higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

ENTREPRENEURSHIP AND BUSINESS MANAGEMENT N6

(Second Paper)

14 JUNE 2018

This marking guideline consists of 8 pages.

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SECTION B

Answer any THREE of the four questions.

QUESTION 2

2.1
- Accepting and embracing changes in the world
- Remaining relevant, that is, staying curious and caring for and keeping motivated staff together/retain them
- Keeping the business together and relevant
- Working as a unit (4)

2.2
- Streamlined franchise system that has been perfected over 20 years
- Comprehensive support structures
- Well-established brand name
- Becoming part of the Ocean Basket family (Any 3 × 2) (6)

2.3
- It cares about its franchisees (who are now called clients).
- It cares about its suppliers, consumers, the country, the environment and things that directly and indirectly affect the people around it.
- It keeps up with change. (3 × 2) (6)

2.4
- It is committed to sustainable and responsible fishing.
- Ocean Basket takes the necessary steps to ensure that its suppliers provide legal and traceable products from responsibly managed sources. (2)

2.5
- It focuses on doing things right so that consumers do not complain.
- It puts its clients' success at the centre of its universe.
- It connects the dreams of its employees to the dreams of its business.

(3 × 2) (6)

2.6
- Ocean Basket has a personal focus.
- It is driven by everyone's success and not only by delivering shareholders' wealth.
- Its value systems are rooted in mutual success and the success of the consumer.
- It is a company that co-creates value with clients and consumers.
- It deals with tough feedback and it strives to fix problems.
- It maintains personal relationships with clients, suppliers and consumers.
- It believes it has great products, support, a strong supply chain and good advertising. (Any 5 × 2) (10)

2.7
- It is driven by success: The success of its franchisee/licensee partners is important to it as well as being relevant to all its stakeholders.
- Its aim is to be the brand of choice, the employer of choice, the business of choice and the seafood restaurant of choice. (2 × 2) (4)

2.8
- John Dory's
- Cape Town Fish Market
- Fishaways (Any 2 × 2) (4)

2.9
- Location and set-up by the franchisor
- Training offered by the franchisor
- Advertising and marketing
- Group benefits (4)

2.10
- Trusted
- Consistent
- Relevant
- Distinctive (4)

[50]

QUESTION 3

3.1
- A lean start-up method means that a scientific approach is used to create and manage start-up businesses.
- Deliver a desired product to customers' hands faster.
- It teaches you how to drive a start-up, how to steer, when to turn.
- It teaches when to persevere and grow a business with maximum acceleration. (4 × 2) (8)

3.2 He launched his product on a few pilot websites and received immediate feedback.
He found out what users wanted rather than what he thought they wanted (2 × 2) (4)

3.3 By using the lean start-up method, he got his users to help him perfect his product. (1 × 2) (2)

3.4
- Entrepreneurs can be more innovative.
- It prevents time wastage.
- It enables them to be successful more quickly. (3 × 2) (6)

3.5 3.5.1 A female entrepreneur (1 × 2) (2)

3.5.2 She provides a quality (and diverse) service and a number of supporting services. (1 × 2) (2)

3.5.3
- This association has a code of ethics to which she will have to adhere.
- It provides a client with recourse if they are not satisfied with her services.
- Belonging to a professional organisation lends credibility to her business.
- It is a countrywide organisation and it networks with other branches to deliver a good service. (2 × 2) (4)

3.5.4
- Corporate social responsibility, often abbreviated CSR, is a company's initiatives to assess its effects on the environment and to take responsibility for the community's social well-being.
- The term generally applies to efforts that go beyond what may be required by regulators or environmental protection groups. (Any 1 × 2) (2)

3.6 3.6.1 The answer should include the following:
- A description of the core activity of the business
- The target market
- Communicating a sense of intended direction for the entire organisation (3 × 2) (6)

3.6.2 The objectives must be assessed according to the 'SMART' criteria. (Any relevant answers) (2 × 2) (4)

3.6.3 Students must break down their objectives according to the SMART criteria:
- Specific
- Measurable
- Achievable
- Relevant
- Time-related/-bound/-specific (3 × 2) (6)

3.6.4
- It is made from interweaved plastics and it is just as strong as traditional helmets.
- It is also flexible enough to fold almost totally flat, making it easier to transport. (2 × 2) (4)

[50]

QUESTION 4

4.1

Tangible net worth			496 800✓✓
(156 000 + 140 800 + 200 000)✓✓			
Average net earnings			
(210 000 + 250 000 + 281 000) ÷ 3✓✓		247 000✓✓	
Less: Reasonable income for buyer		–175 584✓✓	
Earning power R196 800 × 13%✓✓	25 584✓✓		
Plus: Reasonable salary for owner	+150 000✓✓		
Extra earning power for business		71 416✓✓	
Value of intangibles			
5 × 71 416✓✓			357 080✓✓
FINAL PRICE			**853 880**✓✓

(24)

4.2 4.2.1 Are you open to moving or do you need something close to home? Perhaps you are looking at businesses not tied to a specific location. Either way, remember that the location of your business will affect labour costs, taxes and other financials that can change the business' bottom line.

4.2.2 Do you want to own a small family business or a large, bustling enterprise? Buying a larger business could mean bigger profits but will likely also involve a higher purchase price and more stress in the transition.

4.2.3 In which areas have you already gained experience? What causes are you passionate about or what hobbies are you interested in?

4.2.4 Are you interested in a job involving much travel? Are you open to working odd hours or would you rather stick to a traditional nine-to-five? As the owner of a business, the final responsibility rests on you. Therefore, think twice before choosing the kind of hands-on business that might involve emergency phone calls at 03:00 in the morning.

(4 × 2) (8)

4.3
- Evaluate the turnover achieved by the business very carefully.
- Does the business use special technology to produce its merchandise for sale? What is the cost of maintaining and upgrading this technology?
- Ask for a copy of the lease agreement if the business is renting premises. If it expires in a few months, it is likely that you will be faced with rental increases. Usually, you must obtain the consent of the landlord before buying the business and it would be wise to consult the landlord about the terms of a new lease.
- Let the seller sign a restraint of trade agreement.
- Do not buy the creditors or debtors of the business. All the creditors might not be disclosed by the previous owner, or the debtors could be bad.
- Consider the advantages of advertising the sale of the business in newspapers in some of the official languages as well as in the Government Gazette 30 days before the sale comes into effect. This is done in terms of section 34 of the Insolvency Act and it will protect you against unseen creditors.
- Stock must be checked and reasonably valued. Old or damaged items must not be taken over.
- The value of the stock must be calculated at cost price, and a stock take must be done at the day of takeover. A minimum amount of stock must be agreed upon and stated in the sales agreement.
- List all moveable assets in the business, and ensure it is stated in the deed of sale. Check the assets at the day you take over.
- The equipment must be checked by a knowledgeable person for faults, and wear and tear.
- Calculate the outstanding leave pay of all employees at the takeover date. Remember to check other staff fringe benefits such as medical aid, pension, bonuses, etc.
- Check with local authorities for licensing requirements, permits and zoning.
- Are there unfulfilled contracts?
- Are there guarantees or obligations to others?
- Are there any pending damage claims or lawsuits?
- Are there any matters pending with government departments?
- Are you buying a company, CC or sole proprietorship? Each of them has its own set of legal requirements. (Any 5 × 2) (10)

4.4
- The staff is loyal to the business and have between 5 and 15 years of experience among them.
- The company has contracts with three electronics companies, including DSTV.
- The net profit has increased over the past three years. (3 × 2) (6)

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4.5
- Goodwill is an intangible asset that arises from the acquisition of one company by another for a premium value.
- The value of a company's brand name, solid customer base, good customer relations, good employee relations and any patents or proprietary technology represent goodwill.
- Goodwill is considered an intangible asset because it is not a physical asset like buildings or equipment. (Any 2 × 1) (2)

[50]

QUESTION 5

5.1 Students must make a realistic choice with relevant answers and reasons.
Example:
- Growing economy
- Strong currency
- Existing agreements with neighbouring countries
- Low tariffs
- Large potential market (4 × 2) (8)

5.2
- Department of Trade and Industry
- Industrial Development Corporation
- Seda
- Other government departments (2 × 2) (4)

5.3 The Department of Trade and Industry can assist a business in the following ways:
- Encourage business between countries
- Provide information regarding South Africa's trade policy to promote economic growth and development, industrial upgrading and diversification
- Export promotion, export registration, import and export control, export opportunities
- Trade shows in other countries
- Give financial assistance
- Support industrial development (Any 3 × 2) (6)

5.4
- It leads to a rise in living standards, new growth opportunities and expansion of the economy.
- Money flows into the country, which means a better balance of payments.
- It creates employment, which means more people will pay tax and fewer will depend on the government for support.
- New technology and knowledge are imported, which makes a country more competitive.
- Additional taxes are generated through tariffs and duties that are levied on imports.
- Less competition
- Geographic diversification
- Export incentives (Any 2 × 2) (4)

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5.5 METHOD: Indirect exporting
ADVANTAGES:
- Direct exporting
- Licensing
- Franchising (Any relevant answer) (4 × 2) (8)

5.6
- Utilises character recognition software
- Works by recording movement
- Does profile creation
- Contains a dictionary
- Has 15 language options (Any 3 × 2) (6)

5.7 5.7.1
- Agriculture and agroprocessing
- Handmade products/cultural industries
- Agricultural equipment
- Chemicals
- Furniture and wood processing
- Infrastructure (rail, road and telecoms)
- Built environment professionals (consulting engineers, civil engineering contractors, quantity surveyors and architects)
- Mining and capital equipment
- Electro-technical professionals (electronics and electrical engineers, ICT specialists)
- Textile, leather and footwear (Any 4 × 2) (8)

5.7.2 DTI – Department of Trade and Industry (1 × 2) (2)

5.7.3
- To encourage businesses to export to foreign countries
- To make the process as easy and financially viable as possible

(2 × 2) (4)
[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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