higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

NEW VENTURE CREATION
NQF LEVEL 4

(3011034**)**

22 November 2018 (Y-Paper)
13:00–16:00

This question paper consists of 8 pages.

NCV

TIME: 3 HOURS
MARKS: 200

Clearly cross out all work you do NOT want to be marked.

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions.
2. Read ALL the questions carefully.
3. Number the answers according to the numbering system used in this question paper.
4. Start EACH question on a NEW page.
5. Write neatly and legibly.

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SECTION A

QUESTION 1

1.1 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'True' or 'False' next to the question number (1.1.1–1.1.10) in the ANSWER BOOK.

1.1.1 In the business world, the internet can be used to search for suppliers.

1.1.2 A cash flow statement is a way to determine what money is coming in or going out of the business.

1.1.3 Machinery, equipment, office furniture and vehicles are examples of start-up costs.

1.1.4 When lending money you need to consider the rate of interest charged.

1.1.5 Marketing and advertising must be truthful and transparent.

1.1.6 The Income Tax Act stipulates that businesses pay tax on their profits.

1.1.7 Employees need to pay 2% of their earnings to the UIF.

1.1.8 Customers' demands influence profitability.

1.1.9 Traditional costing is used to establish the cost price of a product.

1.1.10 Wages is an example of fixed costs.

(10 × 1) (10)

1.2 Complete the following sentences by filling in the missing word or words. Write only the word or words next to the question number (1.2.1–1.2.10) in the ANSWER BOOK.

1.2.1 Convenience, security and sufficient usable space are points to be considered when choosing a …

1.2.2 The difference between the sales value generated from a product and the cost of producing that product is called …

1.2.3 Stock is an example of a … asset.

1.2.4 Funds borrowed from external sources on which you pay interest are called …

1.2.5 A loan from family or friends is called …

1.2.6 Interaction with … is included in the code of conduct.

1.2.7 The … aims to develop skills, to improve training in the workplace and to improve the employment prospects of work seekers.

1.2.8 Businesses proceed through a continuous cycle of trading; this is called a …

1.2.9 A process that gives a range of suppliers the opportunity to quote is called …

1.2.10 Rent is an example of a … cost.

(10 × 1) (10)
[20]

TOTAL SECTION A: 20

SECTION B

Read the scenario below and answer QUESTIONS 2, 3 and 4.

SANDRA MASSAGE PARLOUR



Sandra is a qualified massage therapist (masseuse) and runs her own business in Cape Town. Among her clients are top executives who need to arrange monthly appointments for a head, neck and shoulder massage. Her clients often say that they look forward to the massage as it revives them from the stress of the business world.

After doing a survey among her clients, Sandra decided to expand her business to offer massages to executives and their employees at their places of employment. She is going to purchase a large truck which she will customise to her needs and then visit businesses to do the massages on their premises at set days and times in the mobile massage unit. Sandra will need to employ additional staff to drive the truck and work in the mobile unit.

This will reduce the need for her clients to spend time commuting to her premises and she will be able to see more customers. Customers may schedule massages during lunch and tea breaks.

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QUESTION 2

2.1 2.1.1 Explain the term *financial risk.* (2)

2.1.2 Give TWO examples of financial risk that may apply to Sandra's business. (4)

2.1.3 Give TWO examples of the risk associated with Sandra being an employer. (4)

2.1.4 Give TWO examples of risk associated with stock and other business assets in Sandra's business. (4)

2.2 Draw a breakeven graph showing the following: fixed costs, variable costs, total costs, income from sales, profit, breakeven point. (6 × 2) (12)

2.3 Briefly explain TWO items that need to be included in Sandra's business code of conduct that must be communicated to all employees. (4)

[30]

QUESTION 3

3.1 Explain TWO advantages of long-term bank loans to Sandra. (4)

3.2 Explain TWO disadvantages of long-term bank loans to Sandra. (4)

3.3 Explain FOUR purposes of the code of conduct which Sandra must discuss with the new employees. (8)

3.4 A business exposes itself to various legal consequences should there be non-compliance of any act or contract.

Describe THREE actions that may be taken against a defaulting business. (6)

3.5 Explain FOUR limitations which Sandra could encounter in relation to her mobile massage unit. (8)

[30]

QUESTION 4

4.1 When a financial institution requests collateral, the collateral needs to be assessed to see if it meets certain criteria.

Describe THREE criteria against which collateral is assessed by financial institutions. (6)

4.2 Briefly explain TWO problems which Sandra could face when trying to obtain finance for her mobile unit from the bank. (4)

4.3 List FOUR variable costs which Sandra could incur in the running of the mobile massage unit. (4)

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4.4 Complete the cash flow budget for Sandra's Massage Parlour for September, October and November. Write only the missing figures next to the question number (4.4.1–4.4.11)

	SEPTEMBER	OCTOBER	NOVEMBER
Bank balance at the beginning of the month	30000	**(4.4.4)**	**(4.4.8)**
Income			
Cash Sales	35000	60000	70000
Credit Sales	1800	1350	1200
Other income	2300	1900	1800
TOTAL INCOME	**(4.4.1)**	**(4.4.5)**	**(4.4.9)**
Cash Payments			
Cash Purchases	10500	12800	13500
Monthly expenses	7800	9100	10000
Salary & Wages	9500	13000	16000
TOTAL CASH PAYMENTS	**(4.4.2)**	**(4.4.6)**	**(4.4.10)**
Bank balance at the end of the month	**(4.4.3)**	**(4.4.7)**	**(4.4.11)**

(16)

[30]

QUESTION 5

Read the scenario below and answer QUESTIONS 5, 6 and 7.

WOW CLOTHING

WOW Clothing Manufacturers is a company situated in a rural area. They manufacture a range of clothing aimed at a target market in the 18 to 28-year age range and earn an income of more than R160 000 per annum.

Their sales have recently declined as large clothing retailers who are their main competitors can import clothing from China at a much cheaper price. WOW Clothing Manufacturers had to retrench staff to stay in business. They are unable to buy new machinery to replace outdated ones due to the decrease in sales.

5.1 Write the following acronyms in full:

5.1.1 VAT (1)

5.1.2 PAYE (1)

5.1.3 SWOT (2)

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5.2 Businesses are under a legal obligation to pay different forms of taxation.

Name TWO forms of taxation businesses need to pay. (2)

5.3 Name FOUR sources of equity financing WOW Clothing Manufacturers can consider when expanding the business to other target markets. (4)

5.4 Write the following abbreviations in full:

5.4.1 OHSA

5.4.2 UIF

5.4.3 EEA

5.4.4 BCEA

(4 × 1) (4)

5.5 Discuss THREE internal factors that may impact pricing decisions in relation to the profitability of WOW Clothing Manufacturers. (6)

5.6 Discuss THREE external factors that impact pricing decisions in relation to the profitability of WOW Clothing Manufacturers. (6)

5.7 All businesses in South Africa must register with SARS.

Explain TWO legal consequences which WOW clothing can experience if it fails to register with SARS. (4)

[30]

QUESTION 6

6.1 Describe TWO possible distribution channels which WOW Clothing Manufacturers could use in order to sell their products. (4)

6.2 WOW Clothing Manufacturers have decided to investigate government schemes that assist small businesses.

State TWO advantages of government schemes from which small businesses can benefit. (2 × 2) (4)

6.3 State TWO disadvantages of government schemes from which small businesses can benefit. (4)

6.4 Discuss FOUR ways that WOW Clothing Manufacturers can use to handle employees who do not adhere to the code of conduct. (8)

6.5 All employees must have a contract of employment.

Name SIX items that must appear in a contract of employment. (6)

6.6 Explain TWO impacts on risk management with regard to Income Tax Act, which WOW clothing must take into consideration. (4)

[30]

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QUESTION 7

7.1 List FIVE documents which WOW Clothing Manufacturers will require when applying for a loan (5)

7.2 Name FOUR stakeholders to which the code of conduct for WOW Clothing Manufacturers will apply. (4)

7.3 If WOW Clothing Manufacturers decide to expand their business they will need new suppliers.

Name SIX ways of searching for new suppliers. (6)

7.4 List THREE product lines that WOW Clothing Manufacturers could introduce to expand the business. (3)

7.5 Using the following headings, design a simple code of conduct for WOW Clothing:

Child labour and age
Non-discrimination
Day to day dealing with people
Truth in advertising
Complying with laws and regulations (12)
[30]

TOTAL SECTION B: 180
GRAND TOTAL: 200

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