

Business Studies

CLASS TEXT & STUDY GUIDE

L. van Rensburg, *et al.*

GRADE

12

CAPS

3-in-1



THE
ANSWER
SERIES *Your Key to Exam Success*





Grade 12 **Business Studies** 3-in-1 CAPS

CLASS TEXT & STUDY GUIDE

This Grade 12 Business Studies 3-in-1 study guide presents the subject material in an accessible, organised format. It reinforces your knowledge with bulleted summaries, illustrative diagrams and tables. Exam questions from recent CAPS exams at the end of each topic enable you to assess your understanding and practice your skills.

Key Features:

- Comprehensive notes per term
- Exam questions per topic
- Answers to all questions
- Exam paper and memo

GRADE

12

CAPS

3-in-1

Business Studies

L. van Rensburg, *et al.*

THIS CLASS TEXT & STUDY GUIDE INCLUDES

- 1 Notes per Term
- 2 Possible Exam Questions and Answers
- 3 Exam Papers and Memos

Printed by
novus print
A division of Novus Holdings

eBook
available 

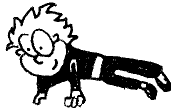
 THE
ANSWER
SERIES *Your Key to Exam Success*

CONTENTS

Exam Guidelines..... ii

TERM 1

Notes & Possible Exam Questions



Topic 1 Macro environment: Impact of recent legislation on business 2

Topic 2 Human Resources Function 27

Topic 3 Ethics and Professionalism..... 39

Topic 4 Creative Thinking..... 47

Topic 5 Macro environment: Business Strategies 57

Answers 67

TERM 2

Notes & Possible Exam Questions

Topic 1 Corporate Social Responsibility 83

Topic 2 Human Rights, Inclusivity and Environmental Issues 94

Topic 3 Team Performance Assessment, Conflict Management and Problem Solving..... 100

Topic 4 Business sectors and their Environments..... 111

Topic 5 Leadership and Management..... 115

Topic 6 Quality of Performance 122

Answers 132

TERM 3

Notes & Possible Exam Questions

Topic 1 Investment: Securities 149

Topic 2 Investment: Insurance 161

Topic 3 Forms of Ownership 172

Topic 4 Presentation and Data Response..... 193

Answers 200



EXAM PAPERS & MEMOS

Exam Paper 1 210

Exam Paper 2..... 215

Exam Memo 1 220

Exam Memo 2 229



MACRO ENVIRONMENT: IMPACT OF RECENT LEGISLATION ON BUSINESS

MACRO ENVIRONMENT



The macro environment is one of the three environments that make up the business environment:

▶ micro environment

(the business's vision, mission, goals, aims and objectives, management structure, resources and culture, as well as the eight business functions)

Eight business functions:

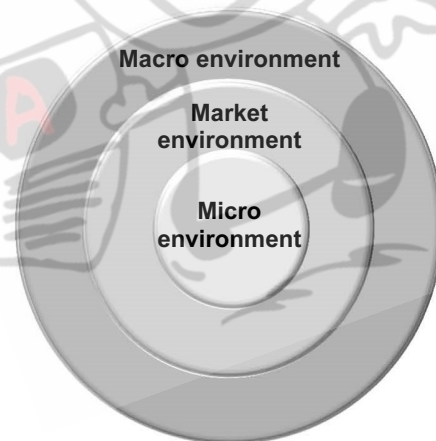
financing, purchasing, production, marketing, general management, administration, human resources and public relations

▶ market environment

(the business's customers, suppliers, competitors, regulators, strategic allies and unions)

▶ macro environment

(the political, economic, social, technological, legal and physical sub-environments).



The Three Business Environments



RECENT LEGISLATION

Since 1994, to ensure a path to equality for all people, many changes were made to existing laws and many new laws were introduced. These recent changes were developed in response to demands for redress and equity and have changed the impact that the macro environment has on a business.

SKILLS DEVELOPMENT ACT (SDA)

NATURE OF THE SDA

- ▶ The **Skills Development Act (SDA)** (No. 97 of 1998) was developed in response to the demands for redress and equity.
- ▶ The idea behind it is that a skilled workforce should lead to improved productivity, increased employment, and therefore social development.

PURPOSE OF THE SDA

- ▶ Develops and improves workers' skills to thereby improve productivity.
- ▶ Ensures quality training in the workplace.
- ▶ Encourages businesses to improve the skills of their workers.
- ▶ Encourages employees to participate in leadership and other training programmes.
- ▶ Improves the chances of previously disadvantaged people to find work. (Creates better career opportunities.)
- ▶ Redresses imbalances of the past through education and training. (Higher income and better standard of living.)
- ▶ Develops skills, to be more competitive in the job/labour market.



1 COMPLIANCE WITH THE CPA**Ways to comply with the CPA**

- ▶ Ensure that all goods and services offered are of the same quality.
- ▶ Show the name of the business on all business documents, for example, letterheads, invoices and contracts.
- ▶ All agreements must allow for a five-day cooling-off period.
- ▶ Comply with the requirements with regard to the showing of information on labels/packaging, for example, 'smoking is dangerous to pregnant women'.
- ▶ Provide thorough training to staff with regard to the CPA.
- ▶ Implement facilities for the handling of complaints, for example, boxes for complaints and suggestions.

Non-compliance with the CPA

- ▶ Consumers can submit complaints to the Industrial Ombudsman or National Consumer Commission or any consumer complaints organisation.
- ▶ The business can be asked to stop actions not in line with the Consumer Protection Act.
- ▶ The business can be asked to pay interest or damages due to the consumer.
- ▶ The business can be fined or face a jail sentence.

**TOPIC 1: POSSIBLE EXAM QUESTIONS****QUESTION 1**

Identify the Act which is applicable to each scenario below.

- 1.1 Choco Sweets do not warn customers about the possible side effects when eating their sweets and chocolates.
- 1.2 Andries Consulting Agency does not allow their shop stewards to make time to attend to union matters.
- 1.3 Smith Wholesalers Ltd offer entrepreneurial programmes to small businesses in order to qualify for government tenders.
- 1.4 Zafe Security did not provide their workers with copies of their employment contracts after these were agreed upon and signed. (4 x 2) (8)

QUESTION 2

The Labour Relations Act, 1995 (Act 66 of 1995) provides for the establishment of *trade unions* and *employer organisations*.

Distinguish between these two types of organisations. (4)

QUESTION 3

The Labour Relations Act, 1995 (Act 66 of 1995) was introduced to regulate labour relations between employers and employees.

- 3.1 Propose FOUR actions which may be regarded as non-compliance to this Act. (8)
- 3.2 Analyse the impact of this Act on South African employers/businesses. (10)

QUESTION 4

Describe the concept *protected strike* as outlined in the Labour Relations Act, 1995 (Act 66 of 1995). (6)

4

Retrenchment

When businesses are obliged to retrench employees for operational reasons. It is usually due to financial reasons, but can also be because the business is closing down, or a specific job becomes redundant.

Procedure:

- ▶ Determine the real reason for retrenchment of employees
- ▶ Stakeholders are invited by letter to discuss the following:
 - reasons for retrenchment
 - alternative possibilities
 - number of workers affected
 - method of ending employment, for example, last in, first out
 - when the retrenchment will start
 - severance packages

TYPES OF EMPLOYMENT CONTRACTS

- ▶ **Full-time employment contract:** full-time employee works 40 or more hours per week
- ▶ **Part-time employment contract:** part-time employee works less than 35 hours per week
- ▶ **Fixed term contract:** a job offered for a fixed period, for example, 1 year
- ▶ **Part-time/seasonal contract:** offered for periods when the business is very busy, for example, during holidays or harvesting season.

PLACEMENT AND INDUCTION

Placement is to match the right position to the right candidate.

PROCEDURE FOR PLACEMENT

- ▶ The specific responsibilities, expectations and skills with regard to the post must be set out.
- ▶ The new employee's strong points, weak points, interests and skills must be determined by doing a series of psychometric tests.



- ▶ The relationship between the post and the new employee must be determined.

Induction is the process during which new employees are introduced to the business and the people they are going to work with.

PURPOSE OF THE INDUCTION PROCESS

- ▶ To make the employee feel at ease in the workplace.
- ▶ To introduce him/her to their new colleagues and work environment.
- ▶ To familiarise him/her with the business, including the products, services and customers.
- ▶ To inform him/her about the processes and procedures of the business.
- ▶ To impart important rules and codes of behaviour.
- ▶ To provide the employee with an overview of the business.

The induction process starts from when an employee joins the business until he/she is fully integrated into the system. Most large organisations have formal induction programmes.

**INDUCTION PROGRAMME**

An induction programme should include:

- ▶ an introduction to the rules, regulations and code of conduct of the business
- ▶ an opportunity for the new employee to ask questions
- ▶ the identification of an existing employee as the new employee's mentor



1 Intensive strategies

Intensive strategies focus on improving the market share of existing products and of new products for the same market.

Intensive strategies include the following:

- ▶ market penetration
- ▶ market development
- ▶ product development

Market penetration is when a business increases the market share of products in existing markets.



An example of market penetration would be a bakery selling its bread rolls at a low price to attract buyers.

Market development is when a business explores/finds new markets for existing products.

An example of market development would be a bakery advertising in the newspaper of a neighbouring town every day for two months.



Product development is when a business develops new products for its existing market.

An example of product development would be a bakery starting to bake raisin bread for the first time.



Intensive strategies are used when a business is actively looking to improve its long-term growth and sustainability.

Intensive strategies are often not effective in the short term but have long term effects. They will only be effective if the strategy is an appropriate response to the business problem.

Defensive strategies

A **defensive strategy** is one that is implemented by businesses when they want to reconstruct and/or rationalise, because of economic reasons.

Rationalising a business means making it more efficient by getting rid of unnecessary employees and assets.



Defensive strategies include the following:

- ▶ retrenchment
- ▶ divestiture
- ▶ liquidation

Retrenchment is when a business stops employing some of its employees. It is usually done to reduce costs during tough financial times.



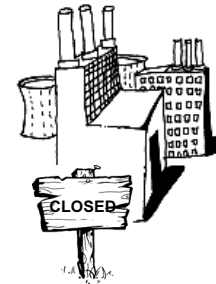
'Regrettably, I had to let some of the workers go.'

Divestiture is when the owners of a business sell a part of the business or some of its assets. It is usually done to obtain more financial security.



'Regrettably, I had to sell the delivery van and close down that side of the business.'

Liquidation occurs when a business that cannot pay its debts closes down and sells its assets to pay its debts.



'Regrettably, I had to close down the business and sell off its assets.'

Defensive strategies are used to improve sales and profits, and reduce losses, when a business is under financial strain.

Regarding effectiveness, defensive strategies provide the business with viable options to minimise its losses and take advantage of opportunities.

TERM 1

ANSWERS

TOPIC 1

QUESTION 1

- 1.1 Consumer Protection Act/CPA ✓✓
- 1.2 Labour Relations Act/LRA ✓✓
- 1.3 Broad-Based Black Economic Empowerment Act/BBBEE ✓✓
- 1.4 Basic Conditions of Employment Act/BCEA ✓✓ (4 × 2) (8)

QUESTION 2

- ▶ **Trade union:** an organisation formed by workers to protect their interests such as better working conditions and remuneration through collective bargaining. ✓✓
- ▶ **Employer organisation:** an organisation that protects the rights of the employers and makes it possible for employers in the same industry to work together and negotiate with trade unions. ✓✓ (2 × 2) (4)

QUESTION 3

- 3.1 See p. 8 in the notes under the heading '*Non-compliance actions*'. Any (4 × 2) (8)
- 3.2 See p. 8 in the notes under the heading '*IMPACT OF LRA ON EMPLOYERS/BUSINESSES*', *Positive and/or Negative impact*. Max (10)

QUESTION 4

- ▶ An authorised/legal strike ✓ where all the necessary procedures required by the Labour Relations Act have been followed. ✓
- ▶ Employees cannot be dismissed ✓ for embarking on a protected strike/industrial action. ✓
- ▶ When a deadlock ✓ in a Bargaining Council/Collective Bargaining Chamber has been reached. ✓ Max (6)

QUESTION 5

- 5.1 See p. 9 in the notes under the heading '*PURPOSE OF THE EEA*'. Any (4 × 2) (8)
- 5.2 ▶ Not employing a young woman because she will want to have children at a later stage. ✓✓
- ▶ Refusing to employ a person because he/she has strong religious beliefs or has a disability. ✓✓
- ▶ Doing HIV testing unless justified by the Labour Court. ✓✓
- ▶ Denying people access to the workforce based on gender/race/culture/etc. and treating them unfairly. ✓✓ Any (3 × 2) (6)
- 5.3 See p. 10 in the notes under the heading '*IMPACT OF THE EEA ON EMPLOYERS/BUSINESSES*'. Any (5 × 2) (10)

QUESTION 6

- 6.1 ▶ The purpose of BBBEE is to enable wealth to be spread more broadly. ✓✓
- ▶ Through BBBEE the government strives to involve all businesses (profit and non-profit organisations). ✓✓
- ▶ BBBEE Act includes a wider group of previously disadvantaged people, such as black women, people with disabilities, youth and people living in rural areas through social-economic strategies such as management, ownership, employment equity, social responsibility, preferential procurement and enterprise development. ✓✓
- ▶ BBBEE Broad-based Black Economic Empowerment is a growth strategy that targets inequality within the South African economy by encouraging more black management, promoting employment equality, encouraging skills training in businesses, nurturing black entrepreneurship and building black SMMEs by means of affirmative action. ✓✓ Any (2 × 2) (4)
- 6.2 ▶ Inclusivity means everyone should be given an equal opportunity. ✓✓
- ▶ No discrimination against anyone on the basis of race, gender, sexual orientation, disabilities and HIV/Aids should be allowed. ✓✓
- ▶ A diverse workforce should reflect the demographics of the country and should work together harmoniously to the benefit of the business and society. ✓✓
- ▶ No one should be excluded because of the language they speak or because they are disabled. ✓✓
- ▶ No one should be excluded from the economic mainstream because of their race or status. ✓✓
- ▶ All employees should have access to company resources and skills development programmes. ✓✓ Max (6)



TEAM DYNAMICS THEORIES

Team dynamics are the interactions that occur between people working in a team.



There have been many studies of team dynamics:

BELBIN'S TEAM ROLE THEORY

Meredith Belbin studied the roles people play in groups and designed the Belbin's team role theory in 1976.

JUNGAN THEORY

Carl Jung suggested that people could be categorised into psychological types, which showed how they preferred to behave and interact in the world.

MTR-i APPROACH

Influenced by Jung, Steve Myers developed the Management Team Roles Indicator (MTR-i) to analyse the contribution a person makes to a team.

GROUP CONSENSUS

Many psychologists have studied traditional and modern models of how people reach a group consensus.

MARGERISON-McCANN PROFILES

Charles Margerison and Dick McCann developed the Margerison-McCann Team Management Profile to help managers assemble teams.

BELBIN'S TEAM ROLE THEORY

The word 'role' does not always refer to an individual's 'typical behaviour'. Sometimes we use the word 'role' to refer to an individual's designated function in a group. For example, being a manager is a role and being a secretary is a role.



Meredith Belbin examined team roles while studying the effectiveness of groups. According to Belbin, in order to perform effectively within a team, each individual needs to function in the role that suits him/her best, and every team needs a balance of different role players. He suggested that successful teams should consist of individuals fulfilling nine essential roles.

Orientation	Attributes	Belbin's team roles	Explanation
Action-oriented roles 	<ul style="list-style-type: none"> ▶ Organised ▶ Follows processes ▶ Reliable ▶ Gets the job done ▶ Hard-working 	Shaper	Challenges the team to perform; is driven to win
		Implementer	Puts ideas into action
		Completer	Ensures thorough, timely completion
People-oriented roles 	<ul style="list-style-type: none"> ▶ Motivates and inspires people ▶ Respected by others ▶ Good listener ▶ Good communicator ▶ Resolves social problems 	Coordinator	Leads the group
		Team worker	Encourages co-operation
		Resource investigator	Explores new opportunities, has many contacts and has excellent networking skills
Cerebral roles 	<ul style="list-style-type: none"> ▶ Good problem solver ▶ Develops new ideas ▶ Researches opportunities ▶ Creative ideas ▶ Sees the bigger picture 	Monitor evaluator	Analyses the options
		Specialist	Provides specialised skills
		Planter	Suggests new ideas and approaches






TOPIC 4

BUSINESS SECTORS AND THEIR ENVIRONMENTS

ECONOMIC SECTORS



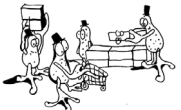

The **primary sector** is the part of an economy that extracts, cultivates and gathers natural resources from the physical environment and sells these raw and unprocessed materials to businesses in the secondary sector for processing.

Examples of industries in the primary sector are:

- ▶ agriculture (crop farming) 
- ▶ livestock 
- ▶ forestry 
- ▶ fishing 
- ▶ mining 

The **secondary sector** (industrial sector) is the part of an economy that buys raw materials from the primary sector and processes these into finished products.

Examples of industries in the secondary sector are:

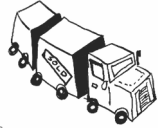



- ▶ food processing 
- ▶ manufacturing (light and heavy industry) 
- ▶ construction 
- ▶ energy generation 



Businesses in the secondary sector can either convert natural resources into intermediate products, or intermediate products into final products.

The **tertiary sector** is the part of an economy that is involved in providing finished goods and services to other businesses or to the end consumer.

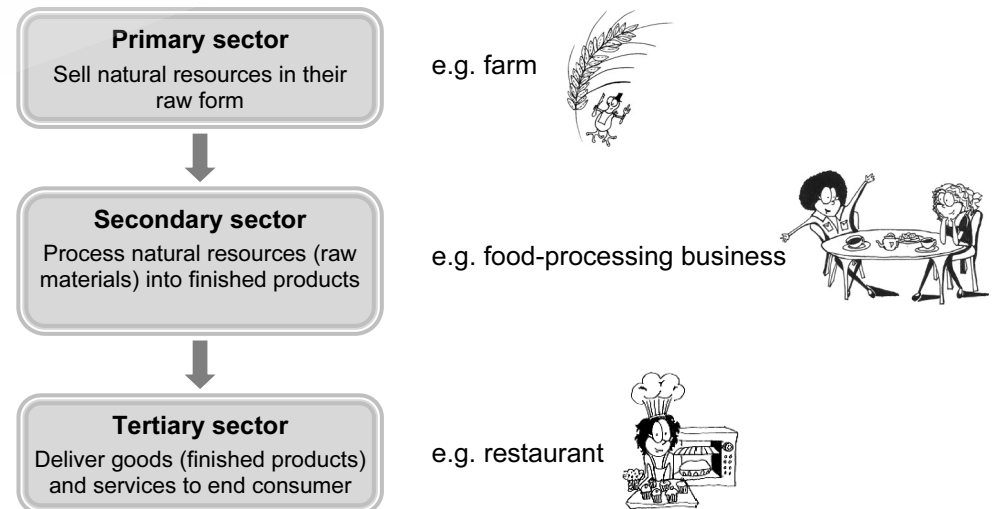
Examples of industries in the tertiary sector are:

- ▶ transport services 
- ▶ shops (wholesale and retail) 
- ▶ restaurants 
- ▶ financial services 
- ▶ personal services (health care and education) 

The tertiary sector helps the flow of goods and services from producers to consumers.

Businesses function within each of these sectors, and are connected to each other.

THE THREE ECONOMIC SECTORS



Other legal requirements

- ▶ The auditing of financial statements is not compulsory by law, but optional.

Capacity

- ▶ The capacity of a business will depend on its size.
- ▶ Most partnerships are small, and therefore have limited capacity.
- ▶ However, they can be larger and have a larger capacity if there are more partners.

Advantages	Disadvantages
<ul style="list-style-type: none">▶ A partnership is easy and inexpensive to establish - requires only a partnership agreement.▶ The business benefits from the partners' pooled knowledge and skills.▶ The workload and responsibility are shared.▶ More partners can be added.▶ Together the partners can provide more capital.▶ The partners are motivated to work hard because they share in the profits of the business (have personal interest).	<ul style="list-style-type: none">▶ The partners has unlimited liability - they are jointly and severally responsible for all the company's debt.▶ There is limited capital - the amount of capital invested by the partners is limited by the savings or creditworthiness of the partners.▶ The business has no continuity.▶ There may be uneven distribution of responsibilities or contributions by partners - some partners may do more or spend more time in the business than others.▶ Partners may have different personalities, which may lead to conflict.



CLOSE CORPORATION

A **close corporation (CC)** is a business with limited liability where there can be a minimum of one and a maximum of ten members.



Under the Companies Act (No. 71 of 2008), close corporations may no longer be registered. Existing close corporations may continue, but may in future be converted into private companies.

Name and restrictions on the name

- ▶ The most important restriction is that the name of a close corporation must end with the letters 'CC'.

Composition of ownership

- ▶ The owners are called '**members**'.
- ▶ A close corporation can be owned by a **minimum of one and a maximum of ten members**.
- ▶ The percentage of the business that each member owns can be based on the capital, skills and/or time he/she brings to the business.

Formation

- ▶ Close corporations can no longer be formed.

Management

- ▶ The term '**close**' indicates that **all members** are involved in the running of the business.
- ▶ All members are involved in the business operations and decision making.
- ▶ There is often more than one manager, and different members can contribute to different aspects of management.
- ▶ The members decide among themselves who will fulfil which roles.

STATE-OWNED COMPANY

A **state-owned company** is a company that has been established by the state and where the state is the main shareholder.

SOC Ltd

SAA and ESKOM are examples of state-owned companies.



State-owned enterprises (SOE) or state-owned companies (SOC) are listed as public companies on the JSE.



Name and restrictions on the name

- ▶ The name of a state-owned company must end in '**(SOC) Ltd**'.

Composition of ownership

- ▶ There is no limit on the number of shareholders.
- ▶ However, the **government** must own at least **50% of the shares** for the company to remain a state-owned company.



Formation

- ▶ The paperwork required to form a state-owned company is time-consuming. It includes:
 - ▶ a Memorandum of Incorporation (MOI), which shows how the company will be managed
 - ▶ the receipt that shows that the company has paid to register with the Companies and Intellectual Property Commission (CIPC)

Reasons for the formation of a state-owned company

- ▶ Profits may be used to finance other state departments or reduce taxes.
- ▶ Jobs are created for all levels of skills.
- ▶ Offer essential services which are not offered by the private sector.
- ▶ Wasteful duplication of services is eliminated.
- ▶ Planning can be co-ordinated through central control.

Management

- ▶ A state-owned company is managed by one or more directors.
- ▶ These directors are carefully selected and can form a high-quality management team, but they do not have the same level of personal interest in the business as an owner would.

Capital

- ▶ Capital is contributed by the state via the treasury and sometimes also by private investors who buy shares.
- ▶ When more capital is needed the state can buy more shares, if it has received enough money through taxes, selling government bonds, etc.

Division of profits

- ▶ The private shareholders receive dividends and the remaining profits are reinvested in the company.

Continuity

- ▶ A state-owned company has unlimited continuity because it is a legal entity that is separate from its shareholders.
- ▶ Therefore, the company continues to exist even if a shareholder dies or resigns.
- ▶ The company will only close down if it is liquidated or involved in illegal activities.

Liability

- ▶ A state-owned company is a separate legal entity and its shareholders have limited liability.
- ▶ The directors are subject to additional audits and scrutiny.

Taxation

- ▶ State-owned companies are taxed at a fixed rate of 28% on their profits.
- ▶ The company deducts a further 15% tax from the dividends of private shareholders before paying out the dividends.
- ▶ However, they can take advantage of the allowances available for companies to pay less tax.

EXAM PAPERS

EXAM PAPER 1

TOPICS: BUSINESS ENVIRONMENTS AND BUSINESS OPERATIONS

This exam paper consists of **THREE** sections and has a total of **150** marks. You have to complete it within **2** hours.

Section A is for 30 marks.

You should allow about 20 minutes to complete this section.

Section B is for 80 marks (answer any **TWO** questions of 40 marks).

You should allow about 70 minutes in total to complete this section (35 minutes per question).

Section C is for 40 marks (answer any **ONE** question of 40 marks).

You should allow about 30 minutes to complete this section.



SECTION A (COMPULSORY)

QUESTION 1

- 1.1 Various options are provided as possible answers to the following questions. Choose the correct answer and write only the letter (A - D) next to the question number (1.1.1 - 1.1.5), e.g. 1.1.6 D.
- 1.1.1 This legislation was promulgated to promote effective implementation of affirmative action.
- Labour Relations Act (LRA) No. 66 of 1995
 - Employment Equity Act (LRA) No. 55 of 1998
 - Skills Development Act (SDA) No. 97 of 1998
 - Broad-Based Black Economic Empowerment Act (BBBEE) No. 53 of 2003
- 1.1.2 A business has limited control over the components of this environment.
- micro
 - market
 - macro
 - A and C
- 1.1.3 Which **ONE** of the following is not applicable to compliance with the National Credit Act (NCA) No. 34 of 2005?
- Encouraging debtors to apply for loans regardless of their financial status
 - Conducting credit checks and affordability assessments
 - Providing contracts in plain understandable language
 - Registering the business with the National Credit Regulator (NCR)
- 1.1.4 The total performance of each department is measured against specified standards.
- quality assurance
 - quality circle
 - quality management
 - quality performance
- 1.1.5 The process within human resources of evaluating whether the CVs of applicants meet certain criteria.
- referencing
 - testing
 - screening
 - shortlisting (5 × 2 = 10)