Western Cape Government

Directorate: Curriculum FET

BUSINESS STUDIES

REVISION BOOKLET

2025 TERM 1

Grade 11

This revision program is designed to assist you in revising the critical content and skills covered during the 1st term. The purpose is to prepare you to understand the key concepts and to provide you with an opportunity to establish the required standard and the application of the knowledge necessary to succeed in the Final NSC examination.

The revision program covers the following topics:

- Influences on, and control factors relating to the business environments
- Challenges of the business environments
- Adapting to challenges of the business environments
- Impact and challenges of contemporary socioeconomic issues on business operations
- Business Sectors
- Benefits of a company vs other forms of ownership
- Avenues of acquiring a business

INDEX PAGE

	Contents	Page number
1	Pre-Test	2 - 4
2	Influences on, and control factors relating to the business environments	5 - 7
3	Challenges of the business environments	8 - 9
4	Adapting to challenges of the business environments	10 - 12
5	Impact and challenges of contemporary socio-economic issues on business operations	13 - 15
6	Business Sectors	16 – 17
7	Benefits of a company vs other forms of ownership	18 - 21
8	Avenues of acquiring a business	23 - 25
9	Consolidation Questions	26
10	Essay writing tips	27

This revision booklet covers the **SEVEN** topics that were taught in Term 1. Before you start working through the topics, please complete the Pre-Test below:

Thereafter, ask your teachers to mark the Pre-Test and provide you with feedback.

1. Study the list of components below and indicate whether the component factors refer to **micro**, **market** or **macro** environments.

	Components	Answer
1.1	Consumer	
1.2	Political	
1.3	Vision. Mission & Objectives	
1.4	Suppliers	
1.5	Intermediaries	
1.6	Economic	
1.7	Organisational structure	
1.8	Competitors	
1.9	Legal	
1.10	Organisation culture	

[10]

2. Fill in the missing word: Ways in which businesses can be involved in the macro environment

	Statement	Answer
2.1	Business needs to work within all the … set up by Government.	
2.2	Political environment is subject to … change.	
2.3	Business must ensure that they have all the … they can find about the people they are dealing with.	
2.4	Business needs to keep up with the … technologies	
2.5	Many new businesses have become successful by providing more … friendly products or services.	

[5]

3. Fill in the missing word: Difficult employees are a challenge in the micro-environment, because:

	Statement	Answer
3.1	They cannot … in a team.	
3.2	They create … with other employees.	
3.3	They have a poor work ethic and low …	
3.4	They leave the organisation after being …	

[4]

4. Provide a term/concept for each of the descriptions below:

	Descriptions	Answer
4.1	Persuading individuals or groups with decision-making power to support a position you believe is right.	
4.2	Business tries to invest its money in such a way that its value grows at a faster rate than inflation.	
4.3	Public organization or government agency that is set up to exercise a regulatory function.	
4.4	Interaction with other to exchange ideas and information, to develop professional contacts and to give and get advice from other business people.	
4.5	The ability of one group or a person to control others	

[5]

5. Indicate whether the following refers to the Primary, Secondary or Tertiary Sector

	Statements	Answer
5.1	This sector deals with extraction of raw materials and natural resources.	
5.2	The services range from transport, banking, and health	
5.3	This sector processes raw materials into finished goods	
5.4	This sector renders services to the public and businesses/provides auxiliary services.	
5.5	It comprises of manufacturing factories, construction, and energy generation.	
5.6	It makes use of natural resources direct from nature, such as gold, coal, fish, and livestock	

[6]

6. Provide one term for the following descriptions:

	Statements	Answer
6.1	The document outlining the rights, responsibilities and duties of shareholders and directors are set out (serves as a co-creation of a company).	
6.2	A document that invites the public to buy securities /shares.	
6.3	Stocks and bonds issued by a company.	

[3]

7. Match the statement in Column B, with the concept in Column A

	Column A		**Column B**	**Answer**
7.1	Incentive	A	A symbol, word or words that are registered or established lawfully used as a company or product.	
7.2	Franchising	B	The established reputation of a company that is considered a measurable asset and is calculated as part of its value when it is sold	
7.3	Outsourcing	C	expenses associated with running a business that cannot be linked to the manufacture of a product or service.	
7.4	Leasing	D	A payment or concession to stimulate greater production	
7.5	Overheads	E	The right a business must use the name, trademark, ideas, processes, and goodwill of an existing business in a specific geographic area in order to sell goods or services	
7.6	Goodwill	F	Contract outlining the terms under which one party agrees to rent property owned by another party.	
7.7	Trademark	G	The award of a contract for any job function, job, or process by employees in a business can be carried out, to a third party.	

[7]

TOTAL: 40

1. INFLUENCES ON, AND CONTROL FACTORS RELATING TO THE BUSINESS ENVIRONMENTS

Ensure that you have good understanding of the concepts listed below before working through this topic. This will assist you with remembering and the application of the content.

TERM	DEFINITION
Business Environments	All the internal and external factors that affect the functioning of a business, e.g., micro, market, and macro environments.
Micro Environment	This environment is the business itself; it consists of all the elements inside the business.
Market Environment	This environment exists immediately outside the business.
Macro Environment	This environment exists outside the micro and the market environments.
Extent of Control	The amount of influence that a business has on the business environments.
PESTLE Analysis	An acronym used for the elements to identify challenges posed by the Macro environment: Political, Economic, Social, Technological, Legal, Environmental.
Independently	Working free from outside control or influence on their own.
Fluctuations in foreign currency	Changes in the value of international money. Dollars/ Euro/Yen/ Pound
Profit margins	The percentage of profit made by the business
e-commerce	Commercial transactions conducted electronically on the Internet.
Time- consuming	Taking a lot of or too much time; "an extremely time-consuming process"
Accessible market	Market that is easy to reach. Makes buying and selling easy.

The Business Environments were extensively dealt with in Grade 10. The Business Environments is divided into the:

- Micro-environment
- Market-environment
- Market-environment

As an organization, understanding the environment in which you function is an extremely important exercise. It could be the difference between success and failure.

In Grade 10 you were also introduced to the components of each environment.

Complete the table below regarding the components of each environment

Micro-environment	Market-environment	Macro-environment

Micro-environment:
You must be able to distinguish clearly between the following concepts:

- Vision - The dream that the business wants to achieve
- Mission statement - Clear directives for how the business intend to achieve its vision
- Goals - Long-term plans of what the business wants to achieve
- Objectives - Short-term aims that the business wants to meet to achieve its long-term goals

The micro-environment is the operating environment of the firm. This is because the functioning of the micro-environment has a direct and immediate bearing on the company.

Organisational structure - an organizational structure details how certain activities are delegated toward achieving an organization's goal

Organisational culture - is the collection of values, expectations, and practices that guide and inform the actions of all team members.

Organisation resources - are all assets that are available to a firm for use during the production process.

Control over the micro-environment:

- The business has FULL CONTROL over the micro-environment.

  Reasons: They can make strategic, tactical, and operational decisions. Business determines who get employed, who are their suppliers. The business determines the organisational culture, acquire organisational resources, and sets out the organisational structure

Control over the market-environment

- The business has LIMITED OR PARTIAL CONTROL over the market-environment

  Reasons: The market environments refer to related organisations that interacts with the business directly or indirectly. The business can influence these entities. By opting to buy from another supplier the business can influence the price of currently suppliers. By improving quality of products, business can influence the choices made by consumers

Control over the macro-environment:

- The business has NO CONTROL over the macro environment.

  Reasons: The external environmental conditions that affect a business are beyond the control of a business and change constantly**.** Political decisions are made by the government, without involving businesses. Businesses must adhere to the laws and regulations of a country. The economy is influence by global forces and business must operate within the environment of constant change

Lower Order	Middle Order
List the control the business has over each of the three environments	Explain the reasons why businesses have full control over the micro-environment/ limited control over market environment and no control over macro environment.

Discuss/Explain/Describe how businesses can control the business environments.

Refer to: Full Control; Limited Control and No control

Challenges in the business environments:

Businesses are affected by the environment and world around it. Businesses cannot exist in isolation therefore a business exists in an environment which is dynamic, and this can have a major impact on business. Serious threats, problems and issues may arise in each business environment; the business must be able to identify the challenge and deal with it effectively.

Read the scenario below and answer the questions that follow:

TIMOTHY LEGAL SERVICES (TLS)
Timothy Legal Services (TLS) is situated at the Pretoria CBD. TLS's assistant lawyers are not trained to handle criminal cases. Another law firm, Mbuzi Inc. has set up a law practice in the same office block as TLS. TLS can no longer pay their bank loan due to an increase in interest rates.

Lower Order	**Higher Order**
Name the business sector in which TLS is operating.	Motivate your answer by quoting from the scenario above.

Lower Order	**Middle Order**
State the extent of control TLS has over EACH business environment	Identify THREE challenges for TLS business and classify EACH challenge according to the business environment.

Use to the table below to write down your answers:

CHALLENGE	**BUSINESS ENVIRONMENT**	**EXTENT OF CONTROL**

Key concepts to remember

Micro-environment	No Control	Components of micro-environment
Market-environment	Internal environment	Components of market-environment
Macro-environment	External environment	Components of macro-environment
Full Control	Challenge	Organisational structure
Partial control	Organisational culture	Organisation resources

2. CHALLENGES OF THE BUSINESS ENVIRONMENTS

We live in rapidly changing times where everything is dynamic, and change is the only constant. New technologies become obsolete in days, new business trends emerge every day, new issues and rules regarding labour laws, new managerial and HR policies, the uncertainty regarding the future, the management of resources and power keep taking place. The business environment is challenging, and the business needs to take governance and risk issues seriously to adapt and prepare itself for these challenges.

Ensure that you have good understanding of the concepts listed below before working through this topic. This will assist you with remembering and the application of the content.

TERM	DEFINITION
Managing styles	Different ways to manage a business. Different leaders use different styles (ways). They can be strict or more lenient.
Negotiations	Discussions aimed at reaching an agreement.
Political stability	When the government is stable – no rioting.
Repo rate	The rate at which the central bank of a country lends money to commercial banks
Interest rate	A proportion of a loan that is charged as interest to the borrower. Example 10% extra on the amount.
Insufficient skills	When people don't have the necessary skills that businesses need
Cybercrime	Criminal activities carried out by means of computers or the Internet.
Bad image	When a business has a bad image, it could happen due to poor service, poor publications of poor management. This can lead to a decrease in selling of products, because public don't want to support the business.
International trade	To do trading across the world (global)
Consumer loyalty	When customers are coming back to buy from your business of keep on using your services. They don't support other competitors.
Acceptable employment practices	Fair hiring of workers and workplace conditions.
Non-compliance	Failure to act accordance to a command/ law
Penalties	Punishment for breaking the law or non-compliance of the law/acts
Skills programs	Training programs to upskill workers
Nepotism	The practice among those with power favouring relative or friends especially by given them jobs.

Challenges in the micro-environment

Refer to:

Difficult employees	Lack of managerial & leadership skills	Outdated vision & mission statements
Undermining organisational structure	Abuse of organisational resources	Disregard of organisational culture

You should be able to differentiate between a strike and a go-slow by workers

Indicate which of the following definitions refers to a go-slow or a strike.

Definition	**Answers**
Workers drag production by working at a far slower rate than normal.	
Workers withdraw their labour from a business	

Challenges in the market-environment

Refer to:

Increased competition	Shortage of suppliers	Changing habits of consumers
Demands by trade unions	Social & cultural influences	Demographics of the population

Ways in which businesses can overcome competition in the market.

Refer to:

Business must be pro-active	Differentiate from competitors
Gain competitive advantages	Create loyalty amongst consumers

Higher order Question	Recommend ways in which businesses can overcome competition in the market.

Challenges in the macro-environment

Refer to:

Pollical - How some government policies may affect businesses negatively	Economic - Inflation/Interest rates may negatively impact on business.	Social – Crime, Poverty & Unemployment
Technological – Affordability of the latest technological advances	Legal - High legal costs involved in obtaining a license/trade mark/patent may prevent new entrants	Environmental - Measures to dispose of business waste may be expensive

Lower Order	**Middle Order**
Name the challenges of the macro environment.	Discuss/Explain the challenges of the macro environment.

Key Concepts:

Strike	Go-slow	Competition
Supply	Trade unions	Demographics
Competitive advantage	Political	Social
Legal	Technological	Environmental

3. ADAPTING TO CHALLENGES OF THE BUSINESS ENVIRONMENTS

The success of a business is influenced by all three business environments (Micro, Market and Macro). Therefore, for a business to be successful, it needs to constantly adapt to challenges that arise in the business environments.

Ensure that you have good understanding of the concepts listed below before working through this topic. This will assist you with remembering and the application of the content.

TERM	DEFINITION
Mergers, takeover,	This involves the process of combining two companies into one, also known as the Integration Strategy
Social responsibility	An ethical viewpoint that says every individual/organisation has an obligation to benefit society as a whole.
Adaptation to challenges	To be willing to make chances when the business faces problems/ challenges
Ethical	To do the right thing: avoid activities that do harm to people or the environment
Stakeholders	Any person with a concern in the business
Responsibility	A true leader takes responsibility for their team. Individuals have a responsibility to control their behaviour. Employees must show responsibility and do what is required by their job
Different perspective	A different view or outlook on the same thing

Ways in which businesses can adapt to challenges of the macro environment:

Refer to:

Information management	Strategic responses	Mergers, takeovers, acquisitions, and alliances

- Information management (IM) is the process of collecting, storing, managing, and maintaining information in all its forms.
- Strategic response is a response that positions the business to get maximum benefit from the decisions made
- Merger refers to an agreement that unites two existing businesses into one new business
- Take-over occurs when one business makes a successful bid to assume control of or acquire another business
- Acquisitions is when one company purchases most or all of another company's shares to gain control of that company
- Alliance is an arrangement between two companies to undertake a mutually beneficial project while each retains its independence.

Examples of mergers, takeovers, acquisitions, and alliances.

	Examples
Mergers	Vodacom and Neotel
Take-over	Fox News trying to buy Sky News
Acquisitions	Food lovers market acquire Farm that harvest fruit & vegetables
Alliances	Disney and Chevrolet have partnered to create Test Track – not just a thrilling ride, but a detailed Chevrolet brand experience. Innovators from both brands collaborated to create a one-of-a-kind ride experience (and strategic alliance), leveraging both brands' areas of expertise.

Lobbying

- Lobbying means persuading individuals or groups with decision-making power to support a position you believe is right.
- Lobbying is any attempt by individuals or private interest groups to influence the decisions of government

Reasons for lobbying

Refer to the following:

Act in support of those who do not have direct power and influence.	Influence decisions made by officials in the government	Similar motives, beliefs, or commercial positions.
Example: The taxi industry successfully lobbied government against being charged toll fees on certain roads in Gauteng.		

Types of lobbying

Hedging against inflation	Bargaining sessions between management and unions	Influencing supervisory body/regulators

- Hedging refers to an investment that protects the investor from risk, whether it is a stock market crash, a dollar collapse, or hyperinflation
- Inflation refers to a general increase in the price of goods and services, that leads to a decrease in the value of money
- Bargaining refers to negotiations taking place between employer organisations and employee organisations
- Influencing refers to the ability of an individual to transform and shape the opinions of others

Meaning and the importance of networking

Networking refers to the interaction with other to exchange ideas and information, to develop professional contacts and to give and get advice from other business people.

Importance of networking

Refer to:

New business relationship	**Generate new business opportunities.**	**Create more employment**

Advantages of networking

Refer to:

Strengthen business connections.	Get fresh ideas	Advance your career
Get access to job opportunities.	Build confidence.	Gain a different perspective.

Meaning of power relationships

Power relations refers to the ability of one group or a person to control others

Ways businesses can form power relationships

Refer to:

Strategic alliance agreements	Persuasion of large investors	Company representative's influence

Persuasion is the compelling stimulus that encourages your audience to change their beliefs or behaviour, to adopt your position, or to consider your arguments.

Key words:

Information management	Mergers	Take overs
Acquisitions	Networking	Lobbying
Power relationships	Inflation	Bargaining
Hedging	Alliances	Strategic responses

4. IMPACT AND CHALLENGES OF CONTEMPORARY SOCIO-ECONOMIC ISSUES ON BUSINESS OPERATIONS

Ensure that you have good understanding of the concepts listed below before working through this topic. This will assist you with remembering and the application of the content.

TERM	DEFINITION
Contemporary socio-economic issues	Current societal and economic factors that impact on the business.
Ethical behaviour	Acting in ways consistent with what society and individuals think are good values.
Professionalism	Describes the internationally accepted standards/expectations that society has of people's conduct and levels of competence in the workplace.
Labour Relations Act/LRA	This Act was introduced to promote simple procedures for the resolution of labour disputes in the workplace.
Diversity	The dimensions of race, culture, gender, age, physical abilities, religious beliefs in the workplace
Population growth	The increase of the amount of people in a country
Illiteracy	The inability to read or write
Renewable resources	Renewable resources such as solar and wind power and water are unlimited in supply
Non-renewable resources	The sustainability of the supply of some natural resources is non-renewable such as gas Most fossil fuels, minerals, and metal ores are non-renewable resources.
Personal gain	To use things from the business for yourself and not for the business
Fair dismissal procedures	The removing of someone from employment/discharge must be done according to the law
Dispute	A disagree between management and employer
Grievance	A real cause for complaint like unfair treatment

There is no nation on earth without challenges. The challenges facing countries with developing economies can be staggering. South Africa is no exception. The socio-economic development challenges in South Africa can be overwhelming.

Examples of contemporary socio-economic issues that pose a challenge to businesses.

Income inequality	Inflation	Social, cultural & demographic issues
Economic crime	Low literacy levels	Corruption and mismanagement of funds

Contemporary socio-economic has an impact on business operation

Refer to the impact of the following:

Income inequality	Inflation	Social, cultural & demographic issues
Economic crime	Low literacy levels	Corruption
Ethical misconduct	Lack of skills	Strikes

- Income inequality refers to huge differences in income levels of the rich and poor in a country
- Inflation refers to the general rise in prices of goods and services , that leads to a drop in the value of money
- Demographics refers to the racial composition of the population in a country
- Economic crime refers to crimes committed for economic gain, involving deception and fraud.
- Low literacy levels result in a large portion of the population being unable to read and write.
- Corruption refers to the is dishonest behaviour by those in positions of power, such as managers or government officials.
- Ethical misconduct refers to individuals acting in a manner that is contrary to the morals and principles of the business
- Lack of skills refers to the inability of an individual to perform certain duties due the absence of training and education
- Strikes occur when workers without their labour in pursuit of certain demands made to employers

Types of ethical misconduct

Refer to:

Sexual harassment	Corruption	Mismanagement of funds

- Sexual harassment refers to the unwanted and unwelcome attention of a sexual nature from someone at work.
- Mismanagement of funds refers to instances where a person fails to observe laws or guidelines when handling finances for another person or organization

Impact of piracy on business operations

Refer to the following:

Drives up the prices of products	losses of income
Damage to the value of the businesses	Leads to job losses

Concepts:

- Copyright - refers to a legal right that gives the owner of a work (for example, a book, movie, picture, song, or website) the right to say how other people can use it.
- Patent – refers to a licence issued by government authority conferring a right or title for a set period
- Trademark – refers to a symbol, word, or words legally registered or established by use as representing a company or product.



Copyright	Patent	Trademark
		

You must be able to identify copyright/patent and trademark form scenarios; case studies or statements.

Meaning of industrial relations

- Industrial relations refer to the relations between management and workers in industry.
- The term industrial relations explain the relationship between employees and management which stems directly or indirectly from union-employer relationship.

Purpose of the Labour Relations Act.

Refer to:

Provides a framework/structure	Promotes collective bargaining	Promotes workplace forums
Establishes Labour Courts	Promotes fair labour practice	Establishes the CCMA

- Workplace forums are committees of employees elected by employees in a workplace. They meet employers on a regular basis for consultation on workplace issues
- The Labour Court is a court that handles labour law cases, that is, disputes arising from the relationship between employer, employee, and trade unions
- A labour practice will only be regarded as fair if it bears both an economic rationale and also proves to be legitimate.
- The Commission for Conciliation, Mediation and Arbitration (CCMA) is a dispute resolution body established in terms of the Labour Relations

Meaning of trade union

- A trade union is a group of employees who join together to maintain and improve their conditions of employment

Roles of trade unions

Refer to:

Addressing poverty	Job creation	Changing the economy
Political struggle	Economy should favour the working class and the poor.	Creating a more equitable distribution of income

Functions of trade unions
Refer to:

Negotiate with employers	Educate employees	Discrimination & Abuse
Represent the employee	Unfair dismissal	Take legal action

You should be able to evaluate the functions of trade unions from scenarios/case studies and make recommendations for improvement.

5. BUSINESS SECTORS

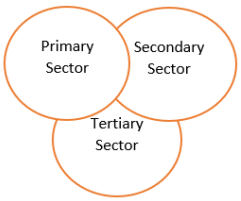
Meaning of the: Primary, Secondary and Tertiary sectors

TERM	DEFINITION
Primary Sector	This sector deals with extraction of raw materials and natural resources.
Secondary Sector	This sector processes raw materials into finished goods.
Tertiary Sector	This sector renders services to other businesses

Primary Sector	• This sector deals with extraction of raw materials and natural resources. • It makes use of natural resources direct from nature, such as gold, coal, fish, and livestock • Natural resources are sold to the secondary sector as raw materials.	• Mining • Fishing • Agriculture • Forestry • Farming
Secondary Sector	• This sector processes raw materials into finished goods. • It comprises of manufacturing factories, construction, and energy generation.	• Manufacturing • Building & construction • Clothing
Tertiary Sector	• This sector renders services to the public and businesses/provides auxiliary services. • The services range from transport, banking, and health • It is also known as the services industry.	• Distribution • Transportation • Banking • Insurance • Retail • Entertainment • Tourism

Relationship between the primary, secondary and tertiary sector

Refer to:



- Primary, secondary, and tertiary sectors are interrelated and cannot function without each other.
- The primary sector depends on the secondary sector for manufactured goods such as machinery/equipment/fertilizers
- The secondary sector processes the raw materials obtained from the primary sector into more useful products.
- The secondary sector depends on the primary sector for raw materials and products.
- The secondary sector depends on other secondary industries e.g., BMW needs tyres from DUNLOP another secondary sector player

- Secondary sector needs the tertiary sector to sell their processed or manufactured goods and also for services such as banks, insurance, transport, and communication
- The tertiary sector depends on the primary sector for raw materials that do not need processing by the secondary sector.
- The tertiary sector depends on the secondary sector for manufactured goods such as office machines/office furniture/stationery etc.

Key concepts:

Primary sector	Secondary sector	Tertiary sector
Extraction	Finished goods	Interrelated
Processes	Dependent	Relationship

6. BENEFITS OF A COMPANY VS OTHER FORMS OF OWNERSHIP

Important concepts relating to Forms of Ownership

Ensure that you have good understanding of the concepts listed below before working through this topic. This will assist you with remembering and the application of the content.

TERM	DEFINITION
Form of ownership	The legal position of the company and the way it owned.
Annual General Meeting (AGM)	A meeting to be held once a year in which the shareholders will receive a report in which they say how well the company risk.
Securities	Stocks and bonds issued by a company.
Memorandum of Incorporation (MOI)	The document outlining the rights, responsibilities and duties of shareholders and directors are set out (serves as a co-creation of a company).
Partnership agreement	A document contains extensive provisions relating to the matters relating to the partnership and the partners.
Prospectus	Prospectus is a document that invites the public to buy securities /shares.
Legal Personality	A business has its own legal status, trademark, and owned assets.
Dividends	An amount of money regularly (usually annually) paid by a company to its shareholders from the profits (or reserves). Dividends are paid out per share.

Important abbreviations relating to Forms of Ownership

CC	Closed Corporation
(PTY) Ltd.	Property Limited
INC.	Incorporated
JSE	Johannesburg Stock Exchange
Ltd.	Limited
SOC	State Owned Company
NPC	Non-Profit Company
SARS	South African Revenue Services
MOI	Memorandum of Incorporation
CIPC	Companies and Intellectual Property Commission

One of the first and most important decisions a business owner makes is selecting the organizational form under which he or she will operate. The entrepreneur has a choice of one of the following:

Forms of ownership

Sole Trader	Partnership	Cooperatives
Public Company	Private Company	Personal Liability Company
Non-Profit Company	State Owned Company	

Each form of ownership has advantages, disadvantages, risks, and rewards that can affect the business's chances for long-term success.

Benefits of establishing a company versus other forms of ownership

Refer to the following:

Legal status and liability.	Profit sharing	Ownership and management
Capital and cash flow	Life span and continuity	Taxation

Legal status and liability.	A company has its own legal status, brand and owns its assets. Shareholders' private assets are protected because they have a limited liability. The shareholders have no direct legal responsibility. Companies have their own names and are it is protected.
Profit sharing	Shareholders share in the profits of the company through dividends. Dividends are paid to Preference Shareholders before being paid to Ordinary Shareholders
Ownership and management	Shareholders in a public company can freely buy and sell shares. The company is managed by qualified and competent board. It is less likely to use a business consultant, as they have a larger pool of skills and expertise. Directors are more likely to take risks and make possible growth opportunities for the company.
Capital and cash flow	A company may have more investors to finance the establishment of the enterprise. Companies have a better cash flow that sole traders. A company is not limited to the individual contribution of the members' capital. The long-term growth opportunities for companies are very good, because there is always a possibility to get more investors. Directors do not have to obtain personal loans for the company to grow.
Life span and continuity	A company has continuity of existence. Company shares may be transferred / purchased / sold.
Taxation	Companies pay a portion of their profit as taxes to SARS Companies have tax benefits that other businesses do not. They can get tax deductions if they are involved in social responsibility projects that benefits communities

We distinguish between two types of liability, namely:

- **Limited liability** means the owner(s) (can be shareholders or members) can only lose their investment in the business in the event of a business being declared insolvent (or bankrupt). The owners will not lose their personal assets.

- **Unlimited liability** means that the owner(s)s may lose their personal assets if the business is declared insolvent, because they have to accept full responsibility to pay off the company's debt.

Challenges of establishing a company versus other forms of ownership

Refer to the following:

Management & Control Challenges	Financial Challenges
• Directors may not have a personal stake in the company • Conflicts can arise between owners of the company and management that are in control. • If directors change, there may be a difference in continuity of management. • Politics can get in the way and directors are appointed for the wrong reasons. • The owners of the company have more liability. • A company may cease to exist if it is deregistered by the Registrar of Companies.	• The higher the number of shares issued, the less the dividend per share. • Each financial year a company must submit a detailed report to all stakeholders. • They must disclose all financial information which can provide an unfair advantage to their competitors. • A large amount of money is spent on financial audits and accounting fees because of government regulations. • Companies have more tax requirements and other taxes are high.

Procedure for the formation of companies

Use the information below and complete the table by inserting the steps in chronological order:

Obtain a unique registration number; Draw up a Prospectus for potential investors; Draw up a Memorandum of Incorporation (MOI); Open a bank account and register for tax; Submit a Notice of Incorporation; Determine who will establish the company; Reserve a company name with the Registrar of Companies; Register the company with the Registrar of Companies.

Step 1	
Step 2	
Step 3	
Step 4	
Step 5	
Step 6	
Step 7	
Step 8	

The steps must be written in chronological order

Legal requirements of the name of the company

Provide the missing word/ concept

Legal requirements	**Answer**
• Must be … and may NOT be misleading.	
• Must appear on all company … e.g. On letterheads.	
• May be … for a period of 6 MONTHS by the CIPC.	
• May NOT be the … as any other company, unless it is part of the group.	
• May NOT be a PERSON that … people into believing that the company is part of another person / company / the state.	
• May NOT promote … or cause damage.	
• May NOT be abbreviated or be …	
• Must indicate the TYPE company: the name of a company must END with ...	

The following concepts are important when dealing with the establishment of Companies:

Memorandum of incorporation	**Notice of incorporation**	**Prospectus**
• The most important document governing a company is the Memorandum of Incorporation (MOI). • The MOI sets out the rules governing the conduct of the company, as specified by its owners. • The Companies Act imposes certain specific requirements on the content of a Memorandum of Incorporation • Protect the interests of shareholders in the company	• Means the notice to be filed • The notice must be submitted with the standard form of Memorandum of Incorporation / Incorporation, • The incorporators • company inform the Commission of the incorporation of that company, for the purpose of having it registered	• A prospectus is a written invitation to the public to buy the securities offered by a public company. • This is a formal legal document detailing investment offers to the public. • A prospectus may only be issued by a company, and it should be within three months after the date of registration. • It provides information about the company

Aspects that must be included in the prospectus

Refer to the following:

Overview of the company	Product or service portfolio	Market Analysis and Strategy
Management Team	The risk and potential of the company	Available financial and stock information
Assets and liabilities of the company	Prospects for growth	Date of registration of the prospectus

You will be required to distinguish between the initial Public Offer [IPO] & Secondary Public Offer [SPO]

Initial Public Offer	Secondary Public Offer
• This is when the company issues for the FIRST-TIME shares to the public. • The company must submit a prospectus setting before the initial offer is made. • Most companies take an "IPO" with the help of an investment banking firm that acts as an underwriter.	• A secondary offer is an offer of securities by a shareholder of the company as opposed to the company itself, which is a primary offering. • A secondary offering is the sale of new or retained shares by a company that has made an initial public offering (IPO).

Key concepts:

Limited liability	Profit sharing	Initial Public Offer	Memorandum of Incorporation
Unlimited liability	Continuity	Secondary Public Offer	Notice of Incorporation
Taxation	Legal status	Shareholders	Prospectus

7. AVENUES OF ACQUIRING A BUSINESS

TERM	DEFINITION
Trademark	A symbol, word or words that are registered or established lawfully used as a company or product.
Goodwill	The established reputation of a company that is considered a measurable asset and is calculated as part of its value when it is sold
Geographic Area	When a business market based on geography divide. Can a market by region divided geographically, such as cities, counties, regions, countries, and international regions.
Overhead Costs	Refer to the expenses associated with running a business that cannot be linked to the manufacture of a product or service. This is the expenses incurred by the company to stay in business, regardless of the level of success.
Experts	Someone who is very knowledgeable in or on a specific area.
Incentives	A payment or concession to stimulate greater production.

An individual seeking to go into business for himself can either start a business or buy an existing one. Acquiring an existing business means you have immediate cash flow; the company already has customers, assets, and a brand name or reputation in the marketplace. You avoid the risks inherent in a start-up such as the challenge of making customers aware of the company's products or services.

The reasons why entrepreneurs may decide to purchase an existing business

Provide the missing word / concept:

	Answer
• Easier to obtain … as the business has a good history.	
• Immediate cash flow because there is already established … are.	
• Distribution … and staff have been established.	
• The … will be further subdivided by an additional business.	
• Existing … form part of the business and does not need to be purchased.	

Following types of existing business may be purchased:

- Franchising
- Outsourcing
- Leasing

1. **Franchising:**
   A franchise is the right a business to use the name, trademark, ideas, processes, and goodwill of an existing business in a specific geographic area in order to sell goods or services.

Indicate which of the following refers to advantages and disadvantages of franchising:

Advantages and Disadvantages of franchising	Answer
• Other franchisees can give the brand a bad reputation.	
• The business must constantly pay royalty and the business may have to agree to buy products of the franchise giver.	
• The franchise giver might cease to operate.	
• Will benefit from any advertising or promotional campaign by the franchise giver.	
• Successful other franchises can be studied before a commitment is made.	
• The franchise holder acquired exclusive rights in a certain geographic area.	
• Relationships with suppliers are already established.	
• A recognized brand name and trademark.	
• A percentage of sales are usually shared with the franchise giver.	
• There may be restrictions in the franchise agreement on how the business can operate.	

Contractual Obligations of a Franchise

Refer to the following:

Formal agreement	Legally binding document	Two parties to the contract
Aspects that must include in franchise agreement	Payments included in a franchise agreement	Control the quality of the goods or services

2. Outsourcing

Outsourcing is the award of a contract for any job function, job, or process by employees in a business can be carried out, to a third party.

Indicate which of the following refers to advantages and disadvantages of Outsourcing:

Advantages and Disadvantages of outsourcing	Answer
• Poor internal and external publicity	
• Provides staff flexibility during peak hours.	
• Provide continuity and mitigate risks.	
• Can reduce overheads.	
• Loss of management control.	
• Enable the business to focus on its core functions.	
• Connect to the financial well-being of another company.	
• Save costs and improve efficiency.	
• Hidden costs.	
• Threat of security and confidentiality.	

Contractual Obligations of Outsourcing

Refer to the following:

Contractual agreement	The vendor
Factors to be considered by the parties	Sub-contracts

3. Leasing

A lease is an agreement whereby land or movable assets for a specified time is leased by the owner to a tenant. This may include assets such as equipment, buildings, houses, apartments, machinery, vehicles, etc.

Indicate which of the following refers to advantages and disadvantages of Leasing:

Advantages and Disadvantages of Leasing	Answer
When the owner of the business wants to sell the business, the purchaser of the business will take over the lease.	
The business can get the latest technology without having large amounts of capital to be invested.	
The total lease payments might be more than the original purchase price of the leased items.	
Increase the cash flow of the business.	
The tenant is bound by the lease even if not the business may no longer need items.	
The business acquired the use of the asset without upfront charges.	

Contractual obligation of Leasing:

Strict legal proceedings	The Lessor
The tenant	What must be established when the lease is set

Key concepts:

Franchise	Entrepreneur	Sub-contracts
Outsourcing	Cash Flow	Tenant
Leasing	Goodwill	Lessor

CONSOLIDATION QUESTIONS

Section A – Multiple Choice Question	Examination Tips
1. A business has full control over the … environment A. Macro B. Market C. Micro D. Micro 2. Capihead Bank forms part of the … sector: A. Primary B. Secondary C. Tertiary D. Quaternary 3. A … is classified as a challenge in the macro environment A. difficult employee B. lack of vision and mission C. changes in consumer behaviour D. political changes 4. The founding document that govern the establishment of a company is called a … A. Certificate of Incorporation B. Prospectus C. Notice of Incorporation D. Memorandum of Incorporation 5. Dishonest behaviour by those in positions of power, such as managers or government officials. A. Corruption B. Sexual Harassment C. Economic Crimes D. Piracy (5 x 2)	• Try to work out the answer without looking at the possibilities. • Read through the statement and all the options. • Underline the key words in the statement. • Cross out the options that are definitely wrong. • Read through the statement again and select the most appropriate answer from the options remaining. • Write down your answer and move to the next question • Go back to the questions you were not sure of at the end of the paper. • DO NOT leave any answer blank

Section B – Essay

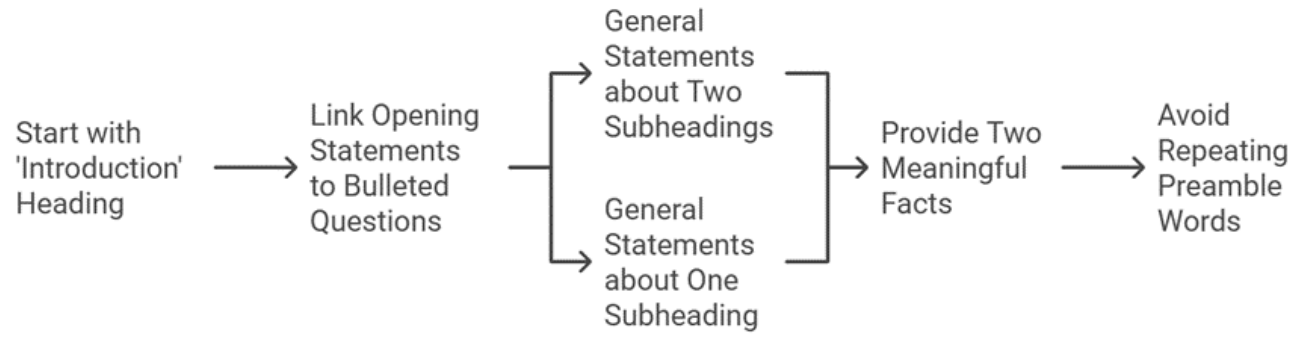
Socio economic issues impacts negatively on business operations and productivity. The government introduced the Labour Relations Act in order to assist businesses in dealing with industrial action by employees.

With reference to the above statement, write an essay on the following aspects:

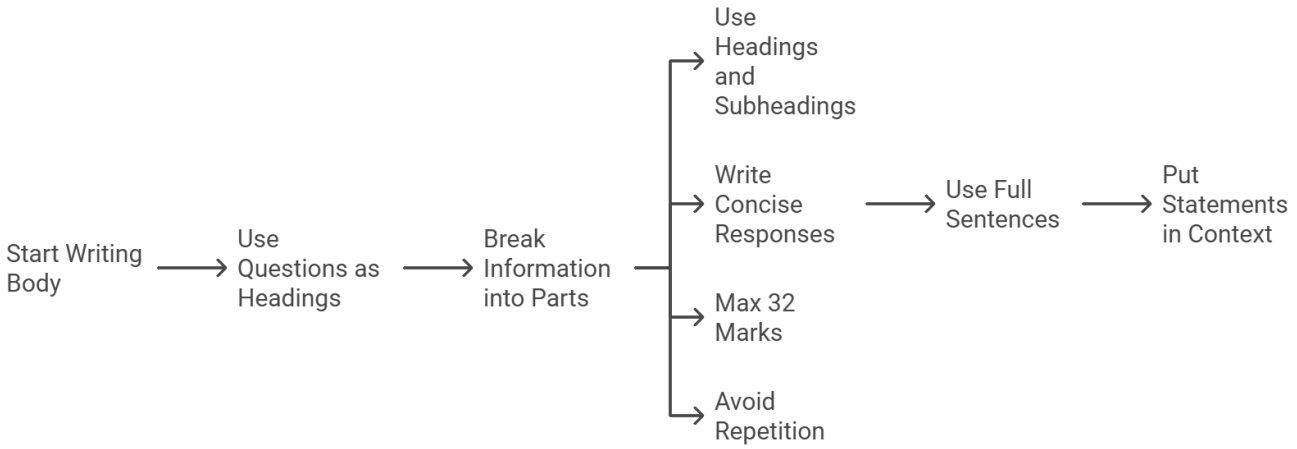
- Outline the meaning of the term “piracy”
- Discuss the impact of the following socio-economic issues on the business:
  - Economic Crimes
  - Income Inequality
  - Unemployment
- Differentiate between strikes and go-slows by employees
- Advise businesses on the purpose of the Labour Relations Act

ESSAY WRITING TIPS

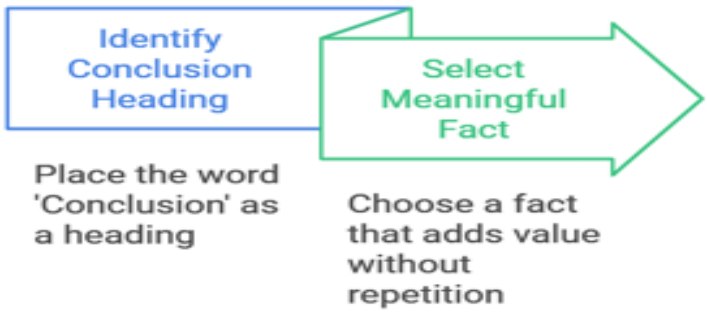
INTRODUCTION



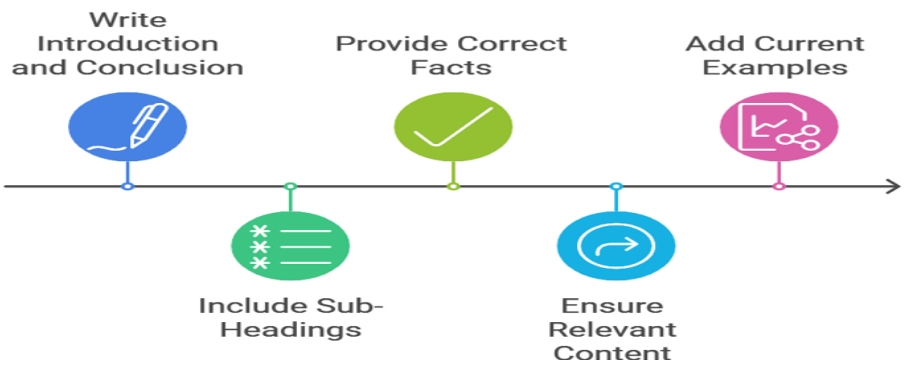
BODY



CONCLUSION



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Pre-test QR Code



Acknowledgement of Sources:

1. WCED Gr 11 Business Studies Core Notes
2. Gauteng Education Department Grade 11 Term 1 Notes
3. KZN Education Department Gr 11 Term 1 Control Test
3. Google Images