



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2012

BUSINESS STUDIES: PAPER I

MARKING GUIDELINES

Time: 2 hours

200 marks

These marking guidelines are prepared for use by examiners and sub-examiners, all of whom are required to attend a standardisation meeting to ensure that the guidelines are consistently interpreted and applied in the marking of candidates' scripts.

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. It is also recognised that, without the benefit of attendance at a standardisation meeting, there may be different interpretations of the application of the marking guidelines.

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 4 AS 1	LO 2 AS 4	LO 3 AS 6	LO 1 AS 4	LO 4 AS 4	LO 2 AS 5	LO 4 AS 4	LO 3 AS 2	LO 1 AS 4	LO 3 AS 5	LO 1 AS 1	LO 3 AS 3	LO 1 AS 4	LO 3 AS 7	LO 1 AS 1
A	D	C	C	A	B	B	D	C	B	B/C	C	D	A	B

[30]

QUESTION 2

- 2.1 LO 2: AS 3 primary
- 2.2 LO 2: AS 4 Unemployment Insurance fund or UIF
- 2.3 LO 1: AS 4 Resource based approach
- 2.4 LO 3: AS 6 SAQA
- 2.5 LO 3: AS 2 principle

[10]

QUESTION 3

- 3.1 LO 4: AS 4 Learning and growth perspective
- 3.2 LO 2: AS 5 Separate legal personality
- 3.3 LO 3: AS 7 Organisational culture
- 3.4 LO 4: AS 1 Performance evaluation
- 3.5 LO 3: AS 3 Tax avoidance

[10]

50 marks

SECTION B

- **Candidates may not contradict the facts in the case study when giving examples as part of their answers.**

QUESTION 4

4.1 4.1.1 [LO 3: AS 4]

Leadership Style	Example of where leadership style would be successfully used at Windmaster College	Disadvantage/problem of leadership style
(a) Autocratic	<ul style="list-style-type: none"> • When management is faced with a crisis and the crisis requires an immediate response before more damage is caused. OR • When a team/school department cannot reach consensus on a particular issue and all available avenues have been exhausted. OR • The head of the school is unable to consult with the management team on a particular issue and a decision is required urgently. (Any other relevant example showing successful implementation of the autocratic leadership style) (Any 1 example = 2 marks) 	<ul style="list-style-type: none"> • On a long term basis it is demotivating for employees, and self destructive for the organisation. OR • This leadership style does not allow creativity/input from the organisation as a whole. OR • Employees feel that they are not given an opportunity to have their say or show initiative in resolving problems/conflict. (Any other relevant disadvantage/problem of the autocratic leadership style) (Any 1 disadvantage = 2 marks)
(b) Democratic	<ul style="list-style-type: none"> • A situation that requires input from many role players, e.g. poor results in a particular subject or fewer students taking a subject, etc ... OR • Any issue that affects the majority of stakeholders, e.g. change in policy, salary negotiations, changes to the CSR programme of the school, etc ... (Any other relevant example showing successful implementation of the democratic leadership style) (Any 1 example = 2 marks) 	<ul style="list-style-type: none"> • Decision making using this leadership style is time-consuming as you have to give a chance for all role players to give input. OR • There can be information overload which may result in the wrong decision being taken. OR • There could be hidden agendas and lobbying that goes on behind the scenes and then the decision taken by the leadership is not truly democratic. (Any other relevant disadvantage/problem of the autocratic leadership style) (Any 1 disadvantage = 2 marks)

[8 marks]

If candidates only give an example – 1 mark
If candidates only give an explanation – 1 mark
Discussion and example must be relevant to Windmaster College.

4.1.2 [LO 3: AS 4]

Attitudes, attributes and characteristics that contributed to Michael Broadbent's success:

- A successful leader will be **results driven**. These desired results may differ widely, but unless the manager has clarity in his own mind about what the outcome should be, the desired result will not be achieved.
- A **vision** of what should be achieved must be formulated, while at the same time being aware that in a world where we experience fast and ever-changing influences, the vision may have to be adapted to stay relevant and realistic.
- **Flexibility** is therefore crucial. Ability to adapt and change with the times.
- A leader has to realise that he will never achieve long-term success unless he builds his success on **teamwork**. This does not imply that he exploits his followers, but rather that he 'energises' them through his own creativity but also by encouraging them to be creative.
- The **desire (drive) to achieve**, ambition and a constant strive for improvement.
- Influencing followers will be determined by the leader's **ability to inspire**, to gain trust and to motivate without striving for popularity but rather through gaining respect.
- In order to achieve this, the leader will have to display **honesty and integrity** by leading through example, sharing both risks and rewards with followers and ensuring he practises what he preaches.
- **Instilling confidence** in followers is very important. This is not possible, however, unless the leader has the self-confidence to make decisions in uncertain circumstances and to overcome unavoidable obstacles. Unless the leader has confidence in his own abilities, he may be reluctant to allow and encourage followers to grow and develop their own potential. This will in the long term lead to low morale and dissatisfaction.
- Leaders possess what is called '**emotional intelligence**'/'EQ' (**emotional quotient**) as opposed to IQ (**Intelligence Quotient**). This refers to the person's ability to control their emotions and deal with problems in a mature manner.
- **Communications skills**, including active listening, are of the utmost importance if the leader wants to transfer his ideas but also obtain input from other.
- All of the abovementioned will still be utterly useless unless the leader has the ability and self-motivation to **follow through and implement** plans to reach the desired outcomes.
Without 'follow-through' the best leader will fall flat on his face, but more than this, a lack of implementation may make followers cynical and lower their morale.
- Also give credit if candidates mention having the necessary management skills, i.e. planning, organising, leading, controlling, coordinating, communicating, delegating, disciplining, motivating and decision making.

(Consider any other relevant attitude/characteristic that contributes to the success of the entrepreneur)

(1 mark for mentioning attitude/characteristic) + (1 mark for discussion)

Or (2 marks if there is a good explanation that shows understanding)

(Any 3 attitudes / characteristics × 2 = 6) – ONLY MARK first 3 points if candidates have given more than 3 points

4.1.3 [LO 1: AS 4]

Benefits of environmental scanning for the management of Windmaster College:

- Identifies threats before they are imminent;
- Identifies possible opportunities and gaps in the market;
- Keeps a finger on the pulse of the competitors;
- Allows an entrepreneur to make both short-term and long-term strategies in order to protect their business;
- To evaluate any challenge in the micro (internal business audit), market and macro environment;
- Benefits linked to doing a SWOT analysis.

(Consider any other relevant benefit of environmental scanning)**If candidates only give an example – 1 mark****If candidates an explanation with an example – 2 marks****(Any 2 facts × 2 = 4)**

4.2 [LO 1: AS 2]

4.2.1 Difference between Windmaster's primary social responsibility and broader social responsibility:

- Windmaster's **primary social responsibility** refers to responsibility that the organisation has to itself, its Board of Trustees, learners, parents, customers and competitors. (Internal component)

OR To protect their investment, ensure an appropriate return, safeguard the jobs of their employees, etc.

- Windmaster's **broad social responsibility** refers to activities such as those aimed at the local community. (External component)

OR Poverty alleviation; AIDS education, etc.; as well as the country as a whole, e.g. environmental awareness programmes or tackling the issue of skills shortage to combat unemployment or appropriate learnership programmes.**Explanation of primary & broader social responsibility (2 facts x 2 = 4)****OR Candidates must be given credit, if, by means of an example, they are able to distinguish the difference in the two concepts (2 facts × 2 = 4)****4.2.2 Arguments against Windmaster College being involved in a Corporate Social Responsibility programme:**

- **Providing goods and services** that meet the needs of learners/ parents/the community, which, according to some is **already being socially responsible**.
- **Shareholders are the only real stakeholders** in the organisation because they invested financially and therefore the business should only be accountable to shareholders in terms of the bottom line (profits).
- CSR means the business is spending money without real benefits in terms of **Return on Investment (ROI)**. It only gains positive public exposure that is often hard to measure and quantify.
- Employees are remunerated according to how well business targets are met and having to spend time on CSR **distracts them from their real responsibilities**.

- Spending money on CSR means the College has to **recover** it somehow and this will lead to higher school fees and inflation, which have a negative impact on the economy.
- When the College gets involved in CSR it may **create expectations** with the people of the community and this may have devastating results if their expectations are not met. This may be especially true if the College does not perform a decent needs analysis or take the trouble to learn what the community really needs in the short term and long term.
- One of the critiques on CSR is that it does not always lend itself to **sustainable development in communities**. Unfortunately, this is true for many CSR programmes that are not well thought through and not aimed at long-term results in a community. Some organisations follow a hit-and-run approach of getting involved and getting out. The JSI evaluates companies' sustainable social involvement in communities in terms of aspects such as poverty relief, social upliftment, human capital development and health and safety issues.
 - Not having enough resources.
 - The core business of the college suffers.

(Consider any other relevant argument against the College being involved in a CSR programme)

(Any 3 arguments × 2 = 6)

4.2.3

COLUMN A	COLUMN B
Element of Triple Bottom Line Reporting or Integrated Reporting	Examples of how Windmaster College meets the requirements of Triple Bottom Line Reporting or Integrated Reporting
Economic / Profit Element	<ul style="list-style-type: none"> • Cutting down on the number of scholarships given in an academic year. • Being more conservative in your budget allocations to departments in the College. • Budgets (without an explanation) (Any example that shows a commitment to increasing the profits of the College) <p style="text-align: right;">(1 example × 2 = 2 marks)</p>
<ul style="list-style-type: none"> • Social responsibility/ people/community/ customer <p style="text-align: right;">(1 mark)</p>	<ul style="list-style-type: none"> • Providing learnership programmes to learners, other members of the community to improve, e.g. their computer skills. • Promoting the well-being of the community by allowing them to use the sports facilities of the College. • SPCA (without an explanation) (Any example that shows a social responsibility, social commitment to people in the organisation and community) <p style="text-align: right;">(1 example × 2 = 2 marks)</p>
<ul style="list-style-type: none"> • Environmental sustainability/ Planet <p style="text-align: right;">(1 mark)</p>	<ul style="list-style-type: none"> • Environmental programmes, planting of a vegetable garden, cleaning the community, cutting down on paper usage, etc. • Recycling (without an explanation) (Any example that shows a commitment to environmental sustainability) <p style="text-align: right;">(1 example × 2 = 2 marks)</p>

[8 marks]

4.2.4 **Two issues that could be addressed in a pro-active HIV/Aids policy at Windmaster College:**

- Issues relating to testing procedures;
- Issues relating to educational programmes that highlight causes/treatment of the disease;
- Admission policies as they relate to learners infected with the disease;
- The implications in hiring teachers with the disease;
- How the school might assist members of the local community affected by the disease;
- Issues relating to inclusivity;
- Issues in the White paper on HIV/Aids;
- Pastoral care;
- Counselling;
- Abstinence;
- Provision of relief teachers to substitute those staff suffering from the disease;
- Preventative procedures in cases of emergencies e.g. access to first-aid equipment, sports injuries etc...;
- Provision of condoms;

(Consider any other relevant issues that could be addressed in a pro-active HIV/Aids policy at Windmaster College)

(Any 2 issues × 2 = 4)

4.3 [LO 2: AS5]

Degree to which liability for debts may impact on the success/failure for a sole proprietorship and a public company:

- A sole proprietorship has unlimited liability, which means that the private possessions of the owners can be used to settle the debts of the business.
- A public 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 so as to settle its own debts.

Conclusion: A company having 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 unlimited liability could lead to failure (loss of personal assets) or success (being more careful when entering into contracts that may cause debt) depending on learner's point.

(Allocate the marks for 'conclusion' if it is integrated in the discussion)

(Maximum allocation of marks for each form of ownership is 3 marks)

(Total marks cannot exceed - 5 marks)

4.4 [LO 3: AS 2 & 3]

4.4.1 **Issues that Windmaster College could include in its code of ethics/code of conduct for learners:**

- Appropriate behaviour in different contexts, e.g. in the classroom, on the sportsfield, on an outing, during the exam, etc. ...
- Issues dealing with plagiarism/copyright
- Alcohol and substance abuse on College premises
- Homework issues
- Copying/cheating during assessments, etc. ...
- Integrity
- Values
- Accountability
- Beliefs
- Confidentiality issues
- Professionalism
- Discipline issues

(Any **THREE** relevant issues that could be included in Windmaster's code of ethics/code of conduct for learners)

(Any 3 issues × 1 = 3)

4.4.2 **An example of a situation where a Head of Department at Windmaster College could be seen to be acting unethically on a professional level:**

Some examples could be:

- Giving learners answers to questions in a formal assessment.
- Discussing confidential matters with colleagues and/or learners.
- Plagiarism or copyright infringements.
- Sexual harassment.
- Inappropriate conduct (either physical/verbal) towards other staff members, parents, the management of the college and learners.
- Any act that would bring the teaching profession into disrepute.

(Any other relevant example that shows that the HOD acted unethically from a professional point of view)

(Any relevant example × 2 = 2)

50 marks

QUESTION 5

5.1 [LO 2: AS 1]

5.1.1 (Points under the headings must be in a **FULL** sentence)

STRENGTHS	WEAKNESSES
Established brand name in education OR Strong brand name (well known); Forerunner in curriculum transformation in SA; Strong management team/leadership style; Good educational service to its client base; Innovative marketing strategies to attract new learners; Assets safeguarded by comprehensive insurance policy; Dedicated HR Department; Compliance with Employment Equity Act; Pro-active HIV/AIDS policy; Research orientated survey; Black women empowerment; Tradition (Any other valid point linked to Windmaster College/case study) (Only 1 strength required) (2 marks)	Expensive to run a private independent school; Location of College could be weakness; Low number of learners taking maths and science; Staffing issues; Not offering a wide subject choice at the school; Being a sole proprietorship (Any other valid point linked to Windmaster College/case study) (Only 1 weakness required) (2 marks)
OPPORTUNITIES	THREATS
Changes in demographics of learner body; International links with other schools; Expansion of learning programmes to broader community; Public company; CSR programmes; (Any other valid point linked to Windmaster College/case study) (Only 1 opportunity required) (2 marks)	Increased inflation/poor economic performance means people have less to spend on private education; Lower priced alternative brands, e.g. other private schools offering tuition at a lower rate; Occasional bad publicity about the school; Changes to the curriculum being taught; High prevalence of HIV/Aids (Any other valid point linked to Windmaster College/case study) (Only 1 threat required) (2 marks)
<p>5.1.2 TWO strategies on how they can convert the weakness mentioned in Question 5.1.1 into strength for the College. Example: staffing issues – set up a workplace forum to address issues OR allow staff to rotate and sit in on executive meetings/offer competitive salaries and incentives for improved performances.</p> <ul style="list-style-type: none"> • Look at the weakness identified by the candidate. • See whether the given strategy addresses the weakness and converts it into a strength for the College.(+) <p style="text-align: right;">(2 marks per strategy x 2) (4 marks)</p>	

[12 marks]

5.2 [LO 4: AS 1]

- 5.2.1 (a) Initial screening / Compile short list / Processing CV
 (b) Reference and background check
 (c) Letter of appointment / acceptance / employment (6)

5.2.2 (a) **Any TWO recruitment methods that Windmaster College could use to recruit a new Business Studies teacher:**

Internal; External; Local or national newspapers; teacher trade unions; Head hunting; social patrons; Universities or Colleges that offer teaching diplomas; word of mouth; Teachers organisations or Independent school organisations such as ISASA; in-house, e.g. a teachers from the accounting department willing to move over to the Business Studies department; Internal or External, etc. ...

(Consider any TWO relevant recruitment methods)

(Any TWO recruitment method $\times 1 = 2$)

- (b) **Which recruitment method would you recommend? Motivate your answer.**
 Candidates could motivate their recommendation from the following perspectives:

- Cost;
- Ease of access to method;
- How complicated/simple the method is;

(Consider any relevant motivation for the recommended recruitment method.) (marks only awarded for motivation) Candidates answer does not have to link to previous question

(Any relevant recommendation $\times 2 = 2$)

5.2.3 **The purpose of the interview process:**

- To get more information from the applicant in order to assess his/her suitability for the job; (Verification process) and
- To give more information about the business, the job, and the conditions of employment to the applicant.
- To eliminate unsuitable candidates.

(Consider any other relevant purpose of the interview process)

(Any two points $\times 1 = 2$)

5.2.4 **Three types of tests, other than medical tests, available during the selection process:**

- **Ability/trade tests (Industry tests)** indicate what tasks the applicant can currently perform and what tasks he/she might be able to perform in future, given the opportunity through training;
- **Psychometric tests**, which include personality and interest tests, measure the applicant's motivation and intelligence and
- **Work sample tests** are literally samples of work to be found in a certain job and are designed to measure what the applicant can do and at what skill level.
 - Simulation tests; Benchmarking tests; Polygraph tests; Skills test; IQ / EQ tests

(Consider any other relevant test available during the selection process)

(1 mark for mentioning the test);(1 mark for describing the test) (3 \times 2 = 6)

5.2.5 Windmaster College negotiates a cost to company package with its employees.**What does this mean?**

A cost to company or total cost package is a method used by an employer to remunerate an employee based on a package, being the guaranteed sum of money the employer will spend on that position.

The guaranteed sum is allocated by the employee to earnings, benefits, allowances and company contributions, subject to various regulations.

The package will include: Travel allowance; Company contribution to medical aid; Company contribution to provident fund and Cash component.

(Consider any TWO relevant points that show an understanding of 'cost to company' salary package)

(2 facts × 1 = 2)

5.2.6 THREE topics that could be included in the induction programme.

- Relevant and immediate information, e.g. appropriate dress code and company policies, e.g. dismissal/disciplinary and grievance procedures.
- Knowledge of what supervisors want, e.g. quality of service; turnaround time for delivery of ordered food.
- Introduction to fellow workers and people with whom they work, e.g. a small function/informal meeting to introduce the new worker.
- Knowledge of products and service, e.g. what is on the menu; specials being offered; delivery services; special occasions.
- Appointment of a mentor, e.g. a colleague or supervisor to guide the new worker.

(Consider any other relevant contents in an induction programme)

(3 topics × 1 = 3)

5.3 [LO 3; AS 1]

5.3.1 You have been asked to explain to the Board of Trustees what the following creative thinking technique entails. Write an explanatory sentence for each letter in the acronym.

D	<p>5.3.1 (a) *Define the problem, using the information you have. *Define the criteria that will constitute successful solving of the problem (Aim or Objective) (Any ONE explanatory sentence × 2 = 2 marks)</p>
R	<p>5.3.1 (b) *Review the background to the problem, and the context within which it occurred. *Review crucial areas, which may be linked to the crux of the problem. (Any ONE explanatory sentence × 2 = 2 marks)</p>
I	<p>5.3.1 (c) *Identify the 'real problem' and its related issues. Write down the issues in order to analyse them properly. *Identify possible solutions or improvements that need to be made. (Any ONE explanatory sentence × 2 = 2 marks)</p>
V	<p>5.3.1 (d) *Verify that solving the 'real ' problem will in fact achieve the desired aim. *Verify that the possible solutions will in fact solve the problem. Note: If the above two criteria are not met, it is necessary to go back to Step 1: Define and redefine either the problem or the aim. (Any ONE explanatory sentence × 2 = 2 marks)</p>
E	<p>5.3.1 (e) *Execute the plan, by implementing the proposed solution. *Execute an evaluation to check that the problem is solved and the aims have been achieved, and implement any precautionary measures to ensure the problem does not occur again. (Any ONE explanatory sentence × 2 = 2 marks)</p>

[10 marks]

5.3.2 The Board of Trustees is not convinced that the DRIVE or SWOT technique is the best technique to tackle the problem of rising costs in educational resources like laptops, textbooks, etc. ...

Explain, using another problem solving technique, how the Board of Trustees could come up with an effective solution to this problem.

Possible Creative Problem Solving Techniques:

- **Pro's and Con's Chart**
Management will list the advantages (positive) points and the disadvantages (negative) points of the choice.
In order to solve the problem you weigh up the options by assigning a numeric value to each option – and if it scores a high value then the option will be viable.
- **Drill – Down Analysis**
Management has the opportunity to break down the proposed strategy into manageable chunks for processing.
By 'drilling down' into the component parts you are in a position to consider information that you did not initially think had relevance to the consequences of the strategy – ultimately reaching to the root of the challenge in the macro-environment.
- **Flow charts**
This is where management places the strategy in the form of a diagram and shows at various stages where decisions have to be made.
Management is given the 'bigger picture' that the implementation of the strategy will have all the relevant details as have been represented in the flow diagram.
- **Scenario Analysis**
Management is in a position to analyse possible future events by considering alternative possible outcomes from the implementation of the strategy.
This technique is designed to allow improved decision making by allowing more complete considerations of outcomes and their implications.
- **Value Analysis**
In this creative thinking technique management considers the cost component of the implementation of the strategy; with the ultimate aim of reducing costs, thereby increasing the value of the final product/goal of the strategy.
- **Delphi Technique**
In this technique management makes use of a panel or single expert that makes forecasts based on their superior knowledge of the challenge and the proposed strategy.
The identity of the expert is kept a secret so as to prevent the halo effect and to keep the final recommendation valid and feasible.

(Consider any other relevant problem solving techniques – NO MARKS IF LEARNERS HAVE USED EITHER DRIVE OR SWOT)

Mention of technique (1 mark)

Explanation of Technique OR Application of technique (3 facts \times 1 = 3)

Recommendation or solution to problem (1solution \times 1 = 1)

(Total = 5 marks)

50 marks

PLEASE TURN OVER

QUESTION 6

6.1 [LO 2: AS 4]

6.1.1 Any requirements for a valid insurance contract between Windmaster College and Outsurance.**Insurable interest:**

Insurable interest means that the insured must be able to prove that that he/she will to lose financially if the object is destroyed or damaged. The person or object at risk forms the basis of the contract. The following are examples of insurable interest:

- A person has an insurable interest in his/her own life and health
- Partners have insurable interest in the lives of co-partners
- A creditor has insurable interest in the life of his/her debtor
- A married person has insurable interest in the life of the spouse
- A person has insurable interest in his/her own property

(1 mark for heading)

(Any 2 facts under the heading $\times 1 = 2$)**Good faith/absolute honesty:**

The insured must disclose all relevant information that may affect the risk. All questions asked by the insurer must be answered honestly and accurately, otherwise the policy will be declared null and void.

(1 mark for heading)

(Any 2 facts under the heading $\times 1 = 2$)

(6 marks)

Also give credit if candidates refer to the following:

- The loss should be measurable
- The chance of loss should be measurable
- The loss should be accidental
- The risk should be dispersed
- The insured must meet certain standards (e.g. age of maturity/medical fitness for certain life assurance policies, etc.)
- Inclusion of an iron safe clause for fire insurance
- Having the correct legal age to sign contracts

(Any other relevant requirement for a valid insurance contract)

For these additional requirements:

(1 mark for requirement)

(2 marks for discussion)

[Maximum of 6 marks for question]**6.1.2 The concept of indemnification as it relates to insurance contracts.**

- This term implies that Outsurance will place the insured (Windmaster College) in the same financial position as it was before the loss.
- The insured cannot claim more than what has been lost, i.e. if there is no loss after any event, there is no compensation/ indemnification.

(4 marks)

6.1.3 Why insurance contracts include an excess clause.

- This is the amount on each claim that is not covered by the policy.
- Candidates could answer from the perspective of the **insurance company**, i.e. Outsurance does not want to be in a position to have to pay out every time the insured makes a claim on small insignificant amounts. This would increase costs from an admin point of view and erode the profits of the insurance company. OR
- Candidates could answer from the perspective of the **insured**, i.e. the insured needs to take reasonable care not to fall prey to the risk and cannot claim for every little detail; otherwise they will suffer the payment of the excess; a higher excess may reduce the premium.
- A deterrent to the insured.
- Lower the insurance premium.

Any two relevant points (2 facts × 1 = 2)

6.1.4 Why, when assessing a claim put forward by an insured party, Outsurance would need to consider the proximate causes of the claim.

- The insurer is only responsible for losses that are a direct result of the event that was insured.
- The insured event itself is known as the 'direct cause' and the extensions that are provided for as the 'proximate causes'
- The insurance contract will specify exactly what is covered through the 'extension clause'.
- Example of how the proximate cause clause operates: Fire insurance covers risks directly related to a fire. For example, if a learner slips on a wet floor where water was used to extinguish a fire in one of the classrooms, and breaks his new calculator he cannot claim damages for his new calculator, because it was not broken or damaged in the fire.
- The key issue of the proximate cause is that it limits the liability placed on the insurance company and it is important for the insured to ensure they are clear as to what is covered and not covered by the insurance company.

(Consider any other relevant point on the proximate causes clause in any insurance contract)

(Can allocate **4 marks** if candidates use a well explained example to explain the need for the proximate causes clause) (Any 4 facts × 1 = 4)

6.2 6.2.1 [LO 4: AS 2]

Another possible outcome that could arise from the formal hearing.

- Issue a warning to the teacher
- Dismiss the entire case
- Reinstatement of teacher
- Probation
- Counselling of teacher
- Temporary suspension
- Re-skilling
- Demotion

(Candidates cannot use CCMA, Labour Court route – as it does not fit into flow diagram and one of the options cannot be dismissal of teacher) (1 outcome × 2 = 2)

6.2.2 [LO 4: AS 3]

Apart from representing workers at disciplinary procedures. Give THREE functions that a trade union could perform?

- Protecting the rights of workers.
- Ensuring fair treatment of members.
- Improving conditions of service/employment by addressing the following issues: salaries; employment benefits; job security and the physical work environment (safety).
- Advising employees on labour relations issues.
- Striving to achieve industrial peace
- Influencing policies and decisions regarding labour issues.

(Consider any other relevant functions that a trade union could perform)

(Any 3 points × 2 = 6)

6.2.3 [LO 4: AS 2]

Discuss operational causes as a possible reason for terminating an employees' contract at Windmaster College.

- An employer may dismiss employees for operational reasons, but only if the employer has tried to avoid this as far as possible.
- This may include consultation and negotiations with employees or their representatives.
- As soon as the employer considers retrenchment, he/she must start the consultation process and must notify the other side in writing of:
 - The reasons for the proposed retrenchments;
 - The alternatives considered;
 - The number of employees who are likely to be affected;
 - The proposed methods of selection of jobs involved;
 - The timing of the proposed retrenchment;
 - Offers of severance pay;
 - Assistance offered/prospects of re-employment in the future.
- To ensure consultation is genuine, an employer must respond to any suggestions from the consulting party;
- And explain reasons for disagreeing with that party.
- All parties must be allowed to make representation on any matter under consideration.
- In many cases the College could offer training in something like skills development (in sports coaching for example) to enable those retrenched to be more employable.

(Any other relevant point on operations causes as a reason for dismissal)

(Any 3 points × 2 = 6)

6.3 [LO 1: AS 3]

6.3.1 Basic Conditions of Employment Act

- **Purpose of this Act:**

To improve the working conditions of workers

To address the problem of inadequate protection of vulnerable workers (farm workers; domestic workers)

To address the lack of mechanisms to set minimum wages for cleaners

To address the problem of exclusively long hours, especially in areas such as the transport and security section

(Any ONE of the above purposes x 2) = 2 marks

- **Four aspects covered by the Basic Conditions of Employment Act:**

- Working hours

- Leave period

- Sick leave

- Public holidays

- Notice of termination of employment

- Deductions

(Consider any FOUR aspects x 1) = 4 marks (6 marks)

6.3.2 Broad Based Black Economic Empowerment (BBBEE)**Three aspects of BBBEE**

- 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 e.g. the seven pillars) (3 points × 2 = 6)

6.4 [LO 2: AS 4]

'An analysis of their investment portfolio shows a balanced investment strategy.' – paragraph 9 of case study.

Given our current economic climate in South Africa, is this a wise strategy to follow? Motivate your answer.

Possible arguments in favour of this strategy:

- Using a balanced investment strategy is like having a diversified portfolio with limited risks;
- Some of the investment categories will hedge the negative returns of investments that have performed poorly.
- With this strategy it could be said that the investor is taking a pro-active approach to risk assessment.

(Consider any other relevant argument in favour of having a balanced investment strategy)

Possible arguments against this strategy:

- There is always an element of risk involved in putting funds in an investment and no matter what strategy you follow you could still lose out;
- The uncertainty of the market does not always allow the investor to maximise on his returns;
- With whatever strategy you follow you will still have to measure the return against inflation, taxation, etc ...
- The true test of the returns on the investment is basically how good your investment broker is in reading the market – and even here we are dealing with uncertain elements.

(Consider any other relevant argument against a balanced investment strategy)

(Any 2 facts \times 2 = 4)

(Do not allocate marks if candidate repeats what is said in the case study)

6.5 [LO 2: AS 1]

Evaluate Windmaster College's 'commitment to the empowerment of black women' (paragraph 10).

Possible arguments in favour of this suggestion:

- Black women were seriously disadvantaged in the past/no access to management positions.
- One could argue that having a commitment to Employment Equity could have positive spin off's for the College – so the time and money invested in this is worth it.
- The College can get a good standing on the JSE, if the conversion to a company goes ahead, on the basis on more points for considering Employment Equity.
- The College is doing the right thing in addressing the imbalances of the past. Even in education these imbalances were prevalent, so focusing on empowering black females in education is a positive goal.
- Employment equity is legislation, so the College is taking a pro-active approach to the issue and in the process is being compliant with current labour legislation.

(Consider any other relevant argument in favour of empowerment of black women)

Possible arguments against this suggestion:

- The goal will take a long time to realise and it may not have the desired effect.
- The strategy is going to be costly and will involve more than just empowerment of black females – especially if the strategy is to be effective, i.e. training programmes; developing a culture of acceptance, etc. ...
- There might be more success in focusing on other issues, e.g. acceptance/tolerance workshops which in turn may allow the employment of black females to come about more naturally, instead of the issue being forced.

(Consider any other relevant argument against empowerment of black women)

(Any 2 facts \times 2 = 4)

50 marks

Total: 200 marks