franchise? (5 × 2) (10)

2.7 When ones sets up a consultancy business, one needs to design a business plan to support the objective.

Name the three plans that a consultancy business plan should have. (3 × 2) (6)

2.8 In which circumstances do businesses usually engage consultants? Give TWO examples. (2 × 2) (4)

2.9 Draft a mission statement for Cash Converters. (5 × 2) (10)

[50]

Copyright reserved

QUESTION 3

Read the scenario below and answer the questions that follow.

CHANGING THE GAME, ONE FACE AT A TIME

At 14, Rabia Ghoor launched her make-up and skincare online beauty store. She made her first sale one year later, and left school to pursue the business full time at 16. Today, this 18-year-old teenpreneur is well on her way to building an empire.

While her peers prepare for the matric dance this year, Rabia has just celebrated SwitchBeauty's third birthday with a pop-up store in Milpark, Johannesburg. Her company delivers between 2 500 and 3 000 orders per month.

'The money has been great, but at present turnover is not my core focus. My main purpose is to provide my customers with the best product at the best price and build a sustainable business that will bear fruit in the future,' she said.

SwitchBeauty is the loudest, cruelty-free, trendsetting, innovative make-up brand for all women who are tired of being told they needed cosmetics to feel better about themselves and wanted to be more involved in what they wanted in a make-up brand. 'SwitchBeauty is an inclusive, affordable beauty brand that speaks to women, and not down to them, as many cosmetic companies have done for a very long time,' says Rabia.

Source*: Entrepreneur Magazine*

3.1 Why is Rabia called a 'teenprenuer'. (2)

3.2 Why do you think Rabia's core focus is not on the profit she makes? (2)

3.3 There has been an increase in entrepreneurial activity in South Africa. Give THREE advantages that start-ups have over big business. (3 × 2) (6)

3.4 Why do you think Rabia decided to start up her own business? (4 × 2) (8)

3.5 Discuss the characteristics that an entrepreneur should have in order to be successful. (5 × 2) (10)

3.6 How are SMMEs changing the economic environment in South Africa? (5 × 2) (10)

3.7 Rabia wants her business to 'bear fruit in the future'. Advise her on how she can plan for growth in her business. (5 × 2) (10)

3.8 The influence of social media can help Rabia to build her business through using the internet.

Name ONE social media platform that she can use. (2)

[50]

QUESTION 4

Read the scenario below and answer the questions that follow.

SPAR GROUP SECURES FIVE RETAIL STORES

Retailer and Wholesaler Spar Group said yesterday that it had acquired the assets of five retail stores in South Africa in the six months to end February and was planning to add two more retail stores in Sri Lanka to entrench its footprints in the market.
Spar entered into a 50/50 joint venture with Ceylon Biscuits in Sri Lanka to establish Spar Sri Lanka in 2016. Its UK subsidiary, the BWG Group, added another two retail stores through its subsidiary, GLC.
'The principal activity of these acquisitions is that of retail trade and all its aspects. These stores were purchased to protect strategic sites, and the goodwill arising on the business combinations is an indication of future turnover expected to be made by the group as a result of these acquisitions,' the group said.
During the period Spar also purchased 60 per cent share-holding in Fifth Season Investments which trades as S Buys, a pharmaceutical wholesaler, effective 1 October 2017, for R74,9 million to grow pharmacies at Spar businesses.
In the results, Spar reported a 5,6 per cent increase in turnover to R50 billion, up from R47,5 billion the previous year, boosted by satisfying contributions from the European Union. The group said that 30,6 per cent of its total turnover was generated in foreign currency. The group also purchased a shopping centre in Pinetown, KwaZulu-Natal, for R165 million.

[Source*: The Mercury*]

4.1 Define the following terms:

4.1.1 Acquisition

4.1.2 Entrench its footprints in the market

4.1.3 Joint venture

4.1.4 Subsidiary

4.1.5 Goodwill

4.1.6 Turnover

(6 × 2) (12)

4.2 Identify at least FIVE indicators of internal and external growth in this business. (5 × 2) (10)

4.3 Assess the impact of a global merger with a business like Ceylon Biscuits in Sri Lanka on a business such as Spar. (2 × 2) (4)

4.4 Explain how specialisation might give a business, such as Spar, a competitive advantage when trading internationally. (2 × 2) (4)

Copyright reserved

4.5 Explain how Spar can benefit from having a mission statement (2 × 2) (4)

4.6 Name one of Spar's competitors in South Africa. (1)

4.7 Read the scenario below and answer the questions that follow.

BETTY & TAYLOR FURNITURE (BTF)

Betty & Taylor Furniture specialises in selling office furniture. The profitability of the business has decreased due to high inflation rates and customers' low income levels. BTF was forced to pay a hefty (heavy) fine because they did not renew their trading licence in time.

Redraw the table below in your ANSWER BOOK and then answer the questions that follow.

CHALLENGES (4.7.1)	PESTEL ELEMENT (4.7.2)	RECOMMENDATIONS (4.7.3)
(a)		
(b)		
(c)		

4.7.1 Quote THREE challenges from the scenario above that BTF face. (3)

4.7.2 Identify the PESTEL element that links to EACH challenge referred to in QUESTION 4.7.1. (6)

4.7.3 Recommend ONE way in which BTF can deal with EACH challenge referred to in QUESTION 4.7.1. (6)

[50]

QUESTION 5

The Posh Pie Company

The Posh Pie Company was set up in 2013 in the popular seaside town of Umhlanga by well-known chef, James Strawbridge. Capital was raised through the crowd funding website www.crowdfunder.co.uk. This enabled them to rent and equip a small factory. The Posh Pie Company uses the highest quality local ingredients to produce several types of pies. The Posh Pie Company's factory has a maximum output of 34 200 pies per year. The pies are sold and delivered to delicatessens and cafes across KwaZulu-Natal. James has decided to sell the business because he would like to open up a delicatessen in Umhlanga. The market value of the net assets of the business is R700 000.

The last four years' profits were:
2014 – R500 000
2015 – R550 000
2016 – R600 000
2017 – R700 000

The interest on investment is 14%. The owner's salary is R300 000.

5.1 Calculate a fair sales price for this business. (20)

5.2 Is this a viable business to purchase? Given ONE reason for your answer. (2)

5.3 Define the concept *crowd funding*. (2)

5.4 Discuss the strengths of this business. (4 × 2) (8)

5.5 James has noticed that the productivity of his workforce has decreased over the past financial year. To help solve the problem, he decided to employ the services of a consultant.

Give THREE reasons why James has decided to engage the services of a consultant. (3 × 2) (6)

5.6 Which generic competitive strategy did the Posh Pie Company use to succeed? Substantiate your answer. (2 × 2) (4)

Copyright reserved

5.7 The 2020 Soccer World Cup will be held in Qatar. You own a tourism company and plan to market South Africa at the various venues where the world cup will be played in Qatar.

Explain how the following factors will influence your business:

5.7.1 Language

5.7.2 Education

5.7.3 Political environment

5.7.4 Currency

(4 × 2) (8)

[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

Copyright reserved