



**HILLCREST HIGH SCHOOL  
BUSINESS STUDIES  
GRADE 10  
NOVEMBER 2018  
PAPER 1**

**2 HOURS**

**150 MARKS**

## INSTRUCTIONS:

- 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 Operations**.  
Answer **ONLY TWO** questions from this section.
  - SECTION C:** Consists of **TWO** essays covering Topics dealing with **Business Environments and Business Operations**.  
Answer **ONLY ONE** of the TWO questions from this section.
- Consider the time allocation for each question when answering.
- Read the instructions for each question carefully and answer only what is required.
- Number the answers correctly according to the numbering system used in this question paper.
- Except where other instructions are given, answers must be in full sentences.
- The mark allocation of each question will determine the length of your answer.
- Use the table below as a guide for marks and time allocation for each question.
- Sections A, B and C MUST be answered in the booklet provided.**

QUESTION	SECTION		MARKS	TIME
1	A:	Multiple choice questions, correct word, Matching columns	30	20mins
2	B:	<b>THREE</b> direct questions. Answer ONLY <u>TWO</u> questions	40	35mins
3			40	35 mins
4			40	35 mins
5	C:	<b>TWO</b> essay questions. Answer only <u>ONE</u> essay.	40	30 mins
6			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 answer and write only the letter (A – D) next to the question number (1.1.1 – 1.1.10) in the ANSWER BOOK, for example 1.1.11 B.
- 1.1.1 Organisational resources that include computers, voice-mail and email are ..... resources.
- A. human
  - B. technological
  - C. physical
  - D. financial
- 1.1.2 If a competitor brings out a product at a lower price, it would not directly influence the ..... of your business.
- A. number of sales
  - B. intermediaries
  - C. suppliers
  - D. customers
- 1.1.3 Which act created a mechanism to resolve disputes between employer and employee?
- A. Labour Relations Act
  - B. Basic Conditions of Employment Act
  - C. Environmental Conservation Act
  - D. Occupational Health and Safety Act
- 1.1.4 If the government increased the minimum wage for workers, which of the following will not be affected?
- A. Macro/social environment
  - B. Technology
  - C. Price of final goods.
  - D. Consumers
- 1.1.5 Illovo Sugar South Africa belongs to the ..... sector.
- A. primary
  - B. tertiary
  - C. informal

D. manufacturing

1.1.6 The business function that is most likely to work closely with public relations is the:

- A. production function
- B. financial function
- C. marketing function
- D. human resources function

1.1.7 The process of allocating a business function to a third party is referred to as

- A. problem solving
- B. outsourcing
- C. directing
- D. delegating

1.1.8 ..... distributes goods and renders services.

- A. The primary sector
- B. The secondary sector
- C. The tertiary sector
- D. The community sector

1.1.9 Stock control is NOT used for this purpose.

- A. To determine the quantity of stock available
- B. To make sure there is enough stock
- C. To determine the overall value of the stock.
- D. To make sure the quality of the stock meets the business's standards and surpasses the quality of competing products.

1.1.10 This business function includes finding the correct staff for the business.

- A. Human resources
- B. General management
- C. Public relations
- D. Marketing

(20)

1.2 Choose a description from COLUMN B that matches a term/concept in COLUMN A. Write only the letter (A - F) next to the question number (1.2.1 – 1.2.5) in the ANSWER BOOK, for example, 1.2.6 G

	<b>COLUMN A</b>		<b>COLUMN B</b>
1.2.1	Bargaining power	A	Act as warehouses for the collating, accumulating and accurate keeping of information as provided by all credit providers.
1.2.2	Multinational	B	The degree of excellence to which a product or service satisfies the required needs of customers.
1.2.3	Credit bureau	C	The protection of consumer rights.

1.2.4	Budgeting	D	The power of consumers to negotiate a better price.
1.2.5	Quality	E	Is a financial plan according to which resources for specific activities are issued.
		F	Businesses that operate in several countries.

(10)

[30]

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

**SECTION B:– ANSWER TWO QUESTIONS ONLY**

**QUESTION 2 – BUSINESS ENVIRONMENT**

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

General Thusi Manufacturers (GTM) is a large manufacturing business based in Vryheid. The communities around GTM are faced with many socio-economic challenges. Some of the challenges is poverty, violence, gambling and HIV/Aids. GTM is labour intensive and most of its employees come from these communities. GTM will also like to change company policy to include a diverse workforce.

- 2.1.1 Provide the definition of socio-economic issues. (2)
- 2.1.2 Analyse the impact of the above challenges on businesses such as GTM. (4)
- 2.1.3 Explain **THREE** examples in which GTM can improve inclusivity in its business. (9)
- 2.1.4 Advise GMT on **TWO** work related factors that may contribute to workplace violence. (4)
- 2.1.5 Name the institution that can assist GTM to get help for employees who are addicted to gambling. (1)
- 2.1.6 Discuss the effect of unproductive labour force on businesses. (8)
- 2.2 Highlight the **FOUR** types of consumer products available and provide **ONE** example for each one. (8)
- 2.3 Explain the advantages and or the disadvantages of businesses in the informal sector. (4)

[40]

### **QUESTION 3 – BUSINESS OPERATIONS**

3.1 Read the following scenario and answer the questions to follow.

Siddiqui Blackenberg has been the General Manager for a large retail outlet. Recently the business has employed new graduates to take over some of the business functions. Its Siddiqui's job to train them. Help Siddiqui by providing information on the following questions.

- 3.1.1 Name the **TWO** types of capital and give **ONE** example of each types of capital. (4)
- 3.1.2 Name and explain the **FOUR** functions of Management. (8)
- 3.1.3 Advise the Purchasing manager of the **TWO** types of stock control systems. Explain each one. (4)
- 3.1.4 Highlight the main purpose of the production and operations function. (2)
- 3.1.5 Suggest **TWO** ways that businesses can use the information provided by the administration and information function. (2)
- 3.1.6 Discuss the **FOUR** phases a business can use to set its price. (8)
- 3.2 Using your knowledge of the levels of management, complete the table below. Write the letter and the correct answer next to it.

	Top level	Middle level	Lower level
Type of decisions	A	B	C
Job position	D	E	F
Type of skill/s	G	H	I

- 3.3 Name **THREE** steps in the purchasing function procedure. (3)
- [40]**

### **QUESTION 4 – MISCELLANEOUS**

- 4.1 Name and explain the **THREE** key issues that makes up a business's organisational culture. (6)
- 4.2 Explain the difference between Management and Leadership. (4)
- 4.3 Describe any **TWO** organisational resources an entrepreneur needs to have to start a business. (6)
- 4.4 Discuss transport as an auxiliary service in the tertiary sector. (4)
- 4.5 Describe **THREE** objectives of the National Credit Act. (6)

- 4.6 Analyse the importance of having quality business image in the public relations function. (4)
- 4.7 Highlight **FOUR** secondary production goals that is part of the production function. (4)
- 4.8 Advise businesses on any **TWO** key areas they should be aware of as defined by The National Consumer Protection Act 68 of 2008. (6)

[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 ENVIRONMENTS**

The task of management is to identify components and features of the macro-environment that are likely to have an impact on the success of its business and work out ways to deal with them.

In an essay, discuss fully the components of the macro environment and its impact on businesses.

(40)

**QUESTION 6 – BUSINESS OPERATIONS**

All businesses need enough capital to finance its assets, resources and services to function properly.

Discuss the two main sources of finance (i.e. short-term finance and long-term finance) that are available to businesses today.

(40)

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

**PAPER TOTAL: 150 MARKS**



**GRADE 10 BUSINESS STUDIES**

**NOVEMBER EXAMINATIONS 2018**

**PAPER 1**

**MARKING GUIDELINES**

**MARKS: 150**

**TIME: 2 hours**

**Section A- COMPULSORY**

**Answer all questions**

**QUESTION 1**

1.1

1.1.1	B ✓✓
1.1.2	C ✓✓
1.1.3	A ✓✓
1.1.4	B ✓✓
1.1.5	D ✓✓
1.1.6	C ✓✓
1.1.7	B ✓✓
1.1.8	C ✓✓
1.1.9	C ✓✓
1.1.10	A ✓✓

(20)

1.2

1.2.1	D ✓✓
1.2.2	F ✓✓
1.2.3	A ✓✓
1.2.4	E ✓✓
1.2.5	A ✓✓

(10)

**[30]**

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

## SECTION B:– ANSWER TWO QUESTIONS ONLY

### QUESTION 2 – BUSINESS ENVIRONMENT

- 2.1 Read the scenario below and answer the questions that follow.
- 2.1.1 Provide the definition of socio-economic issues. (2)
- Problems that come from social (people) and economic (money) circumstances. ✓✓
- 2.1.2 Analyse the impact of the above challenges on businesses such as GMT. (4)
- The environment in which the business is makes it unsafe and unsuitable. ✓✓
  - Business may not be able to sustain itself in this environment in the long term. ✓✓
  - The business will have to increase security, spend money on retraining etc.
  - Production deadlines can be jeopardised as workers do not attend work regularly.
  - Any suitable answer.
- 2.1.3 Explain **THREE** examples in which GMT can improve inclusivity in its business. (9)
- Gender✓ – Inclusivity has increased in many workplaces by including women in leadership positions and decision making. ✓✓
  - Sexuality✓ –Employees are treated fairly regardless of their sexual orientation. ✓✓
  - HIV/Aids✓ – To raise awareness about the epidemic, it is important for all businesses to have workplace HIV/Aids policies and programmes, including how to prevent the spread of HIV and, most importantly, how to care for people living with HIV/Aids. ✓✓
  - (Dis)ability – People with disabilities are still not fully absorbed into the job market. The Wits Language School encourages people to learn sign language to communicate with deaf colleagues.
  - Race – Organisations need to ensure that as many race groups as possible are represented in the workplace.
- 2.1.4 Advise GMT on **TWO** work related factors that may contribute to workplace violence. (4)
- If employees are emotionally unstable or who lack self-confidence. ✓✓
  - If alcohol or drugs are consumed premises. ✓✓
  - Where employees work alone or in small numbers in isolated areas such as storerooms or washrooms.
  - In community-based jobs such as nursing, social work and correctional services.
- 2.1.5 Name the institution that can assist GMT to get help for employees who are addicted to gambling. (1)
- Gamblers Anonymous✓
  - National Council on Problem Gambling

- 2.1.6 Discuss the effect of unproductive labour force on businesses.
- Unproductive labour force is a major stumbling block to economic growth and sustainability. ✓✓
  - It leads to a decrease in productivity and a drop in profits which makes it more difficult for businesses to survive an economic recession. ✓✓
  - It impairs the quality of customer service and makes businesses less competitive. ✓✓
  - Unproductive labour force pushes up production costs and makes way for cost-efficient foreign competitors who employ highly qualified, skilled and motivated people. ✓✓
  - It increases the cost of labour (South Africa has among the highest in the world)
  - It has a spiral effect on businesses and even foreign businesses in South Africa, which make use of the South African labour force, face the same problems as local business (8)
  - It could result in decreased employment opportunities if businesses switch over to advanced technology to replace labourers.
- 2.2 Highlight the **FOUR** types of consumer products available and provide **ONE** example for each one.
- Durable products ✓ e.g. TV sets✓, washing machines, dishwashers etc.
  - Semi-durable products ✓ e.g. furniture✓, clothing
  - Non-durable products ✓ e.g. newspaper ✓, food
  - Services ✓ e.g. repairs✓, consultancy (8)
- 2.3 Explain the advantages and or the disadvantages of businesses in the informal sector.
- No protection is rendered to employees as health and safety rules are not applied. ✓✓
  - Income is inconsistent. ✓✓
  - The socio-economic impact of unemployment is cushioned.
  - Entrepreneurs are their own boss.
  - Could be absorbed by the formal sector. (4)
  - Could be appointed as sub-contractors.

[40]

### **QUESTION 3 – BUSINESS OPERATIONS**

- 3.1 Read the following scenario and answer the questions to follow.
- 3.1.1 Name the **TWO** types of capital and give **ONE** example of each types of capital.
- Fixed capital ✓ e.g. office equipment ✓, vehicles, premises.
  - Working capital ✓ e.g. stock✓, deposits on water and capital, debtors (4)
- 3.1.2 Name and explain the functions of Management.
- Planning✓ Select goals and ways to attain them. ✓
  - Organising ✓ Assign responsibility for tasks. ✓
  - Leading✓ Use influence to motivate. ✓
  - Controlling✓ Monitor activities and make corrections. (8)

- 3.1.3 Advise the Purchasing manager of the **TWO** types of stock control systems. Explain each one.
- Just in time (JIT)✓ – Raw materials are ordered when and where needed.✓
  - Fixed order ✓ – Stock is replaced when stock drops to a certain level✓
- (6)
- 3.1.4 Highlight the main purpose of the production and operations function.
- The production and operations function is to transfer labour, capital, raw materials and entrepreneurship into products and services. ✓✓
- (2)
- 3.1.5 Suggest **TWO** ways that businesses can use the information provided by the administration and information function.
- research and development of products and services ✓
  - planning, projecting or budgeting ahead ✓
  - decision-making processes.
- (2)
- 3.1.6 Discuss the **FOUR** phases a business can use to set its price.
- The first phase is to determine the cost price of the product.✓✓
  - The second phase is to determine the price that consumers will be prepared to pay .✓✓
  - The third phase is to determine how large the profit must be to get a good return on the original capital layout. ✓✓
  - The last phase is to determine the final price✓✓.
- (8)

3.2

A	Strategic decision ✓
B	Tactical decision ✓
C	Operational/Supervision and motivation ✓
D	CEO/General Manager ✓
E	Manager (of department)✓
F	Supervisor ✓
G	Conceptual/Interpersonal ✓
H	Conceptual/Interpersonal/Technical✓
I	Interpersonal/Technical ✓

(9)

- 3.3 Name **THREE** steps in the purchasing function procedure.
- Step 1 – A need arises✓
  - Step 2 – Place an order✓
  - Step 3 – Supplier processes order✓
  - Step 4 – Finalising the transaction
- (3)

**[40]**

## QUESTION 4 – MISCELLANEOUS

- 4.1 Name and explain the **THREE** key issues that makes up a business's organisational culture.
- Values ✓ the moral characteristics that are important to an organisation. ✓
  - Beliefs ✓ what an organisation feels is true. ✓
  - Purpose ✓ the aims or goals of an organisation. ✓
- (6)
- 4.2 Explain the difference between Management and Leadership.
- Management is the process by which an individual guides and directs the organisation to reach its objectives. ✓✓
  - Leadership is the way in which an individual guides and directs the organisation to reach its objectives. ✓✓
- (4)
- 4.3 Describe any **TWO** organisational resources an entrepreneur needs to have to start a business.
- Human resources ✓ – people with knowledge and skills such as employees, consultants and managers. ✓✓ They contribute towards achieving the goals and success of the business.
  - Physical resources ✓ (also known as operating resources) – include raw materials, office furniture, equipment, machinery, delivery vehicles as well as the premises (building or plant) necessary to operate the business successfully. ✓✓
  - Financial resources – in the form of cash, bank overdrafts, short and medium-term loans. These financial resources are necessary to buy stock or raw materials for the business and to pay everyday expenses such as water, electricity, stationery, wages and salaries to run the business.
  - Technological resources – include computers, voice mail and e-mail or production technology. Production technology could give the business an advantage over its competitors, so it needs to be protected by patent right or copyright to prevent competitors from imitating it.
- (6)
- 4.4 Discuss transport as an auxiliary service in the tertiary sector.
- Transport is the movement of goods from the manufacturer to the wholesaler, retailer and consumer. ✓✓
  - Modes of transport include road, rail, air, water and pipeline transport. ✓✓
  - To select the best mode of transport, the business must consider cost, speed and flexibility.
  - For example, air transport is most suitable for perishable goods with a high selling value, such as flowers and medicines.
- (4)
- 4.5 Describe **THREE** objectives of the National Credit Act.
- promote a fair and non-discriminating marketplace for access to credit ✓✓
  - prohibit unfair credit-lending practices ✓✓
  - promote responsible credit-granting practices by credit providers ✓✓
  - prohibit reckless credit-granting
  - promote black economic empowerment and ownership provide for debt restructuring in cases of over-indebtedness.
- (6)

- 4.6 Analyse the importance of having quality business image in the public relations function.
- A poor business image creates the impression that the products and services from the business are also of poor quality. ✓✓
  - Customers associate the image of the business with the quality of the product or service they expect to receive. ✓✓
  - Large businesses have more funds at their disposal to improve the image of their business, from the appearance of their premises to the presentation of their staff.
  - Smaller businesses have fewer funds at their disposal for image, which could put the business at a disadvantage, depending on the customer type. (4)
- 4.7 Highlight **FOUR** secondary production goals that is part of the production function.
- The characteristics of the product ✓
  - Product quality ✓
  - The production process ✓
  - Product quantity to satisfy the needs of enough consumers ✓
  - Productivity and efficiency
  - Customer service (4)
- 4.8 Advise businesses on any **TWO** key areas they should be aware of as defined by The National Consumer Protection Act 68 of 2008.
- Products and services ✓ - all products must be clearly marked with the correct price. ✓✓ The quality of products must be of fair value and safe for human consumption.
  - Marketing ✓ - incentives may not be offered to customers who refer potential customers. ✓✓ Overselling will not be allowed. This will affect airlines and hotels which sell more accommodation and seats than they actually have.
  - Operational – all contracts must be written in plain language so that it can be understood by customers. If the business delivers more items than ordered, then the customer can keep the extras at no charge. A refund plus interest may be claimed and credit vouchers are insufficient.
  - Returning goods – consumers are allowed to return goods if they were not allowed to examine them before purchase. (6)

[40]

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

**QUESTION 5 – BUSINESS ENVIRONMENTS**

Introduction: The macro environment is outside the business✓. Businesses are unable to control the components of this environment but can influence it. ✓ Any suitable introduction. (40)

Natural and physical environment ✓

- South Africa produces sufficient food to supply local markets and can export products such as sugar, maize and fruit. ✓✓
- South Africa is also rich in natural resources, e.g. mineral resources, and an abundance of marine life. ✓✓
- It is vital that we protect our ecology, including our agriculture and natural resources.
- Our marine life is threatened by European and Japanese fishing companies that sometimes fish in our waters illegally.
- Environmental groups and the government contribute towards the conservation of the environment by minimising chemical and refuse pollution.
- Government imposes heavy fines on companies that dump toxic waste.
- Owing to the environmental danger posed by mining, the issuing of prospecting licences must include environmental rehabilitation measures.

Economic environment ✓

- Economic changes in the macro-environment affect businesses. ✓✓
- For example, if the rand becomes stronger against foreign currencies, businesses pay less to import raw materials, computer components and products. ✓✓
- This reduces costs and gives the business greater profits.
- However, if the rand becomes weaker, businesses are more likely to be able to export products successfully.
- Political changes as part of the macro-environment in South Africa have had a positive effect on the economy, and thus a positive effect on business.
- Employees can also contribute to economic growth by being productive.

Social, cultural and demographic environment ✓

- The social or demographic environment includes the characteristics of the society in which the business operates. ✓✓
- Businesses need to monitor the demographics, trends and developments of their markets, because this is where opportunities and threats originate. ✓✓
- Managers need to analyse age profiles, family structures, population growth, educational qualifications and contribution toward the Gross Domestic Product (GDP).
- The bigger the population, the bigger the potential market and supply of labour.
- Threats to businesses include unemployment, crime and violence. Unemployment is a threat because it means that there are many potential customers with no money to spend.
- Understanding the cultural environment is critical for managers to be successful in their business.

- Managers also need to be flexible when dealing with foreign employees and need to recognise that there will be differences in background and approach to work.
- The demographic environment has changed tremendously. For example, due to advanced medicine, people live longer, with the result that organisations have now identified a target market for an ageing population with its own particular needs.

#### Technological environment ✓

- The technological environment has shown the fastest changes of all the macro-environment factors as new technologies constantly develop. ✓✓
- These developments provide businesses with opportunities as well as threats. ✓✓
- The most successful businesses are those that are willing and able to adapt to these new developments. ✓✓
- It is important for any business to predict changes in technology and when new technologies will be economically feasible.
- Water scarcity is predicted to be one of the most important global challenges in future.
- A company in the United States invented a water cooling system called 3D Trasar which is being used by industries in South Africa.
- This system reduces industrial water usage and saves energy.
- Operations technology improves the entire production process by substituting human labour with machinery, such as electronic and computer equipment as well as robots.
- Information technology also has a positive effect on the internal operations of a business. E.g. computers store a vast amount of data and information.

#### Legal environment ✓

- The legal component of the macro-environment consists of legislation that has been passed. ✓✓
- This includes the rules and laws that individuals and the private and public sector must obey. ✓✓
- Examples of legislation related to businesses, The Environment Conservation Act, The Occupational and Safety Act, The Labour Relations Act, etc.
- These laws are put in place to control business operations and provide guidelines for procedures.
- All companies are required to register with the Registrar of Companies and pay taxes.
- Many businesses are also restricted in their advertising and trade.

#### Political environment ✓

- The political environment refers to the fact that the public elect the government. ✓✓
- South Africa has been through a period of major political change. ✓✓
- Establishing a government of national unity has brought relative political stability.
- This means that international businesses and other countries have invested in businesses in South Africa.

- This has created jobs and helped economic growth.
- The changed political feeling has allowed for the economic empowerment of people of all races, especially those who had no privileges under apartheid rule.
- Black empowerment ensures that a previously disadvantaged sector of the community is able to grow in economic power.
- This means that the national wealth will be more widely distributed, with an increased portion belonging to black-owned enterprises.

#### Institutional environment ✓

- The institutional environment includes local authorities (municipalities), regional authorities and central government. ✓✓
- Businesses may have a direct or indirect link to these institutions. ✓✓
- Government is a major supplier of goods and services such as health and education, which are provided free to consumers and paid for out of taxation.
- Government is a buyer of goods and services. For example, a cut in spending on government hospitals has a major impact on the companies that provide the government with medical equipment.
- The state acts to regulate and guide the private sector of the economy by introducing programmes such as GEAR (Growth, Employment and Redistribution) and the industrial development programme (IDP).
- Government also intervenes in the economy.

#### The International Environment ✓

- The international environment includes other countries' laws, cultures, economics and politics. ✓✓
- Businesses that operate internationally are in a complex environment, because every country has its own environmental factors such as technology, economy, laws, politics, markets and competition. ✓✓
- The international environment has an important influence on local businesses.
- Developing countries, such as South Africa, depend on developed countries for the import of technology and skilled labourers.
- This is a disadvantage for the growth of our economy.
- In order to be a bigger player in the international environment, South Africa has to produce more goods to export, so that we can increase our foreign income and strengthen the value of our currency.

Conclusion: It is vital the businesses consider the macro environment in their planning and be able to understand this environment. ✓✓ Any suitable conclusion.

Facts	32
Layout	2
Analysis	2
Synthesis	2
Originality	2

## **QUESTION 6 – BUSINESS OPERATIONS**

All businesses need enough capital to finance its assets, resources and services to function properly.

Discuss the two main sources of finance (i.e. short-term finance and long-term finance) that are available to businesses today.

### INTRODUCTION

A business has a variety of options available to source finance for its long term and short term needs. ✓ A large business would have more options available to it than a small business with only one or a few partners. ✓ Any relevant introduction. (2)

### BODY

#### SOURCES OF WORKING CAPITAL (SHORT-TERM FINANCE)

##### **Short-term loans** ✓

Money borrowed over a short period, e.g. twelve months. Interest will be paid on the loan, which is normally used for a specific need in the business. ✓✓

##### **Overdrafts** ✓

Granted by a bank to a business to overspend on its existing bank account, up to a specified limit. The business will have to pay interest on the amount borrowed. ✓✓

##### **Trade credit** ✓

Granted by a supplier to the business, whereby payment for the goods is postponed for 30 days, 60 days or longer, depending on the agreement. ✓✓

##### **Accruals** ✓

Expenses which are not paid at the beginning of the month as services need to be provided first, e.g. salaries/wages. ✓✓

##### **Factoring of debtors** ✓

Occurs when a business takes its book of debtors (people who owe the business money) and sells it to a factor such as a bank or other financial institution, in exchange for short-term capital needed by the business. The factoring company then takes over the administration of the debt collecting. (Customers have knowledge of this). ✓✓

##### **Invoicing discounting** ✓

This is similar to factoring, (selling debtors to a financial institution) but in this case the business does all the administrative work involved in collecting the debt. (Customers do not have knowledge of this). ✓✓

(5 x 3 = 15)

#### SOURCES OF FIXED CAPITAL (LONG-TERM FINANCE)

##### **Selling shares (own capital /equity finance).** ✓

- PREFERENCE SHARES ✓
  - Preference shareholders obtain a fixed rate of dividend, which is paid before any other shareholder receives a dividend. ✓✓
- ORDINARY SHARES ✓
  - These are paid after preference shares ✓✓

**Issuing debentures (borrowed capital/Debt finance) ✓**

Debentures are certificates issued to a person from whom a public company has borrowed money. ✓✓

**Reserve fund ✓**

Money set aside from the profit for expansion or emergencies in the business. ✓✓

**Mortgage loans (Bonds/Debt finance) ✓**

Using fixed property as security to obtain the loan. ✓✓

**Leasing (Debt finance) ✓**

The leasing company owns or buys the asset, which is then leased to the business. In this way, the business does not have to lay out large amounts of capital to buy the asset, but still has the benefit of the use of the goods (e.g. a fleet of cars) for a fixed period. The business pays a rental per month for the use of the asset. ✓✓

$$(5 \times 3 = 15)$$

**CONCLUSION**

The short-term finance is needed for paying expenses such as wages and stock. ✓ The long term finance is needed for capital items such as equipment and buildings. ✓

Managers need to prepare a budget to avoid a shortfall in funds to pay for expenses and assets. ✓ (max 2)

Facts	32
Layout	2
Analysis	2
Synthesis	2
Originality	2

(40)

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

**PAPER TOTAL: 150 MARKS**

BLOOMS TAXONOMY  
PAPER 1

	LEVEL 1	LEVEL 2	LEVEL 3
<b>SECTION A</b>			
QUESTION 1.1	6	10	4
1.2	3	5	2
	<b>9</b>	<b>15</b>	<b>6</b>
<b>SECTION B</b>			
QUESTION 2			
2.1.1	2		
2.1.2			4
2.1.3	1	8	
2.1.4			4
2.1.5	1		
2.1.6	2	6	
2.2	4	4	
2.3	2	2	
	<b>12</b>	<b>20</b>	<b>8</b>
QUESTION 3			
3.1.1	2	2	
3.1.2	3	3	
3.1.3			6
3.1.4		2	
3.1.5			2
3.1.6	2	6	
3.2	3	6	
3.3	2	1	
	<b>12</b>	<b>20</b>	<b>8</b>
QUESTION 4			
4.1	2	4	
4.2	2	2	
4.3	2	4	
4.4		4	
4.5	2	4	
4.6			4
4.7	4		
4.8		2	4
	<b>12</b>	<b>20</b>	<b>8</b>
QUESTION 5	12	20	8
QUESTION 6	12	20	8