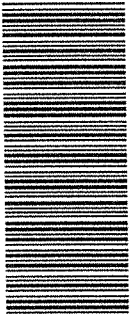


2013/11/08/1



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N460(E)(N13)H
NOVEMBER EXAMINATION

NATIONAL CERTIFICATE

ENTREPRENEURSHIP AND BUSINESS MANAGEMENT N6
(Second Paper)

(4090336)

13 November 2013 (X-Paper)
09:30–12:00

OPEN-BOOK EXAMINATION

Candidates may use FIVE sources as prescribed, including a dictionary and a calculator. No electronic dictionaries are allowed.

This question paper consists of 11 pages.

DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA
NATIONAL CERTIFICATE
ENTREPRENEURSHIP AND BUSINESS MANAGEMENT N6
(Second Paper)
TIME: 2½ HOURS
MARKS: 150

SECOND PAPER (SECTION B)

INSTRUCTIONS AND INFORMATION TO INVIGILATORS

- SECTION B (SECOND PAPER) is an OPEN-BOOK EXAMINATION which has to be answered in the prescribed ANSWER BOOK.
- The candidates may use FIVE sources as prescribed.
- The time allocated for this question paper is 2½ hours.
- The question paper must be handed to the candidates FIVE MINUTES BEFORE the examination commences.
- At the end of examination session, the ANSWER BOOK must be handed in. Place the candidate's ANSWER SHEET for SECTION A in the ANSWER BOOK. Make sure that the EXAMINATION NUMBERS correlate and are correct.

NOTE: If you answer more than the required THREE questions, only the first THREE questions will be marked. All work you do not want to be marked, must be clearly crossed out.

INSTRUCTIONS AND INFORMATION TO CANDIDATES

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

YOU MAY NOT TURN THE PAGE BEFORE THE INVIGILATOR INSTRUCTS YOU TO DO SO.

SECTION B

QUESTION 1

Study FIGURE 1 below and answer the questions.

1.1



FIGURE 1

1.1.1 Identify the strategy that is used by this business to secure competitive advantage. (2)

1.1.2 Give TWO motivations for your answer. (2 x 2) (4)

1.2 Identify FIVE advantages of such a strategy for a company. (5 x 2) (10)

1.3 State the specific driving force with which each product shown in FIGURE 2 below, will comply. Write only the driving force next to the number (1–5) in the ANSWER BOOK. (5 x 2) (10)

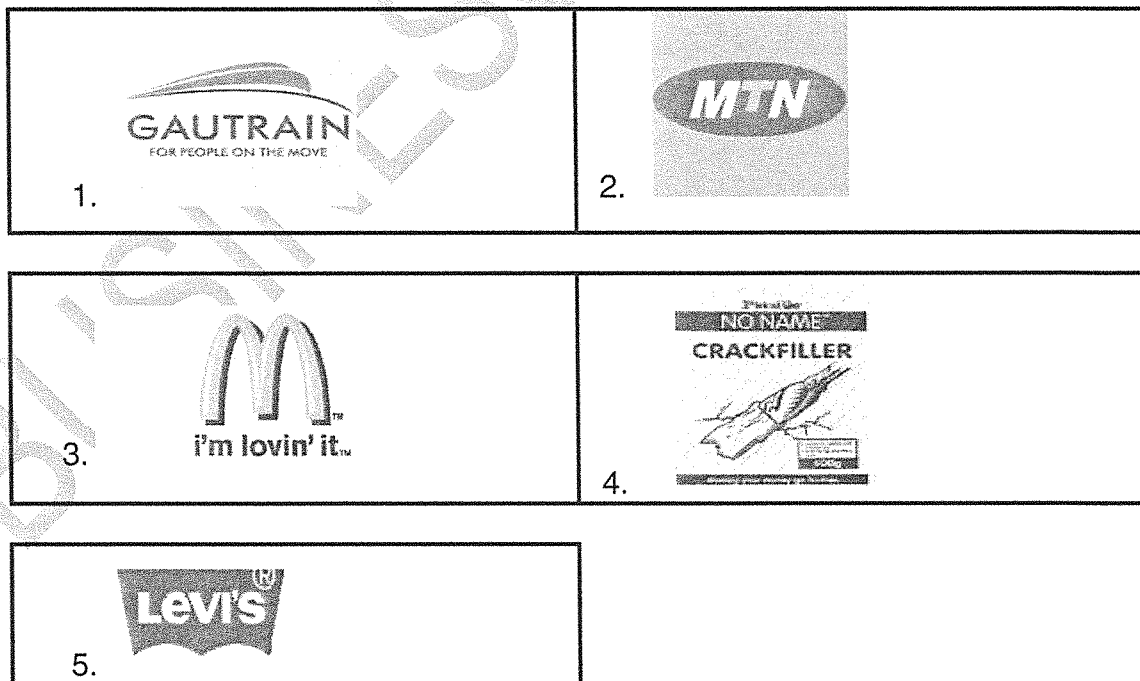


FIGURE 2

1.4 Choose the type of franchise that each of the pictures in FIGURE 3 below represents. Write the name of the type of franchise next to the number (1–5) in the ANSWER BOOK. (5 × 2) (10)

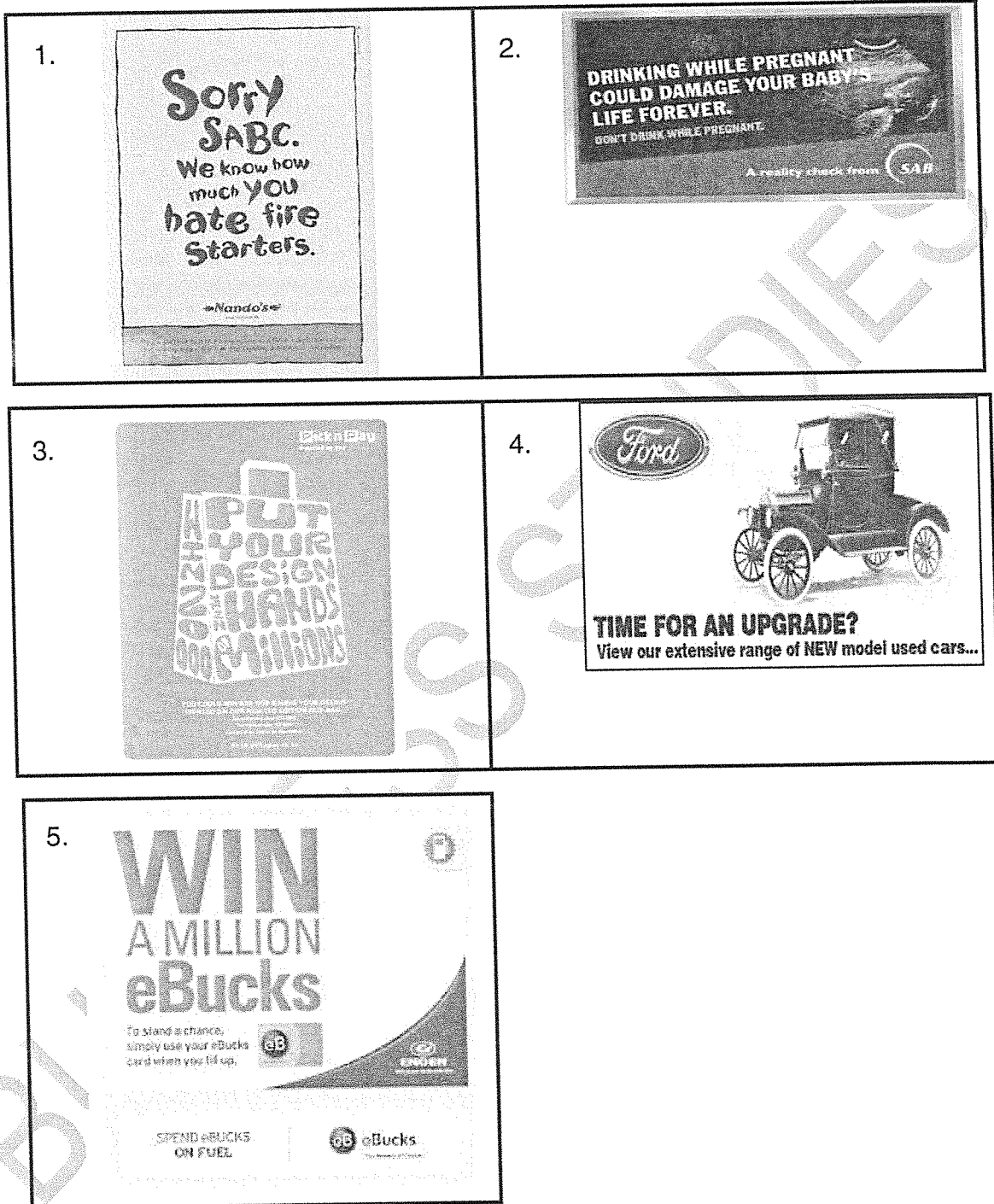


FIGURE 3

1.5 Franchising should be seen as the marketing of a distribution concept with specific features.

Discuss SIX of these features.

(14)
[50]

AND/OR

QUESTION 2

Read the case study below and answer the questions.

CAPITEC BANK

Simplicity is the ultimate
sophistication

Capitec Bank Holdings Limited was established on 1 March 2001 as a micro-lending organisation, but has come a long way since then. Today it is seen as one of the most innovative and competitive banks in South Africa. Capitec was announced as the winner of the Sunday Times Business Times Top 100 companies and is one of only 27 brands globally to be named a 'Great Brand of Tomorrow'.

After conducting research, Capitec Bank found that South Africans see banking as complex and confusing. Different fee structures, limited branch hours and countless account options make banking an unpleasant experience. Capitec Bank decided to differentiate itself by shifting its focus to providing easy and affordable banking services. A pioneering approach has been applied to traditional banking by developing a Global One facility and incorporating innovative technology uses in its banking system.

The Global One facility, which is the most innovative daily money management solution on the market, offers the lowest transaction fees, savings accounts with highly competitive interest rates and the easiest access to best-price credit. A paperless banking system, through the use of fingerprint biometrics, photo identification and card access, ensures that the banking process is streamlined and saves the consumer money.

By combining simplified banking with low-price fee structures, Capitec Bank has shifted its focus from lower income customers to customers from all income groups, becoming a major competitor for the four major banks in South Africa.

To ensure that banking is available to everyone, Capitec Bank has more than 400 branches that are conveniently located across South Africa and that stay open for longer than those of any other bank. Consumers can also access funds at ATMs throughout the country and the bank's partnership with MasterCard allows consumers to use their cards anywhere the Maestro sign is displayed! Knowing its customers are strapped for time, Capitec Bank also offers a range of banking options via Internet banking, cellphone banking and in-store point-of-sale terminals at Boxer, Pep, Pick 'n Pay, Shoprite and Checkers tills across the country.

- 2.1 Give SIX factors/characteristics of Capitec Bank's competitive advantage from the case study. (Any 6 x 2) (12)

- 2.2 List SIX macro-environmental factors from the case study that have an impact on Capitec Bank's operations and motivate your choice of each environmental factor. (6 x 1) + (6 x 2) (18)
- 2.3 Name the FOUR major banks with which Capitec Bank is competing. (4)
- 2.4 Name FOUR threats with which Capitec Bank has to deal. (4)
- 2.5 Support the following long-term objectives that Capitec Bank has fulfilled with substantiation from the case study:
- 2.5.1 Specific objectives
- 2.5.2 Measureable objectives (2 x 6) (12)
- [50]

AND/OR

QUESTION 3

Read the case study below and answer the questions.

Tata Consultancy expands in SA

31 October 2007

In partnership with an empowerment partner, global information technology (IT) services provider and outsourcing company, Tata Consultancy Services (TCS), has launched a local subsidiary, TCS South Africa, to strengthen and expand its operations in the country.

"We see South Africa as a key strategic market for TCS and also as a gateway to Southern and Central Africa," TCS chief executive and managing director, Subramaniam Ramadorai, said in a statement last week.

"Through our own subsidiary, we shall be well-placed to contribute to the economic growth of the country and its businesses by bringing in global best practices and world-class technology solutions."

TCS is part of the US\$29 billion Tata Group, which already has extensive operations in South Africa through subsidiaries like Tata Motors, Tata Steel and VSNL, which is the largest single shareholder in South Africa's second landline operator Neotel.

Ramadorai said the new model would help the company make a greater contribution to the South African economy by investing in the skills of its IT professionals through providing world-class training, and also bringing global best practices to help increase the competitiveness of South African businesses.

Opening a subsidiary is also in line with TCS's global strategy to have a direct presence in the countries in which it operates.

The statement adds that TCS South Africa will have equity participation from local black economic empowerment groups to ensure a high level of social governance and localisation of services and skills.

'To help its customers in South Africa, TCS has already created a near-shore delivery capability in Johannesburg, from where we are providing support services for our financial services products implemented in South Africa,' TCS chief operating officer, N Chandrasekaran, said. 'The South African operations will emerge as a hub to serve customers in the southern and central parts of Africa.'

TCS already does business in South Africa with the government as well as with leading companies in the banking and financial services, manufacturing, energy, telecommunications and retail sectors.

- | | | | |
|-----|---|---------|------|
| 3.1 | Explain the concept <i>consultant</i> . | (5 × 2) | (10) |
| 3.2 | Report SEVEN advantages of a consultancy. | (7 × 2) | (14) |
| 3.3 | Name the method that Tata Consultancy Services (TCS) finds effective in pursuing overseas business. | | (2) |
| 3.4 | Give the advantages that this method holds for South Africa. | (6 × 2) | (12) |
| 3.5 | Justify SIX reasons for TCSs global strategy. | (6 × 2) | (12) |

[50]

AND/OR

QUESTION 4

- 4.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (4.1.1–4.1.10) in the ANSWER BOOK.

- 4.1.1 During the final screening in the evaluation of an existing business you must ...

- A avoid legal problems.
- B estimate financial strength.
- C interview the seller.
- D observe the premises.

- 4.1.2 The vision of a small business answers the question of ...

- A 'striving to address the interests of the organisation's stakeholders'.
- B 'what do we want to become'.
- C 'what is our business'.
- D 'what do we stand for'.

- 4.1.3 ... for a going business reflects the rule-of-thumb estimate of the business broker.
- A Rough estimates
 - B Goodwill
 - C Unfair price
 - D Cost price
- 4.1.4 Objectives are important for small business managers because they ...
- A must sustain the resources.
 - B communicate the vision statement.
 - C provide direction.
 - D must renew and adapt the vision.
- 4.1.5 ... is what it is worth to the present owner from an accounting point of view.
- A Book value
 - B Market value
 - C Replacement value
 - D Liquidation value
- 4.1.6 The strategy that focuses on improving the position of the business's present product with present customers is called ...
- A product development strategy.
 - B market penetration strategy.
 - C diversification.
 - D market development strategy.
- 4.1.7 The years of profit figure is determined by ...
- A the selling price of competitive firms.
 - B not taking expenses and risk into account.
 - C the willingness of the seller to sign a noncompetitive agreement.
 - D not taking unique intangibilities of business into consideration.
- 4.1.8 Strategic planning is important because ...
- A it is easy to adjust strategy because of a wide product range.
 - B it is easy to adjust strategy because customer base is not defined.
 - C the entrepreneur has the ability to pursue a mission, which is why the business was created.
 - D all power is vested in the entrepreneur and he/she is the only one to initiate change.

4.1.9 When the owner of an existing business wants to impress you with sales talk, you must remember to ask him the following question:

- A Are you advertising your business?
- B Do you have competitors?
- C Do you have the controlling interest in the business?
- D How much is your payroll every month?

4.1.10 Techniques to get ideas to solve problems are ...

- A Factoring.
- B Fractioning.
- C Follow-up.
- D Fractionating.

(10 × 2) (20)

4.2 Choose a word from COLUMN B that matches a description in COLUMN A. Write only the letter (A–J) next to the question number (4.2.1–4.2.10) in your ANSWER BOOK.

COLUMN A		COLUMN B	
4.2.1	Develop an ability to price the business in which they deal accurately	A	bankers
		B	business brokers
4.2.2	Source of information for a business to buy	C	ill-will
		D	bad precedents
4.2.3	Can be inherited with buying an existing business	E	select chairperson
4.2.4	Firm has proven market segment with established clientele	F	reduce risk
		G	subcontractors
4.2.5	Type of interaction in consultancies	H	power
4.2.6	Certain jobs are becoming very standardised	I	purchase of expertise
4.2.7	Loss of benefit	J	reverse method
4.2.8	Taking things and turning them around to see what happens		
4.2.9	A rule in this problem-solving process		
4.2.10	Attitude of sales people towards customers may destroy a good image		

(10 × 1) (10)

4.3 Read the case study below and answer the questions.

20 August 2010, 10:20 am

SRC HOLDINGS

Evaluating the potential of a business

By JACK STACK

Over the past 28 years SRC has acquired or invested in more than 60 different ventures. We think of these expansions as ways to fuel not only our company's growth but also the careers of our associates. Practicing open-book management helps us cultivate leaders throughout the organisation, and we like to create opportunities for those leaders either by acquiring outside companies or investing in companies that our associates start.

Because we have been successful with acquisitions and joint ventures, we see a lot of opportunities. One such opportunity is the manufacturing plant in Lexington, Kentucky, that we acquired last year and that has been performing extremely well.

But I have to admit that we haven't always been successful in our expansion efforts. One prominent example was a salon in Plano, Texas, in which we invested. It seemed like a great idea, but it turned into a flop. The good news is that failures like the salon have helped us develop a process to vet opportunities to buy a company or invest in a start-up.

We used our experience at the salon and other failures to develop three critical questions that we like to ask when we evaluate the potential of a business:

Does the target company produce positive cash flow? To be successful, every business needs to produce cash flow, which requires managing the spread between payables and receivables. We want to see that a company can do more than just get a purchase order. We want to see that it gets paid before its bills are due. In the case of the salon, we failed to realise that the company's positive cash flow statements were driven by the credit it had been given by its vendors. After we closed the deal, the vendors came calling for their money, and we were caught with our pants down.

Does the company cover its costs? I also like to ask, 'can the business absorb its overhead?' When people hear the term overhead, they sometimes fail to break the fixed costs from the variable costs.

The fixed costs are the ones that don't fluctuate with volume, like rent. In the case of that salon we bought, we got burned because we built it too big. We were paying for 5,600 square feet when we really could only afford 2,600 square feet. We couldn't generate the volume to absorb the rent. The salon was borrowing money and ploughing it right into rent, something that clearly was unsustainable.

Can it be diversified? This can mean asking whether the company is capable of producing different products and services, or it can mean taking existing products and services to new markets. The point is that we do not want to run a company that has all its eggs in one basket — whether it's a single product or a single market. Our salon didn't have the ability to add the kinds of new products and services that might have produced enough revenue to overcome the problems in the core business.

I believe that all business owners should be asking these three questions about their own businesses. So go ahead and evaluate the potential of your business the way an outsider might. If you don't like what you see, it's time to begin making some changes.

- 4.3.1 Indicate from the case study what SRC Holdings learned from the failure of its salon. (2)
 - 4.3.2 State the THREE critical questions when evaluating the potential of a business. (3)
 - 4.3.3 Choose FIVE ways from the case study in which SRC Holdings could have turned its weaknesses into strong points. (5)
 - 4.3.4 Write down FIVE results of SCR Holdings' growth from the case study. (5 × 2) (10)
- TOTAL: 150**