higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N490**(E)**(J14)H

NATIONAL CERTIFICATE

ENTREPRENEURSHIP AND BUSINESS MANAGEMENT N6

(Second Paper)

(4090336)

14 June 2018 (X-Paper)
09:00–11:30

OPEN-BOOK EXAMINATION

Candidates may take 5 reference works, consisting of dictionaries, textbooks and student files containing lesson notes, into the examination venue.

A pocket calculator may be used.

This question paper consists of 11 pages.

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE
ENTREPRENEURSHIP AND BUSINESS MANAGEMENT N6
(SECOND PAPER)
TIME: 2½ HOURS
MARKS: 150

NOTE: If you answer more than the required THREE questions, only the first three questions will be marked. Clearly cross out ALL work you do not want to be marked.

INSTRUCTIONS AND INFORMATION

1. Answer any THREE of the four questions.
2. Read ALL the questions carefully.
3. Number answers according to the numbering system used in this question paper.
4. Start each question on a NEW page.
5. Marks will NOT be allocated for copying directly from the textbook.
6. A systematic presentation of facts is required.
7. Write neatly and legibly.

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SECTION B

QUESTION 2

Read the following scenario and answer the questions.

OCEAN BASKET

Taking the plunge to open your own business can be daunting, especially if you are sailing solo. But when you join Ocean Basket, you will become part of a streamlined franchise system that we have perfected over more than 20 years of operation. You benefit from our comprehensive support structures and our well-established brand name and most importantly, you become family. So why navigate the entrepreneurial seas alone when you can team up with a partner who really knows the ropes and who is passionate about your success?

It is difficult to talk about one challenge only, but one of the biggest challenges for any business is keeping the pieces of the puzzle together and relevant. Accepting and embracing changes in the world, no matter how difficult it may be, is also important, as is remaining curious and keeping a large group of people together. Finally, working as a unity is key to success.

Remaining relevant is all about remaining curious and caring – about our franchisees (we now call 'clients'), caring about our suppliers, our consumers, our country, the environment and the things that directly and indirectly affect people around us.

We cannot close our eyes to world hunger, to the oceans suffering because of plastic and other waste pollution, or to the fact that we need to play a part in uplifting people in our companies and country.

In March 2014, Ocean Basket publicly announced its commitment to sustainable and responsible fishing. This popular restaurant chain promised that by 2017, it will only serve seafood and fish products that are sourced from responsible fisheries, certified as sustainable by the Marine Stewardship Council (MSC) for wild caught, and the Aquaculture Stewardship Council (ASC) for aquaculture species, or categorised as 'green' by the Southern African Sustainable Seafood Initiative (SASSI).

'Overfishing is an enormous environmental issue. It is real. It is here. We cannot claim to love our oceans and then close our eyes and continue to overfish them. We do love our oceans and we're doing everything we can to protect them,' says Ocean Basket company leader Grace Harding.

Ocean Basket takes the necessary steps to ensure that its suppliers provide legal and traceable products from responsibly managed sources. While wild stocks rapidly decline, the demand for farmed seafood and fish is on the rise. Aquaculture (also known as aquafarming) is playing an increasingly significant role in boosting global fish production and in meeting rising global demands for both seawater and freshwater fish.

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One example of the increasing dependence on aquaculture is the panga fish, or 'basa'. A medium to large catfish, native to freshwater in South and Southeast Asia, basa is currently the tenth most popular fish product eaten in the United States. Ocean Basket sources its basa from the highly accredited Hung Vuong in Vietnam – one of the world's largest basa producers.

We believe in:

- **Focus, focus, focus:** The less noise is made for consumers, the easier they can hear us.
- **Putting our clients' success at the centre of our universe:** Their success will lead to an improved consumer experience.
- **Connecting the dreams of our people to the dreams of our business:** This makes us unique, as it drives the one thing that we all care about. No employee cares about your business unless it has some personal meaning to them. Therefore, generosity and having an outward focus are key to retain good employees.

Grace Harding says, 'From day one we wanted to create opportunities and to contribute to an entrepreneurial culture in South Africa. The success of every single store and its owner is what we focus on. This success is coupled with a determination to build a brand globally. Trusted, consistent, relevant and distinctive.'

Meeting this objective has resulted in much change. The entire offering is being refreshed, with the foundational intrinsic values firmly in place: 'We are driven by success – the success of our franchisee/licensee partners – and being relevant to all our stakeholders. Our aim is to be the brand of choice, the employer of choice, the business of choice and the seafood restaurant of choice.'

Ocean Basket has a personal focus. We are driven by everyone's success and not only by delivering shareholders' wealth. Our value systems are rooted in mutual success and the success of the consumer. We are a company that co-creates value with clients and consumers.

We deal with tough feedback, we strive to fix problems and we maintain personal relationships. The other things are must-haves – great products, support, a strong supply chain and good advertising.

2.1 What is the biggest challenge that any business can face in today's economy? (4)

2.2 What advantages does Ocean Basket offer to prospective franchisees? (3 × 2) (6)

2.3 How does Ocean Basket remain relevant in the market in which it operates? (3 × 2) (6)

2.4 How does Ocean Basket respond to the exploitation of the oceans? (2)

2.5 How does Ocean Basket plan to become more distinctive and unique in the market in which it operates? (3 × 2) (6)

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2.6 Why would you recommend Ocean Basket to aspiring franchisees? (5 × 2) (10)

2.7 What is the driving force behind the success of Ocean Basket, locally and internationally? (2 × 2) (4)

2.8 Name TWO major competitors of Ocean Basket in their market. (2 × 2) (4)

2.9 Name FOUR benefits of owning an Ocean Basket franchise. (4)

2.10 Name the FOUR qualities which should, according to Grace Harding, be part of a brand that is marketed globally. (4)

[50]

QUESTION 3

Read the following scenario and answer the questions.

XOLA NDZIBA: LEAN START-UP APPROACH TO LIMU

At age 23, UCT graduate Xola Ndziba is showing what innovation in learning means against the backdrop of South Africa's ailing education sector. With just R5 000 and a degree in finance and economics, he launched Limu (Kiswahili for 'learn'), an online school management system that enhances collaborative teaching, learning and research.

Taking advantage of a trend

The growth of online learning systems, identified globally as a key technology trend in 2014, bodes well for Limu. As a portal, Limu enables parents and teachers to interact, allows leaners to access their schoolwork from anywhere at any time, and gives parents a real-time view of how their children are performing at school.

A number of top schools in South Africa, including St Mary's Waverley, Kingsmead College, and St Dunstan's College, have adopted Limu and have reported that the increased involvement of parents has improved academic results.

Just eight months into the business, Ndziba is looking at a monthly turnover of R200 000 and it has secured funding of just under R2 million from Gauteng's high-tech business incubator, The Innovation Hub, based on the originality of his business idea and his passion for development in education.

'I based the idea for Limu on the portal we had at UCT, which gave students access to everything they needed online. I never had to carry a bag. When I left varsity, I decided to develop a similar system for schools.'

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Keeping it lean

Ndziba attributes this early success not only to having a great idea, but also to his adoption of the lean start-up methodology, defined by Silicon Valley entrepreneur Eric Ries, who says that if start-ups invest their time into literally building products or services to meet the needs of early customers, they can reduce the market risks and sidestep the need for large amounts of initial project funding and expensive product launches and failures.

'Instead of trying to perfect the product, I launched it at a few pilot websites and received immediate feedback on what was working and what wasn't.

'I found out what users wanted and worked on that, rather than on what I thought they wanted. In the tech industry, it is important to get your product to market ASAP, and get users to help you perfect it.'

The benefits of the lean start-up approach have already been well-documented. It allows entrepreneurs to be more innovative, it prevents time wastage and it enables them to be more successful, quickly.

As Ries points out, 'Lean start-up isn't about being cheap, it is about being less wasteful and still doing things that are big.'

3.1	What is a lean start-up methodology?	(4 × 2)	(8)
3.2	How did Ndziba use the lean start-up methodology for his business?	(2 × 2)	(4)
3.3	Explain Ndziba's reasoning behind using the lean start-up method.		(2)
3.4	State THREE benefits of using the lean start-up method.	(3 × 2)	(6)

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3.5 Read the following scenario and answer the questions.

FROM SMALL BUSINESS TO AN EMPIRE

Nomfundo Mcoyi has, without a single loan, grown her business from a humble Hammarsdale funeral parlour into an empire offering funeral and financial services, with branches throughout KwaZulu-Natal. She even has a branch in London's sought-after Canary Wharf precinct to serve South Africans living abroad.

Mcoyi, a finalist in the Entrepreneur of the Year competition, sponsored by Sanlam and Business Partners, is passionate about her business, Icebolethu Group, mainly because it provides secure employment to 500 staff at 50 branches and 12 mortuaries across the province, including 100 staff in a state-of-the-art Durban call centre, and because she values providing a quality service in an industry dogged by unscrupulous players.

She is a member of the South African Funeral Practitioners Association and, as the chief executive of her group, she runs a string of businesses, including Icebolethu Funerals, Icebolethu Financial Services, Lily of the Valley Memorials, Ikhayelihle Tombstones, Icebolethu Catering and her corporate social responsibility division, Icebolethu Foundation.

3.5.1 What type of entrepreneur is Nomfundo Mcoyi? (2)

3.5.2 What distinguishes Mcoyi's business from other funeral service businesses? (2)

3.5.3 Why do you think she is a member of the South African Funeral Practitioners Association? (2 × 2) (4)

3.5.4 Explain what the term *corporate social responsibility* means. (2)

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3.6 Read the following scenario and answer the questions.

JEFF WOOLF'S INVENTION

Like many cyclists, Jeff Woolf has been involved in a serious crash – one that might have killed him were it not for his helmet. So why, he wondered, do so many of his contemporaries complain about wearing one?

It turns out that it is mostly because these helmets are heavy to carry around. They are thick and bulky and do not fit into average bags or backpacks. Woolf, an engineer, knew he could fix this problem. The result was Morpher, a bike helmet made from interweaved plastics that is just as strong as its traditional counterparts (meeting general safety requirements in both the U.S.A. and Europe) but flexible enough to fold almost totally flat, making it easier to transport.

Woolf recently shipped the first units to his Indiegogo supporters, who helped raise almost $300,000. He is now involved in discussions with stores.

'It is inevitable that the more people take to the roads on bicycles, the more people will have accidents,' Woolf says. His aim is that Morpher will save lives.

3.6.1	Write a short mission statement for the Morpher helmet.	(3 × 2)	(6)
3.6.2	State TWO long-term objectives of the company.	(2 × 2)	(4)
3.6.3	Evaluate the objectives which you have mentioned in QUESTION 3.6.2 by using the criteria for good objectives. State the requirements which each objective adheres to.	(3 × 2)	(6)
3.6.4	State TWO advantages of this helmet.	(2 × 2)	(4)
			[50]

QUESTION 4

Read the following scenario and answer the questions.

MADIMETSA ELECTRONICS

Madimetsa Electronics developed a mini TV that can fit into the palm of your hand. Samsung is negotiating with Sanele Ndesi, the owner, to buy his business. The staff has been loyal to his business, with between 5 and 15 years of service between them. They have also indicated that they would like to continue working for the new owner. Madimetsa Electronics has contracts with three electronics companies, including DSTV. Madimetsa Electronics has built this business up from scratch and has grown it into a multimillion rand enterprise.

The assets of the company amount to the following:

R56 000 + equipment: Inventory = R40 800 and building = R100 000
The liquidation value is R4 000 000
The net profit is as follows: R103 000 for year 2015, R135 000 for year 2016 and R180 000 for year 2017. He receives 30% on interest on investments. The salary of the owner–manager for a similar business is R150 000 per annum.

4.1 Calculate a fair price for Madimetsa Electronics. (24)

4.2 Purchasing a business is a huge decision that will affect your life and livelihood for many years.

Discuss the following factors when considering buying an existing business:

4.2.1 Location

4.2.2 Size

4.2.3 Industry

4.2.4 Lifestyle

(4 × 2) (8)

4.3 State FIVE matters that a buyer must be aware of before he/she purchases an existing business. (5 × 2) (10)

4.4 State THREE advantages of buying Madimetsa Electronics. (3 × 2) (6)

4.5 Explain the term *goodwill*. (2)

[50]

QUESTION 5

Read the following scenario and answer the questions.

DANE-ELEC'S NEW ZPEN

A digital pen is one of the new electronic inventions that can help to record information. Despite the digital age, we still use pens. But it would be great to have our handwritten notes and drawings digitally recorded without having to use a scanner.

The Zpen from Dane-Elec is a wireless pen that uses a clip-on receiver to record digitally what you write. It uploads the information to your computer where it can be viewed, edited and filed as a word-processing document.

The digital pen utilises character recognition software and works by recording movement. Features include profile creation, a dictionary and fifteen language options.

5.1 You have been given the rights by Dane-Elec to distribute the Zpen in Africa.

Which Southern African country besides South Africa would you recommend as a possible market? Give reasons for your answer. (4 × 2) (8)

5.2 Where can you obtain information about possible foreign markets to distribute the Zpen? (2 × 2) (4)

5.3 How can the Department of Trade and Industry (DTI) assist you with entering a foreign market? (3 × 2) (6)

5.4 Give TWO reasons why you would want to trade with foreign countries. (2 × 2) (4)

5.5 Which method of entry should Dane-Elec use to enter the country you mentioned in QUESTION 5.1? What are the advantages of this method? (4 × 2) (8)

5.6 What are the key selling points of the Zpen? (3 × 2) (6)

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5.7

BE PART OF THE GROWTH! MARKET YOUR PRODUCTS AT THE GHANA INTERNATIONAL TRADE FAIR 2019, TAMALE, GHANA.

Assistance is provided to qualifying South African exporters to introduce South African products into foreign markets in a cost-effective manner. The DTI extends an invitation to your company and other exporters of multi-sectoral products to apply to participate in the Ghana International Trade Fair (GITF) 2019, scheduled to take place from 21 February to 11 March 2019 in Tamale, Ghana. The deadline for the submission of National Pavilion application forms is 21 September 2018.

The DTI will offer the following financial support to qualifying companies:

- Exhibition space and booth rental costs
- Freight forwarding of display material
- Air travel assistance of up to R17 000 (SMMEs and BOEs only)
- Daily subsistence allowance of R3 000 per day (SMMEs and BOEs only)

The GITF is an annual exhibition that offers exposure to trade and public visitors. More information can be obtained from http://www.accraexpat.com.

5.7.1 What type of South African products do you think can be showcased by South African businesses at the Ghana International Trade Fair? (4 × 2) (8)

5.7.2 Who is organising South Africa's involvement in the Trade Fair? (2)

5.7.3 Why is the DTI offering financial support to the exhibitors that want to go to the Trade Fair? (2 × 2) (4)

[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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