higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

ENTREPRENEURSHIP AND BUSINESS MANAGEMENT N6

(Second paper)

4 June 2021

This marking guideline consists of 8 pages.

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SECTION B

QUESTION 2

2.1
- To build more confidence in South Africa and the economy.
- Seeking potential investors in major financial centres of the world.
- How a partnership between South Africa and the UK can be deepened around economic matters.
- It encourages South African businesses to increase production and sales.
- Growing businesses create more jobs for South Africans.
- Surplus commodities can be sold to overseas countries to gain income for South Africa.
- It makes South Africa more competitive internationally and locally.
- It allows South Africa to access products that are not seasonally available.
- It allows South Africa to make the best use of the resources we have but cannot use to the full, e.g. diamonds and gold. (Any 6 × 2) (12)

2.2
- The rules and laws that apply in that country, including any levies that the government of the country imposes on overseas trading and imported goods.
- The way in which companies in that country do business.
- The culture of consumers and what their preferences are in relation to your products.
- The methods and costs of getting your product to the overseas market.
- How you intent to sell your products in the overseas market. (5 × 2) (10)

2.3
- As the newly elected president he would meet with the commonwealth leaders and it would be an ideal platform to discuss South Africa's position as a trade partner.
- The challenges facing South Africa with regard to investment, weak global trade and investment flows.
- He was also interested in a turn-around strategy to get South Africa out of the economic crisis it faces. (Any 2 × 2) (4)

2.4 Diamonds, gold, platinum, handmade cultural products✓✓✓✓
(Any TWO/Own choice) (2 × 2) (4)

2.5 Department of Trade and Industry (2)

2.6 Population: Is the population large enough to create a demand for your products?✓✓
Income: Does a large enough sector of the population earn enough of an income to afford your product?✓✓
Nature of the economy: Is the economy primarily a mining, agricultural, tourism industry or service economy, for example? This will contribute to determining whether your export business will be a success.✓✓
Commercial infrastructure: Does the country have a sufficiently developed commercial infrastructure, such as ports, airports, road networks, telecommunications, a reliable electricity supply, and railways? This also includes infrastructure such as established banks, commercial insurance companies, postal services, etc.✓✓ (4 × 2) (8)

2.7
- A high crime rate,✓✓ increasing social unrest (strikes and demonstrations)✓✓
- High levels of corruption and structural issues in electricity supply and logistics
- Investors are also worried about the lack of clarity concerning policy and structural reforms. Investment potential is also hampered by certain legal uncertainties, which discourage foreign investors.

(Any two/Own response) (2 × 2) (4)

2.8
- To advance economic integration in the Southern African region and across the continent.✓✓
- Pursuing other initiatives to promote intra-African co-operation on investment, infrastructure development, tourism and agriculture.✓✓

(2 × 2) (4)

2.9
- Provide more funding – most small businesses are self-funded. This capital is not sufficient for start-ups to enter foreign markets. If government can increase its small business funds and subsidies, more businesses will be able to enter foreign markets successfully.✓✓
- Reduce red tape – there are complex legislation and compliance requirements that start-ups have to comply with and they lose heart to continue with their business.
- Offer tax breaks – start-ups need as many breaks as they can get, and that goes for tax too. Offering tax incentives to would-be-entrepreneurs is a great way to encourage new business development.
- Improve access to finance – banks are often reluctant to lend money to small businesses. Compounded by the absence of subsidies and grants, entrepreneurs are struggling to access the finance they need to grow.
- Invest in education – Without the right talent on board, small businesses will battle to reach their growth objectives. The South African government needs to work harder to improve the country's overall skills base. With greater investment in education, schools, TVETs and universities will produce more competent workers – improving the quality of employees and CEOs. (Any 1 × 2) (2)

[50]

QUESTION 3

3.1
- FOCUS STRATEGY✓✓
- Adam generated enthusiasm for the 'why' behind his business.✓✓
- He set out to find like-minded people who were passionate about the business and the cause.✓✓
- He ensured that his partners were aligned to the vision. (3 × 2) (6)

3.2 3.2.1
- He used their access to communities as a marketing platform to derive income as well as to scale the business.✓✓
- He secured big brands like Adidas, Total Sports, etc to overcome the challenges of a limited marketing budget.

3.2.2
- The employees are the executors of the vision of the business.✓✓
- Without his team, there is no business for investors to support.
- The staff are crucial to the support of the business.

(2 × 2) (4)

3.3
- The business is able to pivot quickly when things do not go according to plan.✓✓
- Five Futbol is an international concept and has been introduced to South Africa.✓✓
- The concept used is different – small pitches, urban locations, short game times and manageable size teams.✓✓
- It's more accessible than conventional 11-a-side football.
- It's open 7 days a week and offers a variety of products at each venue.

(3 × 2) (6)

3.4
- In the last 18 months Five Futbol has trebled in size.✓✓
- They employ 50 full-time staff✓✓ and 80 part-time staff.✓✓
- They are represented in 4 provinces✓✓ and 15 locations around South Africa.
- By September 2018 there will be 18 locations around South Africa.✓✓

(5 × 2) (10)

3.5 COMPETITIVE ADVANTAGES
- The business can pivot quickly when things do not go according to plan.✓✓
- The concept used is different – small pitches, urban locations, short game times and manageable size teams.✓✓
- It is open 7 days a week and offer a variety of products at each venue.✓✓
- They run activations for their partners.

THREATS
- A 7-a-side football concept opens in South Africa.✓✓
- The same concept but using another sport e.g. volleyball, netball.✓✓
- The sponsors pull out. (5 × 2) (10)

3.6
- Objectives must be adaptable to unforeseen circumstances.✓✓
- The future is uncertain and objectives should allow the business to pivot to meet its objectives.✓✓ (2 × 2) (4)

3.7
- Specific – by September 2018 there will be 18 locations.✓✓
- Flexible – able to pivot quickly when things do not go according to plan.✓✓
- Written – the team are the executors of the visions. (2 × 2) (4)

3.8
- It involves the evaluation of the company's Strengths (S), Weaknesses (W), Opportunities (O) and Threats (T).✓✓
- It is a quick method of determining a company's strategic situation.✓✓
- When you understand your SWOTs, you are in a good position to identify how you can apply a strategy to your business plan.✓✓ (3 × 2) (6)

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QUESTION 4

4.1 4.1.1 Reasons for selling:
- The owner may be aware of new legislation that is coming into effect that will affect how the business operates.✓✓
- The owner may be experiencing cash flow problems because of a reduction in the business' sales.
- The business' products/services may be experiencing a drop in demand.
- A new technological development may be imminent and that would make the business' productd/services redundant.

(Any 1 × 2)

4.1.2 Physical conditions of business
- The fixed assets are modern, well-maintained and working, and suitable for producing or selling the business' products.✓✓
- Materials are stored correctly and have not been damaged beyond use.
- Materials are suitable for current production or sales and are not out of date. (Any 1 × 2)

4.1.3 Potential of the company's products
- What is the current value of the customer orders on which the business is working?✓✓
- How much production time does that value represent in days, weeks or months?
- Does the business hold enough material in stock to meet these orders? (Any 1 × 2)

4.1.4 Legal aspects to be considered

- Legal contracts should be studied by a legal expert who can check the validity of these contracts.✓✓
- The owner must give you a list of all the creditors and debtors of the business. (Any 1 × 2)

4.1.5 The financial position of the business

- The business must have made good profits for two or more years.✓✓
- The business must have good potential to make a profit.

(Any 1 × 2)
(5 × 2) (10)

4.2

- It is a well-known franchise, Mugg & Bean.✓✓
- It is situated in a busy shopping complex.✓✓
- There is also a taxi rank nearby.✓✓
- There is a constant flow of customers into the store throughout the day.✓✓
- It is the only coffee shop in the complex.✓✓
- The profits have increased over the years. (5 × 2) (10)

4.3

Value of tangible net worth			1 200 000.00✓✓
Average net earnings of business			
800 000 + 900 000 + 1 000 000 = 2 700 000.00 ÷ 3✓✓		900 000.00✓✓	
Less: Reasonable income for buyer			
Earning power @ 16%		544 000.00✓✓	
(16% × 900 000)✓✓	144 000.00✓✓		
Plus: Reasonable salary for owner	400 000.00✓✓		
Extra earning power of the business		356 000.00✓✓	
Value of intangibles (goodwill)			
(356 000 × 5)✓✓			1 780 000.00✓✓
FINAL PRICE			2 980 000.00✓✓

(20)

4.4

- The business' brand name.
- There is a large customer base.
- There are good relations with the customers.
- They have good employee/employer relations.
- They have patents or patents pending.
- They have proprietary technology. (2 × 2) (4)

4.5
- They can work for themselves/they are their own boss.✓✓
- They want to be hands-on.✓✓
- They also want to earn more money.
- They want to take on additional roles.
- They want a new challenge.
- They have a viable business idea. (2 × 2) (4)

4.6
- Loyalty – how loyal are the customers to the business?✓✓
- Buying habits – where, when, what and how do they like to shop?
- Lapsed customers – what scared them away from the business?
- Demographics of customers – this will determine who your customers are and where they are situated. (2)

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QUESTION 5

5.1 Service/trademark holder – retail franchise (2)

5.2
- Introduction of new products✓✓
- An aggressive promotions and advertising policy to gain customers in each franchise area✓✓
- A willingness to consider you for additional franchise opportunities once you have proven your success with its franchise.✓✓ (3 × 2) (6)

5.3 OWN RESPONSE (2 × 2) (4)

5.4
- There are already a large number of chicken franchises in South Africa.✓✓
- They only focus on the township market and this is limiting to the brand.✓✓
- It only has 11 locations in three provinces in South Africa. It has not made its mark on the market yet.✓✓ (3 × 2) (6)

5.5 Royalty fee✓✓
Reimbursement for training and business support services available to the franchise✓✓
Payments for goods or materials supplied by the franchise (2 × 2) (4)

5.6 5.6.1 Changing lifestyles
- People start eating healthy food and stop buying take-aways.✓✓
- They choose to eat more vegetables and red meat. (Any 1 × 2)

5.6.2 Technological advances
- New flavours are introduced that consumers do not like✓✓
- New methods of cooking chicken that customers do not favour (Any 1 × 2)

5.6.3 Government

- Health and safety laws are intensified and businesses must comply or lose their licenses to trade.✓✓
- Government bans the import of cheap chicken from other countries. (Any 1 × 2)

(3 × 2) (6)

5.7 Nando's✓✓ Chicken Licken;✓✓ KFC (2 × 1) (2)

5.8

- Price can be competitive
- Variety of flavours and combo deals
- Healthy options
- Convenience and delivery (3 × 2) (6)

5.9 OWN CHOICE and reasons must be based on SOUTHERN AFRICAN COUNTRIES. (2 × 2) (4)

5.10 5.10.1 Language
Candidates must explain how the chosen language enhances their ability to communicate effectively; they need to be fluent in the language spoken by their market in the target country.✓✓

5.10.2 Culture
Candidates must discuss the government/political culture, consumer culture and nationalist cultures of the country.✓✓

5.10.3 Religion
Candidates must discuss how religion can affect what the consumers buy or not buy, e.g. Muslims, Jews and Shembe do not eat pork.✓✓

(3 × 2) (6)

5.11 OWN RESPONSE – candidates must explain using their products as an example.
INDIRECT EXPORTING✓✓
Explanation✓✓

OR

DIRECT EXPORTING
Explanation

OR

LICENSING, FRANCHISHING, CONTRACTING
Explanation

OR

MANUFACTURED ABROAD
Explanation (2 × 2) (4)

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TOTAL: 150

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