



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2011

BUSINESS STUDIES: PAPER I

MARKING GUIDELINES

Time: 2 hours

200 marks

These marking guidelines were used as the basis for the official IEB marking session. They were prepared for use by examiners and sub-examiners, all of whom were required to attend a rigorous standardisation meeting to ensure that the guidelines were consistently and fairly interpreted and applied in the marking of candidates' scripts.

At standardisation meetings, decisions are taken regarding the allocation of marks in the interests of fairness to all candidates in the context of an entirely summative assessment.

The IEB will not enter into any discussions or correspondence about any marking guidelines. It is acknowledged that there may be different views about some matters of emphasis or detail in the guidelines, and different interpretations of the application thereof. Hence, the specific mark allocations have been omitted.

SECTION A

QUESTION 1

1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	1.10	1.11	1.12	1.13	1.14	1.15
LO 3 AS 7	LO 4 AS 3	LO 3 AS 2	LO 4 AS 4	LO 1 AS 2	LO 3 AS 3	LO 2 AS 5	LO 1 AS 4	LO 2 AS 3	LO 2 AS 4	LO 3 AS 1	LO 4 AS 4	LO 4 AS 3	LO 4 AS 1	LO 2 AS 1
B	C	A	D	B/D	D	A	A	A	A	D	C	C	B	C

[30]

QUESTION 2

- 2.1 LO 2; AS 4 **Unemployment Insurance Fund**
- 2.2 LO 1; AS 3 **Basic Conditions of Employment Act OR (BCEA) or Labour Relations Act**
- 2.3 LO 4; AS 2 **Arbitrator**
- 2.4 LO 3; AS 1 **Delphi technique**
- 2.5 LO 2; AS 5 **Shares or net profit/retained earnings**

[10]

QUESTION 3

- 3.1 LO 2; AS 5 **C**
- 3.2 LO 4; AS 3 **E**
- 3.3 LO 3; AS 2 **A**
- 3.4 LO 2; AS 2 **D**
- 3.5 LO 3; AS 4 **F**

[10]

50 marks

SECTION B**QUESTION 4**

4.1 4.1.1 [LO 1; AS 2]

- (a) economic / profit motive*
 - (b) social aspects / people*
- (* **These answers can be in any order**)

4.1.2 [LO 1; AS 4]

- (a) market
 - (b) The level of rivalry in the market*
 - (c) The availability of substitute products*
 - (d) The power of suppliers*
- (* **These answers can be in any order**)

(12)

4.2.1 [LO 4; AS 3]

Description of TWO unfair labour practices:

- **Unfair discrimination**, i.e. discrimination on the grounds of arbitrary reasons such as race; gender; sexual orientation; age; disability; religion; political opinion; culture; language; marital status or family responsibility. Candidates must be given credit if they mention the exceptions to this provision, i.e. Affirmative action or Employment equity or exclusion based on the inherent requirements of a particular job.
 - **Unfair conduct** of the employer relating to the promotion, demotion or training of an employee or the provision of benefits.
 - **Unfair suspension** of an employee or any other disciplinary action short of dismissal.
 - **Failure or refusal of an employer to reinstate** or employ a former employee in terms of any agreement.
- (Credit must be given if the candidate uses a relevant example to describe the unfair labour practice)**

(Any 2 unfair labour practices × 2 = 4)

*(If candidate only gives example, allocate 1 mark for different unfair labour practices.)

4.2.2 [LO 4; AS 3]

How the CCMA could assist a SPAR employee who is unhappy with certain labour issues:

- Through a process of **conciliation** where the parties in dispute get together with a neutral third party. The conciliator does not decide who is right or wrong, but tries to help the parties to reach an agreement.
- Through a process of **mediation** where a process of making a recommendation when conciliation has failed. The mediators' recommendations cannot be enforced.
- Through a process of **arbitration** where the dispute is referred to a third neutral party, but the decision that is reached is final and binding on both parties.
- Involvement in **workplace restructuring** as the Commission has labour experts who can analyse the situation from a different angle and offer feasible suggestions. The process could be a total overhaul or merely a fine-tuning, e.g. improvement of workplace forums.

- Providing **advice and training** on issues such as termination of employment; labour legislation; human resources or even collective bargaining skills during negotiations, etc. ...

(Any other relevant assistance that the CCMA could offer)

(Any 3 facts \times 2 = 6)

* [1 mark – fact]

* [1 mark – explanation]

4.2.3 [LO 4; AS 1]

The purpose of manpower planning:

- How many employees the business needs;
- What skills these employees must have; and
- When these employees will be needed.

(any other relevant answer on manpower planning)

(3 facts \times 1 = 3)

4.2.4 [LO 2; AS 4]

Property as an investment strategy to increase cash flow:

Candidates can argue that this was not a wise strategy:

- Property does not have a high degree of liquidity in the short-term;
- You are mostly likely not able to sell the property in the short-term or as quickly as other investment classes;
- Investment in property is essentially a long term investment you can only expect to make significant cash flows in this time period.
- You often need an expert, (e.g. property valuator or estate agent) to complete the transaction – increase in costs therefore less cash flow available.
- The property market can be affected by macro factors, e.g. recession; political change (changes in municipality structures due to elections) and these factors have an impact on the return the investor is most likely to get.

(Any other relevant argument against property as an investment strategy)

Candidates can argue that this was a wise strategy:

- Property is a wise strategy as it can keep up with inflation.
- There is the positive leverage effect, i.e. making a profit out of borrowed funds.
- As trade unions deal with SPAR's workforce as a 'client' and SPAR has many properties – they may be able to strike a deal with the SPAR management and obtain a good investment in a SPAR franchise.
- Rental income may be earned.

(Any other relevant argument in favour of property as an investment strategy)

(Any 3 facts \times 1 = 3)

4.2.5 [LO 4; AS 3]

The effectiveness of having a trade union representative in a wage negotiation dispute: Candidates can argue that this is an effective strategy:

- The trade union representative has the necessary negotiation skills to present your argument in a favourable light;
- The representative usually has the necessary legal background especially when it comes to labour law and its implications;
- The representative has a vested interest in winning your case as his reputation is on the line;
- The representative is familiar with the working environment/background from which he/she is representing.

(Any other relevant argument in favour of using a trade union representative)

Candidates can argue that this is not an effective strategy:

- The representative may not be suitably qualified to deal with your case, i.e. not have the necessary experience, negotiation skills, etc. ...
- Most trade unions are cash strapped and therefore may not be in a position to appoint the best qualified person for the representation;
- The representative may be biased, or have personal issues with you in the case and not fulfil his job to the best of his/her ability;
- The representative may be pressurised into accepting an offer on your behalf which may not necessarily be in your best interest – but the employer's interests.

(Any other relevant argument against using a trade union representative)

(Any 3 facts × 1 = 3)

4.3 [LO 3; AS 5]

4.3.1 **Cultural Diversity** refers to different cultures and what these cultural differences can bring to a situation.

(1 mark for the **definition of cultural diversity**)

Cultural Diversity could be a source of conflict in the following ways:

- Individuals may feel threatened when confronted by a new culture;
- There may be prejudices or preconceived ideas towards that culture;
- One may be ignorant about what a particular culture may or may not accept as being appropriate behaviour;
- One could have a stereotypical idea about a culture that in fact is not true or worse: we may inappropriately act out based on the stereotypical idea.

(Consider any other relevant way in which cultural diversity could be a source of conflict)

(Any 2 facts × 1 = 2)

4.3.2 **Ways in which SPAR management could deal with conflict from cultural diversity:**

- **Smoothing** – Ignore the differences in culture and focus on what people have in common;
- **Forcing** – A person in authority forces people to accept his/her solution to the problem, i.e. an autocratic approach to the conflict;
- **Avoidance** – Pretend that the problem does not exist or do not make an issue of cultural differences as the perception is that it is simply not worth the effort to argue over the issue;
- **Compromise** – A democratic way of dealing with the conflict where equal power is given to opposing cultures, so that one is not more dominant than the other. Difficult to enforce when there are uneven numbers;
- **Empower managers with skills to deal with the conflict** – Allow managers to acquire the necessary skills, through training, to appropriately deal with conflict issues surrounding conflict. These skills could include communication skills; change management; ability to think and act strategically; tolerance skills;
- **Stimulate functional conflict – Play Devil's Advocate** – Stimulate creativity and prevent 'group mentality' when considering issues relating to cultural diversity.

(Any 2 ways of dealing with conflict from a 'cultural perspective' × 2 = 4)

4.4 [LO 4; AS 4]

Components of the Balanced Scorecard:

- 1) **Financial perspective:** How do we look? → Profit, dividends, cash flow, solvability
- 2) **Customer perspective:** Who is the customer, how do customers see us, what do they want from us, how do we keep them as our customers?
- 3) **Internal (business) process perspective:** What must and can we do well to create a competitive advantage?
Operational: Developing and sustaining supplier relationships, producing products and services, distributing and delivering products and services to customers.
Innovation processes: Identify opportunities for new products and services, manage the R & D (research and development), design and develop the new products and services, bring the new products and services into the market.
Social and regulatory processes: Look at **environmental issues** (energy and resource consumption and emissions into the air, water and soil), **safety and health issues** (safety hazards to employees), **employment practices** (diversity of employees) and **community investment**.
- 4) **Learning and growth perspective:** Can we continue to improve and create value? Very important in the times that we live in, where 'knowledge' is often seen as a 5th factor of production. Also think about Intrepreneurship.

For mentioning the focus points: (1)**For discussing any two facts under each focus point (Any 2 facts × 1 = 2)****(4 focus points × 3 = 12)****50 marks**

QUESTION 5

5.1.1 – 5.1.4 [LO 1; AS 4]

5.1.1 Line and staff organisational structure (1)

5.1.2 **Any appropriate example of an advisor, e.g.** legal advisor; lawyer; Public relations officer, marketing expert; consumer advocate; strategy expert, etc ...
 (* Any other relevant example on line and staff organisation) (1)

5.1.3 **The span of control of the Managing Director is:** limited to the number of managers in middle level management **OR** it could be broad or narrow depending on the number managers in middle level management.
 * Accept 5 (include advisors) (1)

5.1.4 **Advantages of the line and staff organisation structure:**

- The structure is easily understood by everyone in the organisation as it is simple and easy to follow and uncomplicated;
- Only one person gives orders to a group of workers – unity of control which allows for clarity of instructions and avoids the broken telephone effect;
- The span of control is limited and hence managers have smaller groups to work with, making management easier and effective;
- The advisors assist top and middle management in decision making as they have a system of outsourcing on issues/problems/challenges that they might not have expert knowledge on;
- Greater division of labour and the associated benefits, e.g. greater quality of work;
- The system lends itself to quick decision making and avoids delays. Management also feels more comfortable in the quality of the decision making.

(Any 2 advantages × 2 = 4)
 (1 mark for fact)
 (1 mark for explanation)

5.1.5 – 5.1.6 [LO 4; AS 4]

5.1.5 **Candidates can argue that having different tools to measure quality of performance is a wise or is not a wise decision.*****Arguments in favour of having different quality of performance tools:***

- Each department is unique in terms of organisational goals, so performance targets will be different.
- Although quality is uniform – its application is different depending on the nature of the department.
- Some quality of performance tools, i.e. sampling have been designed with specific departments in mind – hence they have inherent differences.
- Management is taking into consideration the diversity of the organisation.

(Consider any other relevant argument in favour of having different quality of performance tools)

Arguments not in favour of having different quality of performance tools:

- It could be argued that having different quality of performance tools may skew quality performance outcomes.
- Interpretation of results may differ due to lack of uniformity.
- There is a lack of total quality management as individual quality control is focused on.
- Too many different types of tools, mean that you complicate the issue and lose sight of the primary goal.
- Management cannot see the 'bigger picture' as they have a narrow focus.

(Consider any other relevant argument not in favour of having different quality of performance tools)

(Any 2 facts \times 1 = 2)

5.1.6 **Candidates can argue that having a current ratio of 1,06: 1 is not problematic OR that it is problematic.**

Arguments that the current ratio is not problematic:

- The business has more current assets than current liabilities, so it should be able to meet its short term financial obligations.
- Management can focus their attention on improving profitability or return on investment as its liquidity is stable.
- This ratio shows stability in the business' short-term outlook.
- The business is not facing a liquidity risk.

(Consider any other relevant arguments indicating that the current ratio is not problematic)

Arguments that the current ratio is problematic:

- Depending on the norm for the current ratio for the SPAR Group Ltd, the company may not be able to meet its short-term financial obligations.
- This would have ripple effects on profitability and solvency.
- You should not only focus on one result, but rather look at the ratio over a number of years and consider the trend – a decreasing trend might force you to reconsider your financial strategy.
- The SPAR Group Ltd does have the majority of its profits coming from the sale of stock. Reconsider using the acid test ratio as a performance tool as opposed to the current ratio or in combination. Keep your options open.

(Consider any other relevant arguments indicating that the current ratio is problematic)

(Any 2 arguments \times 2 = 4)

5.2 [LO 2; AS 5]

- **Formation Procedures**

- The formation procedures for a public company are extensive.
- These formation procedures include the completion of prescribed documents, i.e. memorandum of association, articles of association and the prospectus.
- In addition, public companies must satisfy certain requirements in order to get a certificate of incorporation and a certificate to commence business.
- There are also legislative and administrative requirements when public companies register with the Johannesburg Securities Exchange.

Conclusion: Can argue that these extensive formation procedures can lead to failure as the company may not be able to take advantage of profitable contracts as it is consumed with trying to satisfy the formation requirements. Alternatively, extensive formation procedures can lead to the success of the business as they ensure that the business is legal and that there are no loopholes that may force the business into legal/financial difficulties.

- **Capital Requirements**

- As there are more owners than in other forms of ownership, more capital can be raised.
- The business is a public company; capital is therefore not limited as the investing public has an opportunity to buy shares through the JSE.

Conclusion: Thus, capital acquisition in a public company can lead to the success of the business, however in times of recession/poor economic activity this is not a consolation as the public is cash strapped and investing in shares is not a priority and this could lead to failure of the company. Can argue that investing in the stock market can lead to success or failure as the stock market is influenced by macro factors. Consider the negative impact of hostile takeovers or company front running.

- **Size of the enterprise**

- The size of the business will determine the amount of capital required. For public companies this is large.
- As the SPAR Group Limited has a huge network of businesses, both locally and internationally, their activities are definitely large scale.

Conclusion: The size of SPARs organisation can lead to success (as it is able to have a large base from which to draw capital, human resources, expertise, etc ...); but it can also lead to failure (the impact of liquidation, poor business image, bad publicity, economic recession) as the business units are closely integrated.

- **Separate legal personality**

- The company has a separate legal personality.
- It can enter into contracts in its own name and sue and be sued.
- Legal personality provides for limited liability, thus personal belongings cannot be taken from the directors when the business goes bankrupt.

Conclusion: Can argue that separate legal personality can lead both to the success (as per the above points) or failure (needs to have other measures in place to ensure that the contracts entered into are not to the detriment of the business) of the business.

- **Liability for debts**

- A company has limited liability, which means that the private possessions of the owners cannot be used to settle the debts of the company.
- The only thing that owners stand to lose upon liquidation of the company is their initial investment.
- The company needs to use its own assets in order to generate an income to settle its own debts.

Conclusion: A company with limited liability can lead to success, because shareholders are keen to invest in a form of ownership that does not require their personal assets as security for debts and this factor encourages companies to be more careful, vigilant when entering into contracts. Can argue that this last point also raises the issue that if companies do not follow strict criteria when choosing a contract, the end results (financially) on the company could be detrimental.

- **Continuity of existence**

- A company has continuity of existence.
- The life of the business is not dependent on the life of the owners.
- Should one of the shareholders wish to sell his shares or die, this will have limited impact on the business, but not its continued existence.

Conclusion: Continuity of existence leads to success. One could argue that if there is a major change in ownership, i.e. a majority shareholder sells his/her shares, it could negatively impact on the continued existence of the company.

- **Taxation**

- The SPAR Group Limited is responsible to pay income tax on profits generated. This is at a fixed rate.
- Shareholders will also pay a dividend tax, i.e. they receive their dividends net of tax.
- The company must also pay other taxes, e.g. VAT, import, export duties, etc. ...

Conclusion: Payment of taxation has a negative impact on the success of the business.

- **Management/control aspects**

- The ownership (shareholders) and management (board of directors) is seen as separate.
- The company is not impacted by the personal lives of the owners.
- The board of directors are entrusted with the day-to-day running of the company so that they can concentrate on management issues.
- The Company's Act specifically stipulates the roles and duties of the directors and the consequences of unethical decisions of directors.
- A company can have top; middle and lower level managers that assist with the decision making processes of the company.

Conclusion: In a company situation one can argue that the separation of ownership and management can lead to the success of the company.

(* Consider relevant parts of King Code in discussion)

Mark Allocation for Question 5.2

- **Candidates must identify the factor** (1 mark)
- **Candidates must show an understanding of the factor** (Any 2 facts × 1 = 2 marks)
- **Candidates must show how the factor leads to success or failure** (2 marks)
- **Only TWO factors have to be discussed** (Any 2 factors × 5 = 10 marks)

5.3.1 [LO 3; AS 4]

Characteristics/qualities of a SPAR entrepreneur

- They are passionate **visionaries**; think about the future of the business; see where the business can diversify and amalgamate.
- They are **creative thinkers** who challenge the conventional ways of doing things, innovating different aspects of traditional businesses such as products, methods and marketing campaigns, etc. ...
- They are **risk takers** with a positive attitude, who take chances by devoting their time, money and other resources to something they believe would work and invest in other business opportunities that might be risky.
- They are good **leaders**, because they persuade others to buy into their dreams and help them to realise it; managers are able to listen to their workforce; they lead their organisation into the 21st century.
- They are **independent spirits**, who like to be in control and are internally motivated, rather than working for a boss who tells them what to do.
- They have **perseverance and commitment**. They do not change the world in one day, but work hard until eventually they change the part of the world they live in significantly.
- They are **opportunists** who happen to be in the right place at the right time – people who see an opening and take it.
- They are individuals who either have the necessary **expertise, knowledge and skills** to make the business a success, or the ability to recognise their shortcomings and then hire the right people to fill the gaps.

(Consider any other relevant quality/characteristic of a SPAR entrepreneur)

(Any 3 qualities x 2 = 6)

5.3.2 [LO 3; AS 4]

Entrepreneurship refers to the person who identifies a new need in the market or identifies a new market and uses his/her creativity and inventive ability to create or build what is needed. **OR**

Entrepreneurship refers to the person responsible for co-ordinating natural resources, labour and capital of a business in an effective manner so that unlimited wants are satisfied with limited means. (2 marks)

Intrepreneurship refers to employees who work within a business, but use their unique talents of innovation and leadership to change and improve their department or take the business to new heights. (2 marks)

5.3.3 [LO 3; AS 4]

How a SPAR entrepreneur could use technology to stay ahead of its competitors:

- Having greater access to the Internet, means that you are more likely to find innovative methods to deal with business crisis;
- Technology allows you to connect/communicate more effectively with customers, suppliers and department managers;
- With technology you can have an influence on the quality of your products i.e. fresh produce/products that are organic can ensure you meet your customers' needs;
- You could improve the quality of your service in SPAR outlets, e.g. product scanning devices at point of sales so as to improve checkout times;
- Technology can influence the day-to-day running of the business from an administrative point of view.

(Consider any other use of technology to stay ahead of its competitors)

(Any 2 facts × 2 = 4)

5.3.4 [LO 1; AS 1]

TWO suggestions on what SPAR can do to be more environmentally friendly:

- SPAR can channel funds into research and development of environmentally friendly products;
- SPAR could offer environmentally friendly products at a lower cost to customers and in doing so create awareness;
- Actively participate in awareness programmes (i.e. CSR programmes) encouraging environmentally friendly programmes;
- Have a marketing communication network that considers environmentally friendly products as part of its objectives;
- Encourage the use of environmentally friendly appliances within its own organisation (i.e. from a micro perspective), e.g. energy saving refrigerators; light bulbs, etc. ...

(Consider any other suggestions on how to be more environmentally friendly)

(Any 2 suggestions × 2 = 4)

5.4 [LO 3; AS 1]
Pro's and Con's Chart

Venture out and start your own business as a sole trader	
Pros	Cons
<ul style="list-style-type: none"> • You can be your own boss; • You can manage the business as you see fit; • You can apply your own leadership style; • You have the final say on the allocation of resources; • You have control over the direction of the business, i.e. the mission, vision, etc. ... • All the business profits are yours. <p>(Consider any other relevant answers as a sole trader) (Any 2 points × 1 = 2 marks)</p>	<ul style="list-style-type: none"> • You have unlimited liability; • You have limited continuity; • The success of the business is dependent on your health; • As an owner you are expected to manage and co-ordinate all business activities, i.e. be an expert in many fields; • The running of the business is time consuming with many risks. <p>(Consider any other relevant answers as a sole trader) (Any 2 points × 1 = 2 marks)</p>
Buy into an existing SPAR franchise	
Pros	Cons
<ul style="list-style-type: none"> • All the advantages associated with running a franchise + <p>(Consider any other relevant answers on franchises) (Any 2 points x 1 = 2 marks)</p>	<ul style="list-style-type: none"> • All the disadvantages associated with running a franchise + <p>(Consider any other relevant answers on franchises) (Any 2 points x 1 = 2 marks)</p>
<p>Your final decision and motivation: (Consider what the candidate has decided and if the motivation is valid) (1 mark)</p> <p style="text-align: right;">(9 marks)</p>	

50 marks

QUESTION 6

6.1 [LO 2; AS 4]

6.1.1 **Diversification** means spreading the investment risk between the various asset classes. (2)

6.1.2

	Risk of Investment	Return Offered
Option A: Fixed Deposit	<ul style="list-style-type: none"> – The risk on this type of investment is usually low, – as you are assured a fixed rate of return, based on the terms of your agreement. – Investing in a fixed deposit at a commercial bank is a relatively safe investment as the bank has reserve funds to cover losses. <p>(Consider any other relevant answers on fixed deposit) (Any 2 points × 1 = 2 marks)</p>	<ul style="list-style-type: none"> – The return offered is usually low in comparison to other classes of investment. – You can expect to get the capital amount of the investment together with the interest on maturity. – You would expect to get (6% × R1 million = R60 000) <p>(Consider any other relevant answers on fixed deposit) (Any 2 points × 1 = 2 marks)</p>
Option B: Shares in SPAR	<ul style="list-style-type: none"> – Investing in shares carries a medium to high risk. – This is because the value of the shares are influenced by market forces beyond the investors' control. <p>(Consider any other relevant answers on shares) (Any 2 points x 1 = 2 marks)</p>	<ul style="list-style-type: none"> – The return offered is an EPS of 543,7 cents and a DPS of 500 cents. – The return offered needs to be compared with other shares in the same class as SPAR and the dividend growth that the shareholder is expecting. <p>(Consider any other relevant answers on shares) (Any 2 points x 1 = 2 marks)</p>

One mark for motivation of choice (1)
(9 marks)

6.2 [LO 1; AS 4]

Challenge being faced	Strategy in response to challenge
6.2.1 The high price of petrol and its impact on the price of basic foods such as bread and milk.	<ul style="list-style-type: none"> – Lobby for state assistance through a subsidy on the petrol prices; – Reorganise transportation routes so as to cut down on fuel costs; – Share costs with a supplier through a re-negotiation of the terms of the contract. <p>(Consider any other relevant answers related to high petrol price) (Any 1 point × 2 = 2)</p>

<p>6.2.2 Theft of stock at a SPAR distribution centre.</p>	<ul style="list-style-type: none"> – Improve on the security procedures for stock; – Install cameras to prevent theft; – Improve on internal control of stock. <p>(Consider any other relevant answers related to stock theft) (Any 1 point x 2 = 2)</p>
<p>6.2.3 Access to personnel records through SPAR's internal computer systems is open to computer viruses.</p>	<ul style="list-style-type: none"> – Have proper authorisation codes when accessing personnel records; – Install appropriate anti-virus software; – Have a well communicated policy as to who may have access to internal company records. <p>(Consider any other relevant answers related to access to information via computers) (Any 1 point x 2 = 2)</p>
<p>6.2.4 The changing profile (age; income; marital status; cultural background, etc. ...) of SPAR's consumers.</p>	<ul style="list-style-type: none"> – Conduct marketing research to gather evidence on the changing needs of the consumer base; – Update marketing policies more regularly to keep up to date with current market trends; – Bring in experts who could advise you on how to best deal with the changing profiles. <p>(Consider any other relevant answers related to changing consumer profile) (Any 1 point x 2 = 2)</p>

(8 marks)

6.3 [LO 1; AS 4]

Candidates are assessing whether a 'voluntary trading' strategy is a good/bad strategy.

Arguments in favour of this strategy:

- Management creates a good relationship with the local community when buying local produce. A sense of community well-being is encouraged.
- Buying local means you can cut down on costs especially transportation costs.
- Supporting the community means that SPAR is creating and maintaining job opportunities.
- Growth and development in the local community encourages investment even foreign investment.
- This strategy is encouraged by the SPAR head office – it is not enforced. SPAR outlet owners have the choice as to whether they would like to follow the strategy.

Arguments not in favour of this strategy:

- Management must always be cautioned against not upholding to the terms of the contract as this could result in a boycott from the local community.
- The SPAR group might create an expectation that they will always support local and this is difficult to justify when the business decides otherwise.

(Consider any other relevant points on voluntary trading)

(Any 2 relevant points × 2 = 4)

6.4 [LO 4; AS 3]

Three types of collective bargaining structures:

- Bargaining councils
- Statutory councils
- Workplace forums

(3 marks)

The purpose of bargaining councils:

- To resolve labour disputes amicably;
- To establish collective agreements in certain sectors of industry;
- Preventative actions in the labour market.

(Any other relevant purpose of bargaining councils)

(1 mark)

6.5 [LO 1; AS 3]

6.5.1 **Why it is important for business to support the principles of the Skills Development Act in the South African labour context:**

- The workplace has become a place of learning;
- Business must improve the level of investment in education and training;
- There must be assurance of quality training, i.e. accredited programmes;
- There will be an improvement of employment opportunities for disadvantaged people;
- There is an encouragement for workers to update their skills and get themselves involved in training programmes;
- Encourage entrepreneurship/intrepreneurship by providing training where necessary.

(Any other relevant point on support for SDA) (Any 2 points × 2 = 4)

6.5.2 (a) **The main aspects of the BBBEE Act:**

- Direct empowerment through share of ownership in business. This may include introducing black partners or selling shares to blacks only;
- Skills development resulting in possible promotion and higher salaries for black people;
- Indirect empowerment through preferential treatment in the granting of government contracts and licenses to business enterprises with certain BBBEE status.

(Consider other main aspects of BBBEE Act)

(3 points x 2 = 6)

(b) **Whether the BBBEE Act has been successful in addressing the shortcomings of the Employment Equity Act: *Candidates can argue that the Act has not been successful in addressing the shortcomings of the EE Act:***

- Although the BBBEE Act was supposed to benefit historically disadvantaged persons through economic empowerment, only a few power hungry capitalists (group of empowered individuals) were benefiting from the programme.
- Many owners of businesses (group of empowered individuals) were capitalising on the BBBEE bandwagon by entering into contracts using the BBBEE initiatives and not filtering the benefits down to the workers on the ground floor.
- Workers in business were responsible for empowering only a few of the historically disadvantaged persons or people who were not the primary target of the BBBEE initiatives.

(Consider any other relevant point with the failure in addressing the shortcomings of the EE Act)

Candidates can argue that the Act has been successful in addressing the shortcomings of the EE Act:

- Businesses have made a concerted effort to comply with the provisions of the BBBEE Act, so as improve on their BEE scorecard;
- As much as BBBEE has been associated with tokenism, businesses have tried to address issues pro-actively;
- There has been a huge drive from the Department of Labour on educating businesses on how to implement the Act successfully – and this programmes are seeing positive outcomes;
- The disadvantaged groups who are benefitting from BBBEE are giving back to their communities and thus economic development is occurring.

(Consider any other relevant point with the success in addressing the shortcomings of the EE Act)

(Any 2 relevant points x 2 = 4)

6.6 [LO 3; AS 2]

Different Levels	Ethical issue
6.6.1 Individual level	This refers to ethical considerations for people as individuals i.e. the individuals' moral code of conduct; how he/she acts in an ethical manner. Examples of issues: to cheat on an expense account; to call in sick when one is not sick; to accept a bribe; plagiarism. (Consider any other relevant answers at individual level) (Any 3 points x 1 = 3)
6.6.2 Organisational level	This refers to ethical considerations within the parameters of the organisation, whether there is an ethical alignment to the mission, vision of the business. Examples of issues: Asking an employee to perform an illegal act to earn profit, pressure individuals to overlook wrongdoings of peers in the interests of the business. (Consider any other relevant answers at organisational level) (Any 3 points x 1 = 3)
6.6.3 Professional level	This refers to a code of conduct that lays down the groundwork for behaviour in a profession. This code will provide guidelines on what is considered ethical and therefore acceptable when conducting business. Examples of issues: An accountant advising clients to deduct questionable items for tax purposes; A lawyer offering SPAR a plea bargain when the result would benefit the lawyer's career and not necessarily SPAR. (Consider any other relevant answers at professional level) (Any 3 points x 1 = 3)

(9 marks)

(Candidates must give an example for each level – 2 marks) (1 mark for explanation)

50 marks

Total: 200 marks