higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

ENTREPRENEURSHIP AND BUSINESS MANAGEMENT N6

(Second Paper)

6 JUNE 2019

This marking guideline consists of 5 pages.

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SECTION B

QUESTION 2

2.1 Service/Trademark holder – retail franchise (2)

2.2
- Taste Holdings is struggling to make ends meet.
- They suffered operating losses of R87 million in the six months up to the end August.
- Sales were down by 3%. (3 × 2) (6)

2.3 The cost of setting up a Starbucks is between R5 million and R8 million, perhaps even reaching R20 million. (2)

2.4 Vida e Caffè (2)

2.5 The parent company is a US company and therefore it has to be paid in dollars. The exchange rate is not favourable for the South African rand. (2)

2.6 Companies use a premium pricing strategy when they want to charge higher prices than the competitors for products. The goal is to create the perception that the products have a higher value than the competing products because the prices are higher. (2)

2.7
- What is the initial cost of the franchise and other capital costs in addition to this price?
- What amount of working capital is needed and how much time is needed for training and setting up the business before it can start running?
- What are the budgeted costs and profit figures for the business?
- Is financing available?
- When is the best time to open this business?
- What are the fees payable to the franchisor (royalties, et cetera)?
- What advertising and promotional support will be given by the franchisor?
- What are the initial services provided by the franchisor?
- What continuing services are provided by the franchisor?
- What training by the franchisor is included in the package for the prospective franchisee and his/her staff? (Any 4 × 2) (8)

2.8 The students should include in their outline:

- Costs involved in the proposed new business
- Breakeven point of new business
- Financing the proposed new business
- What is profit, how is it calculated and will they make a profit
- Actual price of products
- Competitor's price for the same product
- Explanation of income and expenditure
- Explanation of cash flow statement (Any 7 × 2) (14)

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2.9
- Are credit customers stretching the thirty-day limit to ninety days or more, putting pressure on your capital resources?
- If customers stick to their part of the agreement, what will the effect be on money available?
- How effectively are your expenses controlled?
- Are all your assets fully utilised? Could you maybe sell some of them?
- Would extra finances generate sufficient income to cover the repayments and make a profit?
- Can your financial need be met in some other way than a loan? For example leasing or renting? (6 × 2) (12)

[50]

QUESTION 3

3.1 3.1.1
- Service – outstanding customer service
- Industry – leading financial group (2 × 2) (4)

3.1.2 Good service (2)

3.1.3
- Technology
- Market innovation (2 × 2) (4)

3.2 3.2.1
- Differentiation by unique product characteristics
- Moisturises 40% more than other soaps
- Johnson & Johnson – No More Tears (Any 2 × 2) (4)

3.2.2 Broadened its product line – full range of baby products (2)

3.2.3
- Buyer preferences for a differentiated instead of a commodity product
- Promoting their product so the demand can increase
- Consumers may prefer to buy standardised products (Any 2 × 2) (4)

3.2.4
- Customer loyalty
- A wide choice in baby products, for example Elizabeth Anne's, Johnsons, et cetera
- Competitive prices (4)

3.1 3.3.1 Export
ALL other functions in the home country, enterprise is only selling its products in the African countries (2)

3.3.2 Joint venture
Moringa Miracles acquired a partner from Botswana. (2)

3.3.3
- Costs will be reduced as they will source the plant in Botswana, human resources will also be available in the host country.
- Consumers will be more accepting of the product as it is manufactured in their own country (Any 1 × 2) (2)

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3.3.4 Positive✓✓ – more rands for your money on the exchange rate✓✓ (4)

3.4 3.4.1–3.4.4 Candidates' own explanations (4 × 2) (8)

3.5 3.5.1 Profit margin to increase by 5% in 2019
3.5.2 Two more outlets to be opened in Durban and Cape Town in 2019
3.5.3 Staff training programmes must be more targeted to individual needs
3.5.4 Marketing should reflect in increased sales volume
(4 × 2) (8)
[50]

QUESTION 4

4.1

Value of tangible net worth			✓✓580 00,00
Average net earnings of business			
300 000 + 350 000+ 420 0000 + 550 000 =		✓✓405 00,00	
1 620 000/4✓✓			
Less: Reasonable income for buyer			
Earning power		✓✓331 00,00	
(20% × 405 000)✓	✓✓81 000,00		
Plus: Reasonable salary for owner	✓✓250 00,00		
Extra earning power of the business		✓✓74 000,00	
Value of intangibles (goodwill)			
(74 000 × 5)✓			✓✓370 00,00
FINAL PRICE			✓✓950 00,00

(20)

4.2 Yes
- Profits have been increasing since 2015.
- The salon is in a busy mall in Umtata.
- Chrissy is a hairdresser and has knowledge of working in a salon.
- John has made contacts in the beauty and hair industry which will benefit his business.

(Any 3 × 2) (6)

4.3
- Workers are afraid that they may lose their jobs or be demoted.
- Changes may make the knowledge and skills of certain workers obsolete.
- People fear the unknown.
- If a group perceives changes as threatening, they will resist it.
- If change influences social relationships it may meet with resistance.
- There will be resistance if changes affect a person's power and influence.

(Any 4 × 2) (8)

4.4
- Educate workers before change is implemented.
- Make people who will be affected part of the process.
- Support people who have problems with adjustments by listening, providing training, et cetera.
- Negotiate with affected parties in the business and come to an agreement.

(4 × 2) (8)

4.5 A business's true worth is often far more than the value of its individual parts.✓✓ When buying or selling a business, goodwill represents the value of the business✓✓ that is above and beyond the worth of separately identifiable tangible business assets.✓✓ (3 × 2) (6)

4.6 Students' own response
Evening show to showcase the products and services they render
Competition, et cetera (2 × 2) (4)
[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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