higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE

ENTREPRENEURSHIP AND BUSINESS MANAGEMENT N6

(Second paper)

(4090336)

4 June 2021 (X-paper)
09:30–12:00

OPEN-BOOK EXAMINATION

FIVE reference works, including dictionaries, textbooks and student files containing class notes, are allowed.

Calculators may be used.

This question paper consists of 9 pages.

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

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ENTREPRENEURSHIP AND BUSINESS MANAGEMENT N6
(Second paper)
TIME: 2½ HOURS
MARKS: 150

NOTE: If you answer more than the required number of questions, only the required number will be marked. Clearly cross out all work you do not want to be marked.

INSTRUCTIONS AND INFORMATION

1. Answer THREE of the four questions.
2. Read all the questions carefully.
3. Number the answers according to the numbering system used in this question paper.
4. Start each section on a new page.
5. Use only a black or blue pen.
6. Write neatly and legibly.

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SECTION B

QUESTION 2

Read the scenario below and answer the questions.

SA COURTS UK FOR INVESTMENT

President Cyril Ramaphosa said his meeting with UK Prime Minister Theresa May went well and focused on wide-ranging discussions on a number of issues.
'We focused largely on the economy and how our partnership between South Africa and the UK can be deepened around economic matters – the economic growth we are trying to drive,' Ramaphosa said.
He said he briefed May on South Africa's investment drive aimed at raising money for investment in the country. The drive is expected to raise US$100 billion in the next five years.
'She was quite enthusiastic and said they, as the UK, would like to find a way – or two or three ways – in which they can play a role in assisting South Africa on this investment drive,' he said.
Ramaphosa was on a working visit to London, to attend the Commonwealth Heads of Government (CHOGM) meeting on April 19 and 20. He said that they were en-route to building more confidence in South Africa and the economy, adding that the meeting was an added boost. Ramaphosa said the group would be travelling to major financial centres in Asia, the Middle East, Europe and the Americas to meet potential investors and also to seek out investors in other parts of Africa.
Ramaphosa appointed former finance minister Trevor Manuel, former deputy minister of finance Mcebisi Jonas, executive chairperson of Afropulse Group Phumzile Langeni, and chairman of Liberty Group Jacko Maree, as his special envoys on investment.
'These are people with valuable experience in the world of business and finance and extensive networks across major markets. This is a part of a broader push by government to advance economic integration in the Southern African region and across the continent,' Ramaphosa said at the time.
'In addition to the processes we must undertake within the country to finalise our participation in the African Continental Free Trade Area, we will also be pursuing other initiatives to promote intra-African co-operation on investment, infrastructure development, tourism and agriculture.'
Foreign direct investment in South Africa declined from around R76 billion in 2008 to just R17,6 billion last year.
Ramaphosa said that South Africa had a wonderful story to tell and that in terms of investment, the country had a number of pillars on which the drive could be put on.

[*Source: Africa News Agency, Daily News, 18 April 2018*]

2.1 Why has President Ramaphosa embarked on a drive to raise awareness for investment in South Africa? (6 × 2) (12)

2.2 Before a prospective entrepreneur can trade with an overseas country, what research would they need to do? (5 × 2) (10)

2.3 Why do you think President Cyril Ramaphosa accompanied the delegation to the UK? (2 × 2) (4)

2.4 Where do you think the gap in the international market is for South African products? (2 × 2) (4)

2.5 Which government department in South Africa is responsible for promoting domestic and foreign trade? (2 × 1) (2)

2.6 When a business plans to enter into trade with another country, it needs to analyse economic indicators to determine whether the trade arrangement will succeed.

Discuss the economic indicators. (4 × 2) (8)

2.7 Why do you think there was such a large decline in foreign direct investment in South Africa in 2017? (2 × 2) (4)

2.8 What does President Ramaphosa and his special envoys hope to achieve by travelling to the financial centres of the world? (2 × 2) (4)

2.9 As an entrepreneur, what advice would you give the special envoy on how they can assist the start-up entrepreneur to enter foreign markets? (2 × 1) (2)

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QUESTION 3

Read the scenario below and answer the questions.

PIVOTING AT THE RIGHT TIME IS KEY TO GROWTH

In the last 18 months, Five Futbol has trebled in size, and achieved some amazing milestones – it now employs 50 full-time staff, and 80 part-timers. It's one of the factors that drives Adam, as many of his employees support up to eight family members. The business is now also represented in four provinces and 15 locations around the country. By September 2018, there will be 18.



Quick growth means you have to be able to pivot quickly when things do not go according to plan, and mostly they don't, Adams says.
'If things are not working you should be able to 'pivot', to shift your focus. And do it fast. It's not a sign that things have gone wrong by any means, on the contrary, it means you have the insight to recognise that there is a problem with the assumptions on which you have built your business model. The decision to pivot is a big one, and not something to be taken lightly. It requires you to take a hard look at your reallocation of resources, and to do it with an open mind.'

Five Futbol is played on state-of-the-art, all weather, floodlit, synthetic grass facilities. It is played all year round, rain or shine, day or night. Fives Futbol brings this exciting, fast paced, end-to-end game to South Africa. Small pitches, urban locations, short game times and manageable team sizes make the small-sided game more accessible than conventional, 11-a-side football. Five Futbol is open 7 days a week and offers a variety of products at each venue. Five Futbol runs adult leagues, coach junior programs, manage social slots, host tournaments, throw birthday parties and facilitate other events/functions on their facilities.



His relationship with his investors is key. While many entrepreneurs make it just about the money, Adam understood something else – he was a pretty cool brand with a great cause behind it. So, while investors are asked for money all the time, he was able to offer something more than just a business idea – alignment. He generated enthusiasm for the 'why' behind the business. Like most of us, it makes investors happy to know that they are helping to make a positive difference.

And while it is easy to bandy about the word 'partnership', Adam has worked hard to make that a reality. He set out to find like-minded people who are passionate about the business and the cause, which is why they are able to serve as great resources for advice and insight.



'The best way to ensure that you and your investors have a valuable and lengthy partnership is to make sure that everyone is aligned to the vision.'
This includes Adam's team. The internal culture of an organisation is vital to its strength and growth.

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'Without our team we don't have a business for investors to support – our people are critical to our success. They're the executors of the vision at the end of the day.'
Much of the growth of Fives Futbol has been fuelled by finding the right sponsorship partners in key industries. To overcome the challenge of a limited marketing budget, Adam has secured sponsorships with big brands like Adidas, Total Sports, Debonairs and Klipdrift, allowing Fives Futbol to use their access to communities as a marketing platform to derive income as well as scale. And it works both ways.



'Because we have a national footprint and a team of people, we run activations for our partners, which also provides us with an ancillary revenue stream,' he says.
'Knowing how to join forces with other businesses has been a key factor in making the business successful. Our strategic partners have enabled the business to leverage their brand to give us more exposure. When it works well, a strategic partnership can be just what you need to speed up the growth of your business.'

[Source: *Entrepreneur Magazine*]

3.1 Identify and explain the TYPE of competitive strategy that Five Futbol uses. (3 × 2) (6)

3.2 Explain how the following factors influenced Adam's business:

2.2.1 Sponsorships



2.2.2 Internal environment culture

(2 × 2) (4)

3.3 Identify THREE signs indicating that Five Futbol is ready for growth. (3 × 2) (6)

3.4 Identify at least FIVE indications that there is internal and external growth in this business. (5 × 2) (10)

3.5 Give THREE competitive advantages and TWO possible threats to Five Futbol. (5 × 2) (10)

3.6 Why is it important that the long-term objectives of Futbol Five remain flexible? (2 × 2) (4)



3.7 Why do Five Futbol's employees and stakeholders accept the business' long-term objectives? Explain using examples from the scenario. (2 × 2) (4)

3.8 Why is a SWOT analysis such a useful tool for a business' strategic planning? (3 × 2) (6)

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QUESTION 4

Read the scenario below and answer the questions.

Shoes Moshoeshoe is the owner of a Mugg & Bean franchise in a busy shopping complex. There is a petrol station and a taxi rank nearby. The store is very busy as people wait for their transport, do their shopping, attend appointments at the hairdressers and the optometrists or go to the cinemas. There is also a constant flow of customers into the store throughout the day and it is the only coffee shop in the complex. He is nearing retirement age and would like to sell the business. The market value of the net assets of the business is R1 200 000.

The last three years' profit was:

2015 – R800 000
2016 – R900 000
2017 – R1 000 000

The interest on investment is 16%.

The owner's salary is R400 000

4.1 Explain the importance of knowing the following critical areas before buying an existing business:

4.1.1 Reason for selling

4.1.2 Physical conditions of the business

4.1.3 Potential of the company's products

4.1.4 Legal aspects to be considered

4.1.5 The financial position of the business

(5 × 2) (10)

4.2 Give FIVE reasons why an entrepreneur would be interested in purchasing this business. (5 × 2) (10)

4.3 Calculate the fair sales price for this business. (20)

4.4 How else can the goodwill (image) of a business be determined? (2 × 2) (4)

4.5 Give TWO personal factors that would encourage a person to start up their own business. (2 × 2) (4)

4.6 Why would you need to investigate the customer base of a business you plan to buy? (2 × 1) (2)

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QUESTION 5

Read the scenario below and answer the questions.

NKUKHU BOX

Inspired by his passion for good food, Itumeleng Mpatlanyana founded South Africa's first strictly-kasi franchise in 2015. Nkukhu Box is a true African township brand that embraces the authentic e'kasi culture and flavours. From their first location in Mamelodi, Nkukhu Box now boasts eleven locations across Gauteng, Mpumalanga and the North-West Province, with more stores opening soon.

As a strictly-kasi franchise, Nkukhu Box serves the township market and its menu reflects their understanding of African flavours and preferences and the 'township palate'. The perception that a market makes buying decisions purely on price is wrong; product quality has also become a major factor.

Working with advertising agencies who understand its target market, Nkukhu Box has a creative marketing strategy that is relevant, dynamic and market-related, and that speaks to the township market. As evidence of their commitment to the success of their franchisees, the franchisor contributes significantly to their marketing activities.
'I never wanted to work for someone and have always been taken with the idea of being my own boss and being financially free. If you want to succeed as an entrepreneur, a desire to turn a profit is not enough; you must have confidence, be driven to succeed and have enthusiasm for your product. Then you must work hard to develop you administrative and entrepreneurial skills,' says Itumeleng.

Speaking as an entrepreneur who has experienced the highs and (very) lows of business, Itumeleng remarked that being a young black entrepreneur has immense challenges in the private sector. Having taken the lessons from his previous ventures to heart, he realised that he would have to develop a business model that does not rely on too many external sources, and so the Nkukhu Box model was designed to mitigate the rent and other overhead costs that is the downfall of so many businesses. Nkukhu Box aims to change the current blueprint of township fast food and to become a household name in every kasi. Looking further afield, Itumeleng has his eye on Africa and hopes to establish a footprint in Zambia, Namibia, Lesotho and Swaziland.

[Source: *safranchise warehouse*]

5.1 What type of franchise is Nkukhu Box? (2)

5.2 List THREE aspects you must ensure are included in the growth policy of the franchise. (3 × 2) (6)

5.3 Give TWO reasons why you think Nkukhu Box would be successful in the area you live in. (2 × 2) (4)

5.4 Give THREE reasons that would discourage you from buying this franchise. (3 × 2) (6)

5.5 List the different payments that may be included in a franchise agreement. (2 × 2) (4)

5.6 How can the following driving forces affect Nkukhu Box?

5.6.1 Changing lifestyles

5.6.2 Technological change

5.6.3 Government

(3 × 2) (6)

5.7 Name TWO of Nkukhu Box's competitors. (2 × 1) (2)

5.8 How can Nkukhu Box stay competitive in regard to the competitors mentioned in QUESTION 5.7? (3 × 2) (6)

5.9 If you were to buy this franchise, which country would you target to open your first Nkukhu Box?

Substantiate your answer. (2 × 2) (4)

5.10 How will the following factors influence your business in the country of your choice?

5.10.1 Language

5.10.2 Culture

5.10.3 Religion

(3 × 2) (6)

5.11 Which method of entry will you use to enter your chosen foreign country?

Substantiate your answer. (2 × 2) (4)

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TOTAL SECTION B: 150
GRAND TOTAL: 200

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