

**HILLCREST HIGH SCHOOL**  
**BUSINESS STUDIES**  
**GRADE 11**  
**JUNE EXAMINATION 2019**  
**PAPER 1**

**MARKS: 150**

**TIME: 2 hours**

**INSTRUCTIONS:**

1. This question paper consists of **THREE** sections, namely **SECTION A, SECTION B and SECTION C.**
  - **SECTION A: COMPULSORY**
  - **SECTION B:** Consists of **THREE** questions covering Topics dealing with **Business Environments and Business Ventures.**  
Answer **ONLY TWO** questions from this section.
  - **SECTION C:** Consists of **TWO** essays covering Topics dealing with **Business Environments and Business Ventures.**  
Answer **ONLY ONE** of the TWO questions from this section.
2. Consider the time allocation for each question when answering.
3. Read the instructions for each question carefully and answer only what is required.
4. Number the answers correctly according to the numbering system used in this question paper.
5. Except where other instructions are given, answers must be in full sentences.
6. The mark allocation of each question will determine the length of your answer.
7. Start the answer to each question on a **NEW** page, for example QUESTION 1 – NEW PAGE, QUESTION 2 – NEW PAGE, QUESTION 3 – NEW PAGE et cetera.
8. Use the table below as a guide for marks and time allocation for each question.
9. **Sections A, B and C MUST be answered in the booklet provided.**

QUESTION	SECTION		MARKS	TIME
<b>1</b>	<b>A:</b>	Multiple choice questions, correct word, Matching columns	30	20mins
<b>2</b>	<b>B:</b>	<b>THREE</b> direct questions. Answer ONLY <u>TWO</u> questions	40	35mins
<b>3</b>			40	35 mins
<b>4</b>			40	35 mins
<b>5</b>	<b>C:</b>	<b>TWO</b> essay questions. Answer only <u>ONE</u> essays.	40	30 mins
<b>6</b>			40	30 mins
		<b>TOTAL</b>	<b>150</b>	<b>120 minutes</b>

**Section A- COMPULSORY**

**Answer all questions**

**QUESTION 1**

- 1.1 Four 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) in the ANSWER BOOK, for example 1.1.11 B.
- 1.1.1 The mission statement of the business is a component under the ..... environment.  
A. micro  
B. macro  
C. market  
D. political
- 1.1.2 A process where a business intentionally sends out a representative to influence high-level decision-makers on certain aspects affecting the business, is called.....  
A. strategic alliances.  
B. power relationships.  
C. lobbying.  
D. networking.
- 1.1.3 The government holds the majority of shares in this form of ownership:  
A. Harry SOC Ltd  
B. Babsi (Pty) Ltd  
C. Bekker Ltd  
D. Redklip and Son
- 1.1.4 This is a method where a business can pay for the use of an asset rather than buying it outright for itself:  
A. Outsourcing.  
B. Leasing.  
C. Royalty.  
D. Vendor.
- 1.1.5 Debonair's Pizza is an example of a business which forms part of the ..... sector.  
A. food and beverage  
B. primary  
C. secondary  
D. tertiary

(10)

1.2

Choose a description from COLUMN B that matches a term/concept in COLUMN A. Write only the letter (A - E) next to the question number (1.2.1 – 1.2.5) in the ANSWER BOOK.

	COLUMN A		COLUMN B
1.2.1	Intermediaries	A	Owners will lose all their personal possessions (assets) when the business cannot pay its creditors and is declared insolvent.
1.2.2	Unlimited liability	B	The amount of money a business owner wants for the good trade name he has built up, the customer base and the branding of the business, etc.
1.2.3	Goodwill	C	People or business that contribute to the distribution process.
1.2.4	Dividends	D	Certificate of agreement of a loan between someone and a business. This will be paid back at a specified time.
1.2.5	Debentures	E	The part of the company's profit which is allocated to shareholders.

(10)

1.3

Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (1.3.1 – 1.3.5) in the ANSWER BOOK.

- 1.3.1 People's buying power (increases/decreases) when the government lowers interest rates.
- 1.3.2 A (Company/co-operative) is a traditional way of a group of interested parties getting together and sharing resources, infrastructure and costs to achieve a better outcome.
- 1.3.3 Quarrying is a (primary/secondary) sub sector.
- 1.3.4 (Demographics/monopolies) refer to unfair competition.
- 1.3.5 (CSIR/SABS) provides assurance of quality and safety in products and services.

(10)  
[30]

**SUB-TOTAL SECTION A: 30 MARKS**

**Section B: Short questions**

Answer only **TWO** of the THREE questions. Number your work clearly and as it appears in the question paper.

**QUESTION 2 – BUSINESS ENVIRONMENT**

- 2.1 The manufacturing sector stimulates growth of many other activities in the economy, especially in the services sector and fulfils an important role in job creation and economic empowerment.
- 2.1.1 Identify the business sector of which manufacturing is a sub-sector. (2)
- 2.1.2 Apart from manufacturing, name and discuss the other two sub-sectors which fall under the business sector above. (8)
- 2.1.3 Job creation is crucial in South Africa. With job creation comes difficult employees. Discuss **FOUR** reasons for employees becoming more difficult to manage. (8)
- 2.2 South Africa has a well-established fishery sector and is a net exporter of fishery products.
- 2.2.1 Describe how the fishing sector links with the secondary and tertiary sectors. (8)
- 2.3 Identify the organisational structure described below.
- 2.3.1 This structure is mainly used by construction companies to complete different projects.
- 2.3.2 This structure is used mainly by sole traders so that they may have total control over the growth and development of the business.
- 2.3.3 This structure ranks employees at different levels within the organisation and focuses mainly on the eight business functions.
- 2.3.4 A popular organisational structure used by departmental stores such as Edgars, etc, where the structure is organised according to different products.
- 2.3.5 This structure is organised by geographic areas or regions and each region has a manger overseeing the entire business operation. (10)
- 2.4 Highlight the purpose of micro lending in South Africa. (4)
- [40]**

**QUESTION 3 – BUSINESS VENTURES**

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

**JABULANI CLOTHING LTD (JCL)**  
Jabulani Clothing Ltd was established in 2009. They manufacture active wear for major retailers in South Africa.

3.1.1 Name the Form of Ownership that Jabulani Clothing Ltd has chosen. Motivate your answer by quoting from the scenario above. (2)

3.1.2 Tabulate **FIVE** characteristics for the following Forms of Ownerships: (10)

Characteristic	Sole Trader	Close Corporation
Number of owners'		
Entity		
Continuity		
Liability		
Document		

3.2 A Co-operative is a form of business organisation where the business is owned by its members. Discuss **TWO** advantages of a Co-operative Society. (2)

3.3 Identify the parties involved in the following:

3.3.1 Franchising (2)

3.3.2 Leasing (2)

3.4 Name and explain reasons for businesses to outsource business activities. (6)

3.5 Suggest the details to be stated on a lease agreement. (4)

3.6 Describe the benefits of franchising. (6)

3.7 Give **THREE** advantages of purchasing an existing business. (6)

**QUESTION 4 – Miscellaneous**

4.1 Identify the socio-economic issues which are applicable to each scenario below.

4.1.1 An increase in the price of fuel, fertiliser and agricultural products.

4.1.2 Mr Green has been selling company stock and using the money for his personal gain.

4.1.3 Only the owner of intellectual property has the right to produce and copy their work.

- 4.1.4 Sometimes other countries will bring their excess, cheap products to the South African market.
- 4.1.5 COSATU affiliated members refuse to work in an effort to pressure employers to give in to their demands. (10)
- 4.2 Analyse the impact of piracy on businesses. (6)
- 4.3 Suggest strategies (ways in which) businesses can use to find new customers. (4)
- 4.4 Highlight the disadvantages of a Sole Trader as a form of ownership. (6)
- 4.5 Discuss the contractual rights of a lessee. (6)
- 4.6 Discuss **FOUR** functions of a Trade Union. (8)
- [40]**

**SUB-TOTAL SECTION B: 80 MARKS**

**Section C: Essays**

Answer only **ONE** of the **TWO** essay questions. Number your work clearly and as it appears in the question paper.

**QUESTION 5 – BUSINESS ENVIRONMENT**

The business environment is a marketing term and refers to factors and forces that affect a firm's ability to build and maintain successful customer relationships.

With reference to the above statement, answer the following questions:

- Explain the components of the market environment.
- Discuss **FOUR** challenges of the market environment.
- Describe ways in which a business can differentiate itself from its competitors.
- Suggest ways in which businesses can develop strong relationships with their suppliers.

(40)

**QUESTION 6 – BUSINESS VENTURES**

Robert, Maria, Lyn and Kevin are three friends who would like to use their retirement money to start a farm and provide extra lessons to the rural children between ages of 4 years and 8 years. They have all studied business subjects and have some business knowledge. They have decided to establish their own business undertaking.

Prepare a report showing the benefits and challenges of sole traders, partnerships, close corporations, and companies under the following headings:

- Establishment procedure
- Liability and legal position
- Taxation

(40)

**SUB-TOTAL SECTION C: 40 MARKS**

**PAPER TOTAL: 150 MARKS**

**BUSINESS STUDIES**  
**GRADE 11**

**JUNE EXAMINATIONS 2019**

**PAPER 1 – MARKING GUIDELINES**

**Section A- COMPULSORY**  
**Answer all questions**

**QUESTION 1**

1.1

1.1.1	A ✓✓
1.1.2	C ✓✓
1.1.3	A ✓✓
1.1.4	B ✓✓
1.1.5	D ✓✓

(10)

1.2

1.2.1	C ✓✓
1.2.2	A ✓✓
1.2.3	B ✓✓
1.2.4	E ✓✓
1.2.5	D ✓✓

(10)

1.3

1.3.1	Increases ✓✓
1.3.2	Co-operative ✓✓
1.3.3	Primary ✓✓
1.3.4	Monopolies ✓✓
1.3.5	SABS ✓✓

(10)

**[30]**

**SUB-TOTAL SECTION A: 30 MARKS**

**Section B: Short questions. Answer only **TWO** of the THREE questions.**

**QUESTION 2 – BUSINESS ENVIRONMENT**

2.1

2.1.1

Identify the business sector of which manufacturing is a sub-sector.

- Secondary sector ✓

(2)

2.1.2 Apart from manufacturing, name and discuss the other two sub-sectors which fall under the business sector above.

- Energy generation ✓✓ – All business sectors are dependent on electricity and suffer severely when electricity is unavailable. This sector draws on the primary sector for inputs such as coal-mining and provides necessary energy to the secondary sector as well as all the businesses that operate in the tertiary sector. ✓✓
- Construction ✓✓ – Construction includes the building of roads, plants, harbours, bridges etc., seeing to the provision of infrastructure in the country. ✓✓

(8)

2.1.3 Job creation is a crucial in South Africa. With job creation comes difficult employees. Discuss **FOUR** reasons for employees becoming more difficult to manage.

- The changing nature of work ✓ workplaces have changed dramatically in the last 10 years. ✓
- The current economic climate ✓ the real income of workers have decreased as a result of inflation. ✓
- Legal and government influences ✓ labour acts prescribe to business how to organise the labour force. ✓
- Competition among employees ✓ many workers compete for the same promotion in the workplace ✓ .
- Increasing unemployment ✓ workers are retrenched, with little chance of finding a new job. ✓
- Social responsibility ✓ increasing demands for education and family needs put people under pressure ✓

(8)

2.2

2.2.1 Describe how the fishing sector links with the secondary and tertiary sectors.

- The daily catch of fish is taken to the cold storages of IJ and Sea Harvest, where the fish is packed and prepared for wholesalers and retailers and direct delivery to businesses in the hospitality industry. ✓✓
- Some of the catch is taken to factories for canning, smoking and further processing. ✓✓
- A reliable transport system, modern technology and well-equipped cold-storage trucks, allow for frozen fish and are delivered fresh to businesses. ✓✓
- Financial transactions and insurance involve the use of businesses in the tertiary sector. ✓✓

(8)

2.3

2.3.1	Matrix ✓✓
2.3.2	Flat ✓✓
2.3.3	Functional ✓✓
2.3.4	Product ✓✓
2.3.5	Geographical ✓✓

(10)

2.4 Highlight the purpose of micro lending in South Africa.

- Micro-lending or micro-finance is the provision of financial services to low-income clients, including consumers and self-employed people who lack access to banking and related services such as credit, savings, insurance and fund transfers. ✓✓
- These clients tend to have insufficient financial security, and their income seldom meets the standards of regular commercial banks. ✓✓

- Micro-lending is seen as an advantage by most business organisations, as it enables low income groups to expand their buying power which stimulates the economy. ✓✓ (4) [40]

**QUESTION 3 – BUSINESS OPERATIONS**

3.1

3.1.1 Name the Form of Ownership that Jabulani Clothing Ltd has chosen. Motivate your answer by quoting from the scenario above.

- Public Company✓ - Ltd✓ (2)

3.1.2 Tabulate **FIVE** characteristics for the following Forms of Ownerships:

Characteristic	Sole Trader	Close Corporation
Number of owners' and what they are called	<b>1 owner</b> ✓	<b>1 – 10 members</b> ✓
Entity	<b>No</b>	<b>Yes</b>
Continuity	<b>No/Limited</b>	<b>Yes/Unlimited</b>
Liability	<b>Yes/Unlimited</b>	<b>No/Limited</b>
Document	<b>No/Trading licence</b>	<b>Founding Statement</b>

(10)

3.2 A Co-operative is a form of business organisation where the business is owned by its members. Discuss **TWO** advantages of a Co-operative Society.

- The liability of the members is limited. ✓
- It has unlimited continuity✓
- Members may receive greater advantages than expected because of the combined action of the members✓
- It is managed according to the requirements stipulated in the co-operatives act, which limit management. ✓

3.3 (2)

Identify the parties involved in the following:

3.3.1

Franchising

- Franchisor ✓
- Franchisee ✓ (2)

3.3.2

Leasing

- Lessor ✓
- lessee✓ (2)

3.4

Name and explain reasons for businesses to outsource business activities.

- Better use of staff:✓ A company can make better use of the time of its staff if it lets staff focus on the core purpose of their jobs. ✓✓
- Highly skilled workers required: ✓The outsourced work will have the appropriately skilled people working on the task without the company having to hire them on a permanent basis. ✓✓
- Focus on company vision and goals: If functions interfere with the core business of the company, it is better to outsource them

- Lack of resources and equipment: A company may not have the capital or may not want to purchase the equipment to perform a specific function or train staff. (6)

3.5 Suggest the details to be stated on a lease agreement.

- Names of the parties entering into the lease agreement. ✓✓
- Duration of the lease. ✓✓
- Cost – the regular monthly payments that the lessee will have to make.
- Other costs, for example insurance and maintenance. (4)

3.6 Describe the benefits of franchising.

- Franchisees and their staff receive training and continuous assistance and support from the franchisor. ✓✓
- Banks will more readily grant financial assistance to an established business and the franchisor might be willing to assist financially. ✓✓
- The product is already well known in the market due to extensive advertising. ✓✓
- Franchisees benefit from lower costs due to centralised buying by the franchisor. (6)

3.7 Give **THREE** advantages of purchasing an existing business.

- The business is established.
- The market research has already been done.
- An established customer base exists. (6)

**QUESTION 4 – Miscellaneous**

Identify the socio-economic issues which are applicable to each scenario below.

4.1	4.1.1	Inflation ✓✓	(10)
	4.1.2	Economic crime ✓✓	
	4.1.3	Copyright ✓✓	
	4.1.4	Dumping ✓✓	
	4.1.5	Strikes ✓✓	

4.2 Analyse the impact of piracy on businesses.

- The businesses lose out on sales and income. ✓✓
- The businesses lose out on productivity and profits. ✓✓
- Leads to job losses. ✓✓
- Businesses are reluctant to develop new talent due to the high risk involve. (6)

4.3 Suggest strategies businesses can use to find new customers.

- Networking in the community and with businesses offering related products ✓✓
- Word of mouth advertising, by asking for referrals from current customers ✓✓
- Electronic marketing and social networking sites.
- Continuously reviewing marketing strategies. (4)

4.4 Highlight the disadvantages of a Sole Trader as a form of ownership.

- When the owner dies, or falls ill, the business will close down, since legally there is no obligation to continue. ✓✓
- The owner is personally liable for all the debts. ✓✓
- If the owner cannot pay business debts, then his or her personal belongings will be sold to settle all outstanding debts. ✓✓
- The owner is personally liable for all the losses suffered by the business. (6)

- 4.5 Discuss the contractual rights of a lessee.
- The right to occupy the asset (e.g. property) ✓✓
  - The right to use the asset (e.g. vehicle) ✓✓
  - The lessor has the obligation to maintain and keep the premises in good condition. ✓✓ (6)

- 4.6 Discuss **FOUR** functions of a Trade Union.
- Providing job security by negotiating with management on issues such as sub-contracting and retrenchments.
  - Negotiating for higher wages, good working conditions and employee benefits.
  - Insisting on equal treatment and aiming to minimise favouritism, discrimination and abuse in the workplace.
  - Ensuring that workplaces are safe and healthy and working hours do not exceed legislative requirements.
  - Acting as a collective bargaining agent for employees.
  - Taking legal action on behalf of their members.
  - Informing employees of their rights and how to enforce these rights.
  - Educating shop stewards on how to carry out their tasks in the union. (8)

[40]

**SUB-TOTAL SECTION B: 80 MARKS**

**Section C: Essays** Answer only **ONE** of the **TWO** essay questions.

**QUESTION 5 – BUSINESS ENVIRONMENT**

Introduction: The business environment is made up of the micro, market and macro environments. ✓ The market environment is immediately outside the business and the business has partial control over this environment. ✓ Any suitable introduction.

Components of market environment

- Customers ✓ - are the final users of product and services. ✓✓ They have a major effect on business through their buying power. Social factors such as cultural, family, social class and personal factors influence customer's response in the market. Psychological factor also plays a significant role.
- Suppliers ✓ - Suppliers are the manufacturers, wholesalers and retailers or their agents who provide a business with the resources to produce products and provide services. ✓✓ A business has limited control over this variable.
- Competitors ✓ - The business has limited influence over competitors. ✓✓ Competitors are those businesses offering a similar product or service and competing for the same customers. A business can influence its competitors by offering: • better prices • better services • a unique product • a unique way of conducting business. Competition can have some benefits for the final consumer in that it keeps profits within reasonable margins, promotes higher productivity and encourages innovations. Businesses can use these opportunities to their advantage.
- Regulators ✓ A regulator is a person or organisation with official power to control an activity and to make sure that it is done in a satisfactory way. ✓✓ Businesses have no control over industry regulators, but can adhere to their standards and avoid problems.

- Strategic alliances ✓“Alliances” refers to two or more businesses that work together to allow them to obtain the expertise they lack from another business. ✓✓Strategic alliances are formed in order to give the organisations a competitive advantage in their industry.
- Trade unions ✓The objectives of trade unions are to protect and promote the interest of individuals or groups of workers within a specific industry or organisation. ✓The relationship between business and trade unions is strained by their conflicting interests and can only succeed if both parties agree to negotiate and compromise to find the best solution for all stakeholders. Although a business does not have control over the unions, businesses can influence the activities of the trade union members by altering working conditions. Businesses may use a court interdict to prevent certain labour action, e.g. an illegal strike. A court interdict is issued by the court and is a legal document that prevents a specified action. (18)

#### Four Challenges of the Marketing environment

##### Competition ✓

- Competition at both local and international levels can affect business operations. ✓✓
- Locally new competitors enter the market and businesses are challenged to keep their customer base by providing a better or cheaper product or better customer service. Internationally, it is even more difficult for businesses to assess competitors.
- Excessive competition can have a negative effect on sales, and managers are constantly faced with the challenge to cut costs in order to counteract their competitors.
- Consumers will buy from the business where they get the most value for their money.
- If a business is not able to match the quality of service/products and the price of its competitors, it will be in real danger.
- Businesses could find that they are unable to make sufficient profit when the demand is not high enough to support the supply of the same goods/ services.
- The business must ensure that it differentiates itself from its competitors in order to gain a competitive advantage.

##### Shortage of supply ✓

- If a supplier is unreliable and goods are not delivered on time, in the right quantities, of the right quality and at the right price, a shortage of supply can cause a business to lose customers, not meet its sales targets, and experience a decrease in profits, which could lead to retrenchment of employees. ✓✓
- Long-term dissatisfactions of customers can cause permanent damage to a business as it will lose its customer base.
- Dissatisfied customers can damage the reputation and threaten the future of the business.
- The business needs to plan and communicate well so that any change in goods and services needed is fulfilled on time.

##### Changes in consumer tastes and habits ✓

- Consumers can easily change their tastes and habits without any prior notice to suppliers. ✓✓
- Consumers are influenced by so many factors and are mostly unpredictable in their buying behaviour.
- Businesses must keep up with changes in consumer tastes by doing research and finding ways to influence consumers.
- Organisations try to influence customer needs and habits through advertising and publicity, but changes in the macro environment usually have a huge influence on what buyers are willing to believe.

#### Demographics and psychographic ✓

- Consumers' attitude, interest, opinions and lifestyle determine the characteristics of the consumer. ✓✓
- It is difficult to determine the demographics/psychographics of the target market because they change frequently.
- Business should be aware of the diversity of the markets and the cultural and social influences on the choices people they make.
- The challenges include collecting/interpreting information about the target market and to use the data to develop a marketing strategy.
- Business need to study the attitudes, tastes and desires of the market.
- The demographics and psychographics can change quickly and businesses need to change just as quickly if they want to retain their customers.

#### Socio-cultural factors ✓

- Socio-cultural factors in a country influence the way people behave; this will impact on businesses. ✓✓
- Factors that cause socio-cultural changes in a society are: • new technology • population shifts • availability of scarce resources • changing values regarding the role of education or the role of women in society.
- Businesses must understand different cultures, religions, social norms, values and changes within their customer base.
- People differ and their views on particular issues can be very different, even within a small area.
- Management must get to know their customers and potential customers to understand their needs and desires and to ensure their loyalty.
- This is more difficult when a business wants to enter the international market, as it will have to deal with many diverse people and cultures.

#### Unions, strikes and go slow actions

- There has been a dramatic rise in strike activity in South Africa over recent months, with far-reaching levels of impact on businesses, employees and consumers.
- The negative impact on business and productivity and the knock-on effect on households present huge challenges to businesses.
- Strike actions include: • protests • go slows • underground sit-ins.
- Strikes are a real and two-fold challenge for business: the loss of productive time from workers and the financial impact of the agreed deal after negotiation. (12)

#### Ways in which the business can differentiate itself from its competitors

- Offering a different product or service. ✓✓
- Offering a more personal service. ✓✓
- Having the lowest prices.
- Having products of a superior quality.
- Having well-trained and knowledgeable staff. (4)

#### Ways in which businesses can develop a strong relationship with their suppliers

- Management has to appoint someone reliable, ethical, a good negotiator and communicator. ✓✓
- Find and compare different suppliers. ✓✓
- Look at availability of suppliers and study their prices, quality service.
- Deliver goods on time/in right quantities/right qualities/right price.
- Choose a supplier that is B-BBEE compliant.
- Businesses enter into contract with certain supplier of product or service.
- Ensure suppliers are paid promptly.
- Not abusing their relationship by consciously returning goods. (4)

Conclusion: The market environment poses challenges to a business and the business has to pay careful attention to them because they are not as easy to manipulate as the challenges of the micro environment. ✓✓ Any suitable conclusion.

Facts	32
Layout	2
Analysis	2
Synthesis	2
Originality	2

## **QUESTION 6 – BUSINESS VENTURES**

Introduction: Choosing the correct form of business is vital for an entrepreneur to be successful. New young entrepreneurs should ensure they have all the information on hand about each form of ownership before making a decision. Any suitable introduction. ✓✓

Sole traders

Establishment procedures

- This is the simplest and most cost-effective way to start a business. ✓✓
- The person owns the business and can choose to either manage it alone or employ a manager. ✓✓

Liability and legal position

- The owner is personally responsible for the debts of the business. ✓✓
- A sole trader has unlimited liability to cover the debts of the business.
- The owner can lose all his or her personal possessions when the business is declared insolvent (bankrupt).
- There is no continuity of the business, because it ceases to exist when the owner dies or retires.

Taxation

- The business is not taxed, but the owner is taxed personally on the profit of the business. ✓✓
- Taxation is calculated on a sliding scale, depending on how much profit is made.

(8)

Partnerships

Establishment procedures

- A partnership is easy and inexpensive to establish. ✓✓
- Partners enter into a verbal, tacit or written partnership agreement. ✓✓
- Partners should draw up a partnership contract, dealing with the following issues:
  - ❖ name of the partnership and partners
  - ❖ duties and rights of each partner
  - ❖ dispute settlement procedures
  - ❖ contribution of each partner (capital, assets or skills)
  - ❖ salaries, interest and withdrawals by the partners.
- Partners share the responsibility of management, thus reducing the burden on individual partners.

Liability and legal position

- Partners' liability is unlimited and each partner is jointly and severally liable for business debts. ✓✓
- A change in ownership due to death or resignation of a partner, or the addition of a new partner, results in the partnership dissolving.

## Taxation

- The partnership is not taxed, but the partners are taxed on the profit they receive. ✓✓
- Taxation is calculated on a sliding scale.

(8)

## Close corporations (CC)

### Establishment procedure

- As from 1 May 2011, no new close corporations can be established in South Africa, but there are a number of existing close corporations which have the option to convert into a private company. The act also makes provision for dormant ccs to be bought and established into a new operational cc.
- A Founding Statement had to be completed and registered with the Registrar. ✓✓  
The Founding Statement includes the following:
  - ❖ full name of the close corporation, ending with the letters CC ✓✓
  - ❖ the postal and physical address of the registered office
  - ❖ the principle business activity it will engage in
  - ❖ The names, identity numbers and addresses of all members and their contribution
  - ❖ each member's interest in the close corporation, expressed as a percentage
  - ❖ the name of the accounting officer.

An Association Agreement can be drawn up between members of the close corporation. This is an internal agreement between the members of a close corporation, regulating the internal activities of members with regards to meetings, duties, roles and responsibilities. If members decide to convert the close corporation into a company, they must:

lodge a notice of conversion

provide a certified copy of a special resolution by members approving the conversion

provide a new Memorandum of Incorporation

pay a filing fee before a notice of conversion is published.

### Liability and legal position

- Members have limited liability because they are not responsible for the debts of the close corporation. ✓✓
- The close corporation is regarded as a legal entity and enters into transactions in its own name.

## Taxation

- Close corporations' profits are taxed at a fixed rate. ✓✓

(8)

## Companies

### Establishment of companies

- In South Africa all companies need to comply (adhere to) to the terms of the Companies Act of 71 of 2008. ✓✓
- Companies have a more complicated procedure to follow and it is more expensive than other forms of ownership. ✓✓
- Companies are legal entities.
- To register new company, only a single registration document, the Memorandum of Incorporation, is needed.

### Liability

- Limited liability means that the owners, i.e. the shareholders, are only liable for the amount that they have invested in the company. For example, if an individual invested R1 000 in a company by buying shares and the company is declared

insolvent, the investor would only lose the original investment of R1 000 or the current value thereof. ✓✓

- The shareholder is not legally obliged to pay any of the debts of the company.

Taxation

- Companies' profits are taxed at a fixed rate. ✓✓
- The company tax rate may vary yearly, as determined by the Minister of Finance.

(8)

Conclusion: Entrepreneurs can always change their form of ownership as the business expands. Entrepreneurs can also choose according to the market, capital requirements etc. any suitable answers. ✓✓

FACTS	32
Layout	2
Analysis	2
Synthesis	2
Originality	2

**SUB-TOTAL SECTION C: 40 MARKS**

**PAPER TOTAL: 150 MARKS**

**BLOOMS TAXONOMY**

	LEVEL 1	LEVEL 2	LEVEL 3
<b>SECTION A</b>			
QUESTION 1.1	3	5	2
1.2	3	5	2
1.3	3	5	2
	<b>9</b>	<b>15</b>	<b>6</b>
<b>SECTION B</b>			
QUESTION 2			
2.1.1	1		
2.1.2	3	6	
2.1.3			6
2.2.1	2	6	
2.3	6	4	
2.4		4	2
	<b>12</b>	<b>20</b>	<b>8</b>
QUESTION 3			
3.1.1	2	1	
3.1.2	4	4	2
3.1.3	2	4	
3.1.4	2	7	
3.2	2	4	
3.3.1			6
	<b>12</b>	<b>20</b>	<b>8</b>
QUESTION 4			
4.1	2	8	
4.2			6
4.3		2	2
4.4.1	2		

4.4.2	4	4	
4.5	2	2	
4.6	2	4	
	<b>12</b>	<b>20</b>	<b>8</b>
QUESTION 5	12	20	8
QUESTION 6	12	20	8