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GRADE 10

BUSINESS STUDIES

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STEP AHEAD PROGRAMME

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TABLE OF CONTENTS

TOPIC
1. SOCIO-ECONOMIC ISSUES
2. SOCIAL RESPONSIBILITY
3. FORMS OF OWNERSHIP
4. QUALITY CO

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SOCIO-ECONOMIC ISSUES:

RELATED CONCEPTS

TERM	DEFINITION
Unproductive	Business or employers not achieving much/not producing or able to produce enough to be sustainable
Equal	People having the same status, rights, or opportunities.
Go slow	Employees show up at work, but they work very slow and produce fewer goods than usual
Lock-out	Employees are locked out by their employer and refused entry to their workplace
Sympathy strikes	Strike actions by employees without grievances in support of striking workers in another industry
Contemporary	Refers to something that is happening now
Socio	Refers to people
Issue	Refers to problems
Economic	Refers to the economy of a country

MEANING OF SOCIO-ECONOMIC ISSUES:

- Socio-economic issues are social and economic factors in the macro environment that can cause challenges in the business
- Socio-economic challenges are issues that affect people and the economy in a negative way.
- They are problems that come from social/people and economic/money circumstances.

Reason why they pose a challenge to businesses

- Socio-economic issues affect consumer spending due to poverty and unemployment.
- These issues place extra burdens and expenditure on businesses as they have to develop policies/support systems/ informative programs to address them.
- Businesses are expected to create as many job opportunities as possible to assist government address these issues which places a financial burden on them.
- Businesses must also educate employees on social issues and how to become involved in the community to address these social issues.

- If employees are affected by poverty, HIV and AIDS, violence and crime, it affects ~~the~~ ability to work and leads to unproductivity in the business.
- If robbery, forgery and strikes continue, businesses will incur losses.

Types of socio-economic issues



ACTIVITY 1

- 1.1 Name any THREE socio-economic issues that pose challenges to the business. (3)
- 1.2 Elaborate on the meaning of socio-economic issues. (4)
- 1.3 Read the scenario below and answer the questions that follow

MNQANDI TRADING [MT]

Mnqandi Trading specializes in selling cleaning material. The business is located in an area where consumer spending is low due to poverty and unemployment. MT is expected to create as many job opportunities as possible to assist government to address these issues which places a financial burden on the business.

- 1.3.1 Quote the reasons why socio economic issues pose challenge to Mnqandi Trading in the scenario above. (2)

- 1.3.2 Discuss any other TWO reasons why socio economic issues may pose a challenge in the business. (4)

INEQUALITY AND POVERTY

Meaning of inequality

- Inequality is the degree to which people do not have the same opportunities and are treated differently because of their social status.
- It means that people are not equal.
- Some people have a lot of money and can afford education while others are very poor.
- Inequality in South Africa has become a problem because the gap between rich and poor is very large.

Meaning of poverty

- Poverty is when a person is unable to satisfy his most basic survival needs.
- It is the state in which people have little or no money to buy their basic needs.
- A person is considered very poor if he or she does not have food / water and shelter.
- People in poverty usually have poor living conditions, hunger and increased susceptibility to disease.



Impact of inequality and poverty on businesses

- People cannot participate fully in the economy.
- Businesses spend more money on social responsibility programmes to address inequality and poverty.
- Poverty shrinks the market because people cannot afford to buy luxuries.
- Poverty leads to crime such as shoplifting and robberies on businesses.
- Increases violence as groups scramble for better status and social positions.
- Businesses spend money on improving security due to robberies and shoplifting.
- More money is spent on relieving poverty through their social responsibility programmes.

ACTIVITY 2

2.1 Read the scenario below and answer the questions that follow

MCEBO SECURITY SERVICES [MSS]

Mcebo Security Services provides security services to Thandulawazi community and its surroundings. MSS render services to people who do not have the same opportunities and are treated differently because of their social status. MSS has initiated a program which helps people who have little or no money to buy basic needs and entails giving everyone equal opportunities

2.1.1 Identify TWO socio economic issues from the scenario above. Motivate your answer by quoting from the scenario above. (6)

Use the table below as a GUIDE to answer QUESTION 2.1.1

SOCIO- ECONOMIC ISSUES	MOTIVATION
1.	
2.	

Inclusivity

The meaning of inclusivity

- Inclusivity entails giving everyone equal opportunities
- Inclusivity means giving everyone opportunities without discriminating based on age, race, gender, sexual orientation, disabilities/HIV status etc.
- Inclusivity means valuing the differences between people and consciously encouraging diversity in the workplace

The purpose and importance of inclusivity in the workplace

- The goal of inclusivity is to ensure that the business is fair labour practices.
- It seeks to redress the inequalities of the past.
- It seeks to create workplaces where people of different races, cultures, genders, faiths, abilities, languages and beliefs can work together effectively to benefit of the business.
- Try to ensure that businesses are not allowed to exclude anyone.
- They must ensure that employees are representative of the demographics of the country.

ACTIVITY 3

3.1 Define the term Inclusivity. (2)

3.2 Discuss the purpose of inclusivity in the workplace. (8)

HIV/Aids

The meaning of HIV/Aids

- Aids is a disease caused by a virus called HIV.
- When HIV gets into a person's body, it attacks the immune system / lowering the body's natural ability to fight infections.

Evaluate the negative impact of HIV/Aids on businesses.

- Loss of skilled staff due to HIV related illnesses.
- Profits will be lower as production decreases.
- High absenteeism from illness resulting to a decrease in productivity.
- Conflict can arise among staff if they discover that a worker is HIV positive.
- Businesses find it difficult to keep up production levels and to meet deadlines because of poor staff morale.
- Businesses face increased costs of finding/recruiting/training replacements.
- The pool of available skilled workers is getting smaller due to the high rate of HIV infection.
- The costs of finding replacement employees and recruiting are high.
- Business need to invest money in programmes to educate the workers regarding AIDS.
- Decrease in the number of consumers cause a drop in the demand for goods and services.
- Costs such as insurance/retirement funds/health/safety are higher as a result of HIV for the business.
- Businesses face increased costs of paying benefits like housing subsidies, medical care, funeral care and pension funds.
- Staff morale might be low as they are concerned about their health thus lowering productivity.



ACTIVITY 4

4.1 Read the scenario below and answer the questions that follow

MBOMVU MANUFACTURERS

Mbomvu manufacturers produce computers and cellphones. One of their employees is not productive due to the illness, she is often absent from work for collecting the anti-retro viral (ARV's) treatment

4.1.1 Identify the socio economic issue applicable in the scenario above. Motivate your answer by quoting from the scenario. (3)

4.1.2 Explain the negative impact on socio economic issue identified in Mbomvu Manufacturers QUESTION 4.1.1 (6)

GAMBLING

The meaning of gambling

- Gambling means to bet on something of which the outcome is not guaranteed.
- It can take a form of playing games in the hope that some money could be won.
- Although gambling is legal, it gives false hope.



Types of gambling

- Pyramid schemes
- Money laundering
- Card games
- Casino
- National lottery
- Scratch cards
- Slot machines
- Horse betting
- Fafi/ Mochina
- Unofficial lottery type schemes
- Bingo halls
- Unlicensed casino's
- Internet gambling, as it is sometimes linked to organised crime· animal fighting.
- Unlicensed operations offering gambling to the public.

Impact of gambling on businesses

- Employees may not work overtime at short notice.
- High rate of employee absenteeism.
- Local businesses forced out of business.
- Gambling hides criminal activities and can lead to workplace violence.
- Compulsive gamblers cannot focus on work while preoccupied with gambling.
- Compulsive gambling puts a strain on relationships in the workplace.
- Addicted employees could also steal to get money for gambling.
- Reduces productivity as it encourages crime and corruption.
- When gamblers lose their money, they have less to spend on goods and services, which affects business negatively.
- Decrease in savings leads to a decrease in future production.
- Less buying power as people may lose their money on pyramid schemes, casino gambling etc.

ACTIVITY 5

5.1 Name any THREE types of gambling (3)

5.2 Read the scenario below and answer the questions that follow.

MNANDI ENTERPRISE [ME]

Mnandi enterprise specialises in selling fashionable clothing. Employees of ME are addicted to gambling which could lead to stealing money from the business and encourages crime and corruption.

5.2.1 Quote the impact of the gambling from the scenario above. (1)

5.2.2 Explain other impact of gambling in the business. (6)

COUNTERFEITING AND BOOTLEGGING

The meaning of counterfeiting

- Counterfeits goods are copies/imitations of genuine goods such as clothing/shoes that are marked with a fake logo/trade mark.
- They are products that are imitated and packed to resemble the original, high priced goods.

IMPACT OF COUNTERFEITING ON BUSINESSES

- Counterfeits often result in price increases of original goods
- Consumers are often tempted to buy counterfeits because of the considerable price differences
- Counterfeits reduce the sales and profits of businesses
- Businesses lose money that could have been used for expansion and the creation of job opportunities
- Counterfeits often result in price increases of original goods
- Consumers are often tempted to buy counterfeits because of the considerable price differences
- Counterfeits reduce the sales and profits of businesses

The meaning of bootlegging

- It is the recording of live/broadcast performance without the permission of the performers/songwriters/ record company which are copied and sold.
- The example of bootlegging is selling of illegal copied DVDs of latest movies on street corners.
- Criminals go to great extremes to record movies with handheld devices during a live cinema screening.

Impact of bootlegging on businesses

- Businesses lose out on profit.
- Businesses may experience decline in sales due to fake/imitated distribution of products.
- Businesses may be forced to implement price adjustment strategies to minimise the impact.
- Businesses expenses will increase if legal actions are taken.

ACTIVITY 6

- 6.1 Identify the socio-economic issues applicable to ABC Records in the statements below.
- 6.1.1 ABC traders records music performances without the permission of the performers. (2)
- 6.1.2 Themba Ltd marked ABC Traders' products with a fake logo/trade mark. (2)
- 6.2 Explain the impact of bootlegging as a socio-economic issue. (6)

STRIKES AND POLITICAL DISTURBANCE

The meaning of strike

- A strike/labour dispute is a collective refusal of employees to work because of an issue in the workplace, aimed at forcing the employer to give in to demands.
- It is a collective action taken by a group of unhappy employees to accept their demands.
- Strikes may take form of a go slow, lock outs and sympathy strikes.
- It is a dispute between the employer and employees when they cannot agree on wage increases/changes in working conditions, even after negotiations.

Impact of strike on businesses

- This could make the business to be unable to meet its contractual obligation and the business losing contracts.
- The cost of making up all the working hours is too high.
- Strikes can be violent because strikers intimidate those employees who do not want to go on a strike
- Scares off potential investors.
- May results in losses of production as employees stay absent from work during strikes.
- Strike actions may lead to production losses and decline in sales.
- Businesses may be forced to close down operations after strike actions.
- May lead unhealthy working relationships between the management and workers.
- May force businesses to retrench some of its skilled workers to recover from losses.

The meaning of political disturbance

- It is a form of protest by a group of people showing their displeasure on lack of service delivery/proper housing/poor pay/poor work conditions/etc.
- Political disturbance reflects frustration on the part of communication who may not feel that they have an effective voice in formal political processes.

- It is when a group of people protest against a socio-economic problem and feel that the government is not doing enough to solve the issue.

The impact of political disturbance on businesses

- People in township/informal settlement areas may block roads preventing employed people from going to work due to service delivery protests.
- Scares off potential investors.
- Businesses may be forced to close especially those located in townships.
- May result in losses of production as employees stay absent from work during political disturbances.
- Many businesses suffer losses as a result of damage to property.
- Riots can result in increased unemployment if shopkeepers are forced to shut down.

ACTIVITY 7

7.1 Read the scenario below and answer that follows

<p style="text-align: center;">THULABONA LAUNDRY</p> <p>Thulabona Laundry specialises in the selling of shoes. Employees of TL embarked on a collective refusal of work aiming to force the employer to give in to their demands. The group of community members prevents the customers of TL to enter the business as they were protesting on the lack of service delivery.</p>

- 7.1.1 Identify TWO socio-economic issues posing a challenge to Thulabona Laundry in the scenario above. Motivate your answer by quoting from the scenario above. (6)

Use the table below as a GUIDE to answer QUESTION 7.1.1

SOCIO-ECONOMIC ISSUES	MOTIVATION
1.	
2.	

- 7.1.2 Explain the impact of ONE of the socio-economic issues identified in QUESTION 7.1.1 (6)

VIOLENCE AND CRIME

The meaning of violence

- Violence refers to an act of aggression and involves the use of force.
- It is often used when a person resists doing something, or it is used to defend or increase power.

There are different kinds of violence, for example

Political violence	<ul style="list-style-type: none">• Acts of aggression due to political instability.• Can result in, among other things, war and terrorist.
Emotional violence	<ul style="list-style-type: none">• Refers to constant criticism and also involves the use of threats.• This constant criticism breaks down the victim's self-concept.• Causes emotional pain and constant fear.
Physical violence	<ul style="list-style-type: none">• Violence in the form of physical force, e.g kicking or hitting.
Domestic violence	<ul style="list-style-type: none">• Refers to physical and/or emotional violence between family members.

Impact of violence on businesses

- Violence has a traumatic impact on people
- There is a decrease in production
- Businesses incur extra costs for counselling
- The business may experience a reduction in profits because customers feel unsafe

The meaning of crime

- Any unlawful and harmful act related to loss of goods in a business due to burglaries/ robberies/theft/corruption/hijackings etc.
- Theft is the unlawful taking of someone else's property to make it your own

The impact of crime on businesses

- Loss of staff and customers.
- Insurance/security costs become expensive.
- Loss of profits due to stolen goods from businesses.
- Business loose skilled people resulting to a decline in productivity.
- Increased medical expenses as workers are injured during the break ins
- Businesses spent money on installing effective security measures e.g. alarms, burglar proofing.
- Loss of goods in a business can happen as a result of burglaries, shoplifting, customer theft and employee theft.
- Cost of damage to property increases as businesses pay higher insurance premiums to protect themselves.
- High rate of absenteeism due to affected employees having to go for trauma counselling

- Loss of essential equipment causing temporary closure of the business
- Employees can become involved in fraud, bribery, corruption and kickbacks.
- If there is an ensuing court case it can create negative publicity for the business.
- Smaller businesses often cannot afford insurance and have to replace the stolen goods themselves at greater loss.
- Lower profits affect the decision to expand and employ more people/pay higher wages.
- Crime causes increase in health costs of employees due to injuries or stress.
- Discourages foreign investment and reduces tourism which impacts negatively on business.
- Crime brings about unfair competition from stolen goods resold at a lower price.



ACTIVITY 8

8.1 Identify the socio-economic issues applicable in each statement below

8.1.1 Employees of TLC Limited involve themselves in unlawful and harmful acts that related to loss of goods in the business (2)

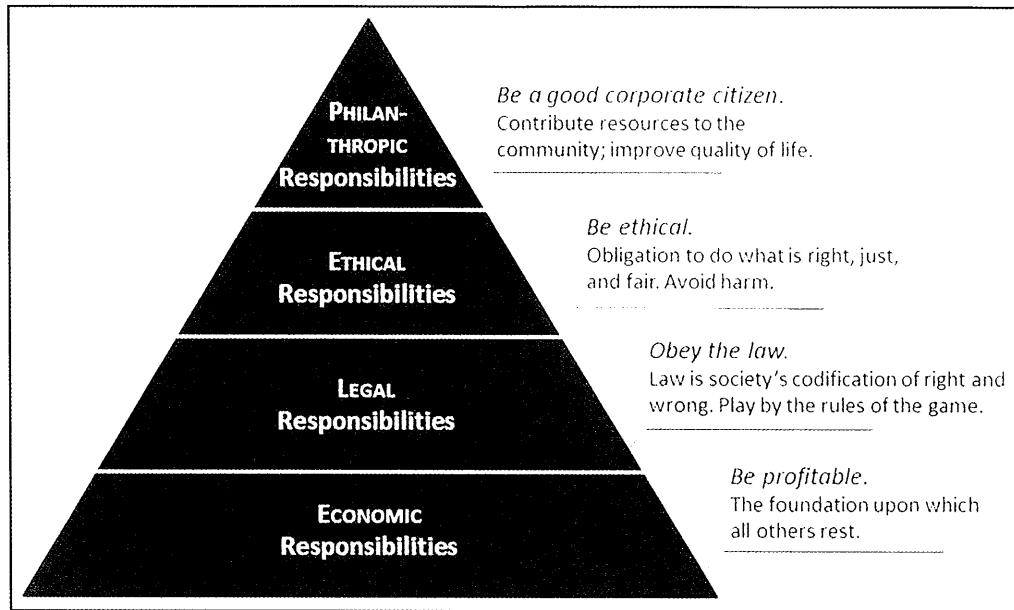
8.1.2 Management of TLC often use force and aggressiveness towards employees as a disciplinary measure. (2)

8.2 Discuss the impact of any socio-economic issue identified in the statements above (6)

SOCIAL RESPONSIBILITY NOTES

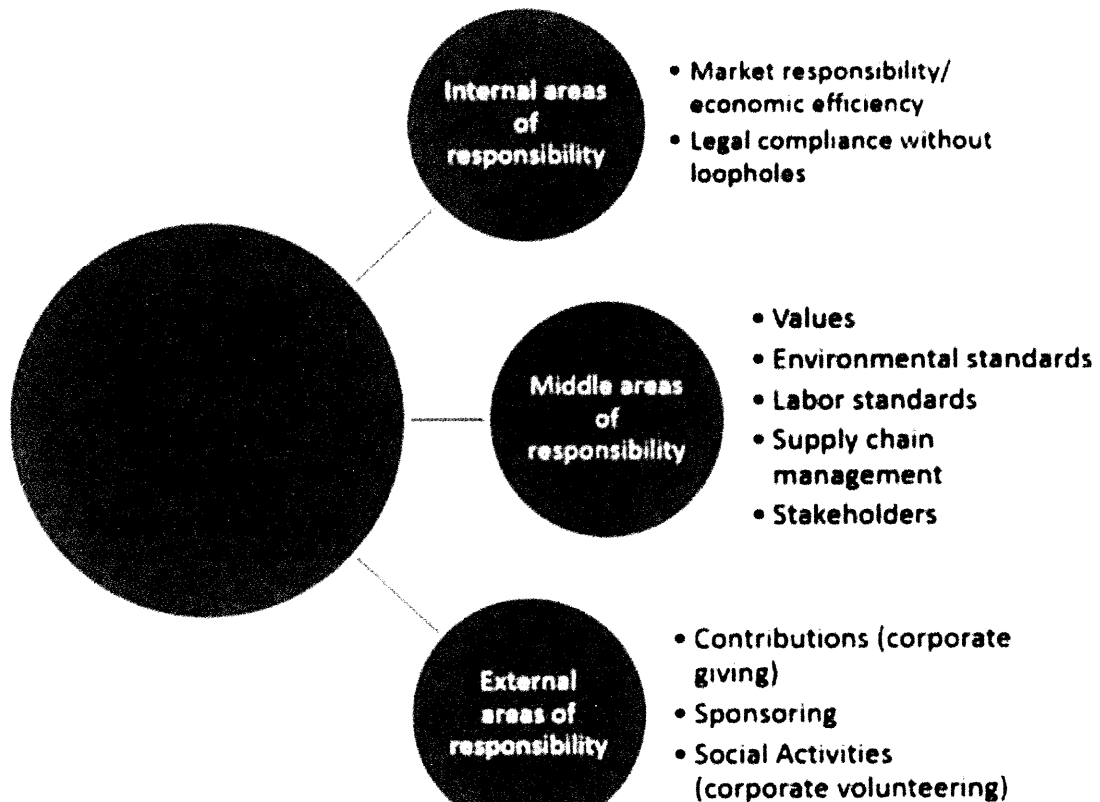
Definition of social responsibility

- Social responsibility is when each person is responsible for the effects their behaviour and lifestyle has on the environment and others.
- It means that any person/group/organisation has a responsibility to act in a way that benefit society as a whole.
- Social responsibility also means getting actively involved in projects that can have a positive impact on society in a sustainable way.



Definition of corporate social responsibility/CSR

- It is the term used when a business takes responsibility for its impact on society and the environment.
- It is an ethical way of doing business in the interest of both the business and the wider community.
- Corporate social responsibility means that a business needs to be careful that all its actions protect the environment and improve the quality of life for the citizens of the country.
- The way businesses manage their resources/processes to impact positively on society.
- The environment consists of:
 - o The air we breathe-this can be polluted by harmful smoke or other gases that are released into air. Rivers and other natural water resources –which can be pollutes by factories
- Businesses should avoid doing things that harm the environment and people.
- The goal of CSR is to have a positive impact on the environment/consumer/employees/communities/stakeholder.



Initiatives business take to address socio-economic issues

Initiatives businesses can take to address inequality and poverty

- Provide bursaries for employees' children
- Offer Learnerships for employees
- Develop employee's skills
- Invest in a young starting SME that can be a business competitor, buyer or supplier.
- Offer best volunteering programs
- Support poverty alleviation programmes that are offered by the government
- Donate money/food parcels to local NGO's.

Initiatives businesses can take to address HIV/Aids

- Counselling programmes/train counsellors to provide infected and affected persons/employees.
- Develop counselling programmes for infected/affected persons/employees.
- Conduct workshops on HIV/Aids programmes/campaigns.

- Offer Voluntary HIV/Aids testing and counselling in the workplace.
- Roll out anti-retroviral (ARV) treatment programmes (ART) for the infected employees.
- Encourage employees to join HIV/Aids support groups.
- Develop strategies to deal with stigma and discrimination.
- Participate in the HIV/Aids prevention programmes implemented in the community.
- Support non-governmental organisational/community-based

Initiatives businesses can take to address gambling

- Offer financial literacy education
- Businesses must make use of organisations such as Gamblers Anonymous and the National Council on Problem Gambling to help gamblers fight their addiction.

Initiatives businesses can take to address unemployment

- Provide skills development programmes through learnerships.
- Offer bursaries to the community to improve the level of education.
- Create jobs for members of the community.
- Provide entrepreneurial programmes that can promote self-employment.
- Support existing small businesses to create more employment opportunities.

Initiatives businesses can take to address poverty and inequality

- Invest in a young starting SME that can be a business competitor, buyer or supplier.
- Attract the best employees by being socially responsible and offering the best volunteering programs.
- Support poverty alleviation programmes that are offered by the government.
- Donate money/food parcels to local NGO's.
- Increase employment through economic growth. Introduce more training programmes and apprenticeship to develop skills.
- Encourage entrepreneurship through business training and mentoring entrepreneurs.
- Improve infrastructure and services in poor communities.

Initiatives businesses can take to address crime

- Offer employment
- Get involved in the local community on sustainable projects with community.
- Sponsor special sports programmes by providing finance (prize money) for special community events
- Adopt a school; by providing most of its needs.

Initiatives businesses can take to address violence

- Provide an employee assistance programme (EAP) to enable employees with personal problems to seek help.
- Provide counselling facilities / refer victims to private counsellors. 2 Other examples of corporate social responsibility initiatives
- Producing socially responsible goods and services
- Treating employees in a socially responsible way
- Ensuring production techniques are socially responsible
- Initiating community projects

Activity 1

1.1 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 numbers in the answer book, e.g.
1.1.3 D

1.1.1 Amangwane Enterprise are actively involved in projects that can contribute positively on society in a sustainable way

- A Responsibility
- B Social responsibility
- C Corporate social investment
- D Corporate social responsibility

1.1.2 Businesses sponsor special sports programmes by providing finance (prize money) for special community events

A Unemployment

B Gambling

C HIV/AIDS

D Crime

(2x2) (4)

Activity 3

3.1 Define the term social responsibility. (2)

3.2 Read the scenario below and answer questions that follow.

JILI EVENTS (JE)

Jili Events is a popular business that caters for different social events. The management of JE uses some of their profit to address the issue of gambling by providing counselling and rehabilitation to community members. JE also offered entrepreneurial programmes to reduce unemployment rate.

3.2.1 Quote the social responsibility initiatives from the scenario above which businesses can take to address socio-economic issues. (2)

3.2.2 Discuss the other FIVE social responsibility initiatives that can be done by businesses. (15)

Activity 4

4.1 What initiatives has the business undertaken to address the following socio-economic issues:

SOCIO-ECONOMIC ISSUE	INITIATIVES
Poverty	
Crime	
Unemployment	
HIV/AIDS	
Violence	
Gambling	
Inequality	

FORMS OF OWNERSHIP

RELATED CONCEPTS AND DEFINITION

TERM	DEFINITION
Form of ownership	The legal position of the business and the way it is owned.
Limited liabilities	Losses are limited to the amount that the owner invested in the business.
Unlimited liabilities	Refers to the full legal responsibility that business owners and partners assume for all business debts.
Continuity	Continue to exist even if a change of ownership takes place, e.g, a member or shareholder dies or retires.
Legal personality/entity	An individual, company, or organization that has legal rights and obligations.
Taxation	Businesses with legal personality is responsible to pay income tax on the profits made by the business.
Management	Ownership impacts on management functions which determine the success/failure of the business.

Capital	Money contributed by the owner/ loans to the business
Division of profit	Is the dispensing of the profits amongst partners of partnership, members of a Limited Liability Company, or employees in company, as the terms outlined in a profit-sharing agreement.
Prospectus	Prospectus is a document inviting the public to buy securities/shares.
Partnership Agreement	A contract between two or more business partners. The partners use the agreement to outline their rights responsibilities, and profit and loss distribution.
Founding Statement	Refers to the founding document used to register a close corporation. The founding statement must be in the prescribed form i.e., in line with Form CK1.
Memorandum of Incorporation	Refers to the founding document of the company and sets out the structure and governance of the company.
Companies and Intellectual Property Commission (CIPC)	The Companies and Intellectual Property Commission (CIPC) was established in South Africa in 2008 and has since been the primary agency responsible for company registration and the monitoring of domestic business entities compliance with Company and Intellectual Property Law.
Section 21 Company	Resemble business oriented (for profit) companies in their legal structure, but do not have a share capital and cannot distribute shares or pay dividends to their members.
Trust	Refers to a legal entity that acts as a fiduciary, agent, or trustee on behalf of a person or business for the purpose of administration, management, and the eventual transfer of assets to a beneficial party.
Voluntary Association	Refers to the most common legal form of NPO in South Africa. No office of registry exists for voluntary associations. Forming a voluntary association requires only that three or more people agree to achieve a common objective that is primarily not-for-profit.
Board of directors	An elected group of individuals that represent shareholders. The board is a governing body that typically meets at regular intervals to set corporate management and oversight policies. Every public company must have a board of directors.

Shares	A percentage of ownership in a company or a financial asset. Investors who hold shares of any company are known as shareholders.
Johannesburg Securities Exchange	Companies list on the JSE to raise capital by selling shares via public offers or rights issues. These listed shares can then be bought and sold by personal investors or traders, professional investors or traders and companies.
Annual General Meeting	The yearly gathering of a company's interested shareholders. At an annual general meeting (AGM), directors of the company present the company's financial performance and shareholders vote on the issues at hand.

SOLE TRADER/PROPRIETORSHIP

Meaning of Sole Proprietor

- A sole trader is a business that is owned and managed by one person.
- The business owner handles everything including the activities of the business, its processes and decisions.
- It is most suitable for service businesses such as doctor/hairdresser/electrician etc.

Characteristics of a sole proprietor.

- Owner can sell the business to anyone at any time.
- There are no legal requirements regarding the name of the business.
- It is easy to establish as there are no legal formalities in forming the business.
- Sole traders are not compelled by law to audit financial statements.
- The owner has a personal interest in the management and the services that is rendered.
- The owner has unlimited liability/The owner is personally liable for the debt of the business.
- A sole trader has limited opportunities for expansion and lacks continuity of existence.
- The business has no legal personality and therefore has no continuity/Continuity depends on the life and health of the owner.
- The owner provides capital from his/her saving/borrow money from the bank.
- The owner has a personal interest in the management and the services that is delivered.

- Profit is added to the rest of the owner's taxable income.
- There are no special requirements when the owners want to close the business.

Advantages of a Sole trader/proprietorship

- Requires little capital to start.
- Quick and easy decisions can be made.
- No legal process and requirements.
- Can easily adapt to the needs of the client/customer.
- The assets of the business belong to the owner personally.
- A sole trader can close contracts and trade in his own name.
- The owner takes all of the profits made by the business and is entitled to the ownership of assets.
- There is personal encouragement and personal contact between the owner and customers.
- Sole traders are generally closer to their customers and offer a more personalised approach and improved customer service.

Disadvantages of a Sole trader/proprietorship

- It is not always possible to pay high salaries.
- Unlimited liability which means that the owner is personally liable for all the debts and losses suffered by the business.
- Growth of business can be restricted due to lack of capital.
- The owner is responsible for providing all the capital needed which may be difficult to raise a big amount.
- If the owner does not have enough knowledge/experience the business may fail.
- A sole trader lacks continuity especially in the event of death or illness.
- Difficult to attract highly skilled and knowledgeable employees.

Activity 1

- 1.1 Define the meaning of a Sole Proprietor.
- 1.2 Read the scenario below and answer questions the follow.



(2)

BATHATHE LOGISTICS (BL)

Banele Ndlovu, owner of Bathathe Logistics specialises in transport services. Mr Ndlovu provided capital from his own savings. There were no legal requirements in forming the business. BL found it difficult to attract highly skilled and knowledgeable employees.

- 1.2.1 Quote TWO characteristics of a Sole Proprietor from the scenario above. (2)
- 1.2.2 Explain other characteristics of a Sole Proprietor. (4)
- 1.3 Discuss other disadvantages of a Sole Proprietor. (6)
- [14]**

PARTNERSHIP

Meaning of a Partnership

- An agreement between two or more people who combine labour, capital and resources towards a common goal.
- Partners share the responsibility of the business, and they share the financial and management decision of the business.

Characteristics of a partnership

- There are no legal requirements in starting a partnership except the drawing up of a partnership agreement.
- Partners combine capital and may also borrow capital from financial institutions.
- Profit is shared according to the partnership agreement.
- Partners share responsibilities and they are all involved in decision making.
- Partners have unlimited liability and are jointly and severally liable for the debts of the business.
- No legal requirements regarding the name of the business.
- No legal formalities to start, only a written partnership agreement is required.
- Partnership has no legal personality and therefore has no continuity.
- The partnership does not pay income tax, only the partners in their personal capacities.
- Auditing of financial statements is optional.
- Partners share responsibilities and they are all involved in decision making.
- Diversity/Specialisation/Different skills of the partners can be used.
- There is no specific suffix to be reflected in the name of the partnership.

Advantages of a partnership

- Can bring in extra partners at any time.
- All partners have a personal interest in the business.
- The workload and responsibility are shared between partners.
- Partners invest new capital into the business to finance expansion.
- It is easy and inexpensive to establish even with a written agreement.
- Partners share any profits and are therefore motivated to work hard.
- Partners share responsibilities for decision making and managing the business.
- Attract prospective employees with the option or incentives of becoming a partner.
- Partnerships are not compelled by law to prepare audited financial statements.
- Each partner can focus on their own individual strengths when sharing the workload.
- Partners are taxed in their own capacities, which could lead to lower taxation, depending on the level of income of the individual.
- Raising additional capital to finance further business expansion is easy, because there is no limit on the number of partners allowed in each partnership.
- The partners able to put their knowledge and skills together to collectively make the best decisions.
- Partnerships are relatively easy to establish. There are no formal requirements for the creation and running of a partnership.



Disadvantages of a partnership

- Partners might not all contribute equally.
- There can be lack of capital and cash flow.
- Partners are jointly and severally liable for the actions of the other partners.
- Partnership lacks continuity, if one partner dies/retires, the remaining partners need to draw up a new agreement.
- Partnership is not a separate legal entity and therefore partners are liable for the debts in their own capacity.
- Different personalities and options of partners can lead to conflict it disagreements.
- Each business partner is legally responsible for the joint liability of the partnership.
- A partnership has unlimited liability which means that partners risk losing their personal possessions.

- Discussion between partners can slow down decision making, and they may disagree on important business decisions.
- In large partnership, the partners may struggle to agree on business issues.
- Changes or transfer of ownership can be difficult and generally require a new partnership to be established.

Difference between a Sole Proprietor and Partnership

SOLE PROPRIETOR	PARTNERSHIP
<ul style="list-style-type: none">• A sole trader is a business that is owned and managed by one person.	<ul style="list-style-type: none">• An agreement between two or more people who combine labour, capital and resources towards a common goal.
<ul style="list-style-type: none">• Quick and easy decisions can be made.	<ul style="list-style-type: none">• Discussion between partners can slow down decision making, and they may disagree on important business decisions.
<ul style="list-style-type: none">• If the owner does not have enough knowledge/experience the business may fail.	<ul style="list-style-type: none">• The partners able to put their knowledge and skills together to collectively make the best decisions

ACTIVITY 2

2.1 Outline the characteristics of a Partnership. (4)

2.2 Read the scenario below and answer the following questions.

<p style="text-align: center;">SS SALON (SSS)</p> <p>Siza and Smith started a hair dressing salon. SSS is planning to add manicure in the services offered.</p>
--

2.2.1 Identify the form of ownership represented in the scenario above. (2)

2.2.2 Describe the disadvantages of the form of ownership identified in QUESTION 2.2.1.(4)

2.3 Differentiate between a Sole Proprietor and Partnership. (8)

[18]

CLOSE CORPORATION

Meaning of a Close Corporation

- It is businesses that is owned by members and can have between one and ten members.

Characteristics of a Close Corporation

- Can have a minimum of one and maximum of ten members who share a common goal.
- The name must end with the suffix CC.
- Members of the CC both own and control the business.
- Profits are shared in proportion to the member's interest in the CC.
- A CC has its own legal personality and therefore has unlimited continuity.
- Each member makes a contribution of some/assets/services towards the corporation.
- The word 'close' means that all members are involved and participate in its management.
- Members have unlimited liability except where the CC has had more ten members for six months or longer.
- Auditing of books is optional as members only need an accounting officer to check financial records.
- Transfer of a member's interest must be approved by all other members.
- Members of the CC are paid according to the percentage interest owned by each.

Advantages of a Close Corporation (CC)

- A CC is a legal entity and has continuity of existence.
- A Close Corporation is easy to establish and to operate because there are fewer legal requirements than companies.
- A Close Corporation is not required to hold annual general meetings (AGM).
- Meetings are not compulsory and can be held on an ad hoc basis
- Members have limited liability.
- A Close Corporation can be converted to a private company and members may become shareholders.
- The 'Business Rescue' clause work to the advantage of the CC because it facilitates the rehabilitation of a CC when it is financially distressed.
- Transfer of ownership is easy as it can be transferred to individual if all members agree.

- There are no directors therefore, no complex rules like in companies where directors are subjected to more rules.
- Close Corporation may be exempted by CIPC from auditing its financial statement.

Disadvantages of a Close Corporation

- Limited growth and expansion since a CC cannot have more than ten members
- A member of a CC can be held personally liable for the losses of CC if the member acts is incompetent.
- Audited financial statements may be required when applying for a loan.
- All members must agree to dispose of a member's interest and this could make it difficult for members to leave the CC or to pay a member their portion.
- Every member act as an agent of the CC and the CC is bound by the member's actions.
- It is not possible to sell a CC to a company because companies cannot be converted into CCs.
- A CC is taxed on its income and Standard Tax of Company (STC) based on member's dividends/ Double taxation.

ACTIVITY 3

- | | | |
|-----|--|-----|
| 3.1 | Elaborate on the meaning of a Close Corporation. | (2) |
| 3.2 | Explain the Advantages of a Close Corporation. | (6) |
| 3.3 | Evaluate the negative impact of Close Corporation. | (4) |

[12]

4 NON-PROFIT COMPANY

Meaning of a Non-Profit Company

- A non-profit company/NPO is not formed with intent to make a profit but established for public benefit.

Characteristics of Non-Profit Companies

- The main aim is to provide service and not to make a profit.
- They are funded by donations and foreign funding.
- The name of the company must end in NPC.
- All profits must be used for the primary objective of the non-profit company.
- It must prepare the Memorandum of Incorporation.
- Qualifying NPCs are granted tax-exempt status.
- The board of a non-profit company must comprise at least three directors (3 or more directors).
- Non-profit companies do not have a share capital and cannot distribute shares or pay dividend to their members.

Advantages of a Non-Profit Company

- Profits are used solely for the primary objective of the organisation.
- They provide social services to various communities.
- Donors receive tax deductions.
- The liability of the members is limited.
- Has a legal personality and continuity of existence.
- Can receive grants/aid/support.
- Surplus of income is retained to further the goals of the business.
- Must prepare the financial statements at the end of the year and is not compelled to audit the financial statements.
- Non-profit companies are not compelled to attend the general annual meeting (AGM).

Disadvantages of a Non-Profit Company

- Need professional assistance to set up this organisation
- Does not generate enough capital to cover their expenses.
- Donations may not always be enough to finance the company's expenses.
- Assets are not distributed to the members upon closing down.
- Creating a non-profit company takes time/effort/money.
- Obtaining grants can be a slow and tiring process.
- Incorporators cannot take along the assets accumulated by the NPC if they decide to leave.
- They are not allowed to pay bonuses to members.
- They are compelled to prepare annual financial statements.

ACTIVITY 4

- | | | |
|-----|--|-----|
| 4.1 | Elaborate on the meaning of a Non-Profit Company. | (2) |
| 4.2 | Outline the characteristics of a Non-Profit Company. | (4) |
| 4.3 | Describe the disadvantages of a Non-Profit Company. | (6) |

[12]

PROFIT COMPANIES

Definition of a Profit Company

- A profit company has one aim and that is to make a profit.
- Most profit companies rely on investors to put in money and take the risk that they will make a return on their investment.
- There are FOUR main types of profit companies, namely:
 - Private companies
 - Personal liability companies
 - Public companies
 - State-owned companies

Private Companies

Definition of a Private Company

- A private company has between one or more shareholders.
- It can be a small or large company and has one or more directors.

Definition of a Personal Liability Company

- A personal liability company is a private company that is mainly used by associations such as **lawyers, engineers and accountants**.

Difference between Private Company and Personal Liability Company

PRIVATE COMPANY	PERSONAL LIABILITY COMPANY
<ul style="list-style-type: none">• The name of a private company ends with Pty (Ltd).	<ul style="list-style-type: none">• The name of a personal liability company ends with Inc./Incorporated.
<ul style="list-style-type: none">• Shareholders have limited liability and a separate legal entity.	<ul style="list-style-type: none">• Former and current directors are personally responsible for any debts of the business/company.

NOTE:

- A personal liability company is very similar to a private company except that the present and past directors are personally responsible for any debts of the business.
- The name of the personal liability company ends in INC and the name of the private company ends in (PTY) Ltd.

Characteristics of a Private Company

- It needs a minimum of one shareholder and there is no limit on the number of shareholders
- Requires one or more directors and one or more shareholders.
- Raises capital by issuing shares to its shareholders.
- The company name ends with letters (PTY) Ltd.
- Investors put capital in to earn profit from shares.



- The company has a legal personality as well as unlimited continuity.
- A private company is not allowed to sell shares to the public.
- Shareholders have limited liability and a separate legal entity.
- Profits are shared in the form of dividends in proportion to the number of shares held.
- Register with the registrar of companies by drawing up Memorandum of Incorporation.
- Shareholders have a limited liability and will not lose their initial capital invested if the business goes bankrupt.
- The Act imposes personal liability on directors who are knowingly part of the carrying on of the business in a reckless or fraudulent manner.
- Private company must prepare annual financial statements but is not required to lodge its annual financial statements with the Commission.
- Annual financial statements need not be either audited or independently reviewed, unless prescribed by regulation.

Advantages of a private company

- A company has continuity of existence.
- Managed at least by one competent highly skilled director.
- Information in a private company is only available to shareholders.
- Not required to file annual financial statements with the commission.
- The company has unlimited number of shareholders, and its life span is perpetual.
- Shareholders can vote for/ appoint the most capable directors to manage their company.
- Own legal identity and shareholders have no direct legal implications/ limited liability.
- Large amount of capital can be raised since there is no limit on the number of shareholders.
- Even though shares are not freely transferable, large private companies can raise considerable amount of capital.
- It is possible to sell a private company as it is a legal entity.
- The management of the company can improve since directors are accountable to shareholders.
- The company can access long term capital and therefore has good long term growth opportunities.
- The company is a separate legal person it can buy property in its own name. Liabilities of the shareholders are limited.

Disadvantages of a private company

- Large management structures can result in decision-making taking time.
- The private company is not allowed to sell shares to the public.
- Directors may sometimes act in their own interest, not in the company's best interest.
- Annual financial statements must be reviewed by a qualified person, which is an extra expense to the company.
- Difficult and expensive to establish as the company is subjected to many legal requirements.
- Pays tax on the profits of the business and on declared dividends/Subject to double taxation.
- Financial statements must be reviewed by a qualified person, which is an extra expense to the company.
- Directors will be held personally responsible for debts if it can be proven that they committed fraud.
- Some shareholders may not exercise their voting rights resulting in choosing the wrong person as a director.
- A meeting may not begin, or a matter may not be debated unless at least three shareholders are present.

PERSONAL LIABILITY COMPANY

Characteristics of a personal liability company

- The company name must end with letters INC
- Directors have unlimited liability, and they are jointly liable for the debts of the business even if they are long out of office.
- The memorandum of Incorporation should state that it is a personal liability company.
- They must at least have one director on their board of directors.

NOTE: Other characteristics of a personal liability company are the same as the private company except the above mentioned two characteristics.

Advantages and disadvantages of a personal liability company

- **NOTE:** The advantages of a personal liability company are the same as the private company.
- The disadvantages are also the same as the private company except that the directors of the personal liability company have unlimited liability.

ACTIVITY 5

5.1 Identify the form of ownership represented by the statements below:

5.1.1 Former and current directors of Nozizwe Inc. are jointly responsible for the debts of the business.

5.1.2 The directors of Bridal Pty (Ltd) involve all shareholders in decision-making.

(2 × 2) (4)

5.2 Read the scenario below and answer questions that follow.

MABLE PRINTERS PTY (LTD)

Mable Printers Pty (Ltd) specialises in printing of company calendars. MP elect their own management and knowledgeable directors. The company has long term growth opportunities as more companies prefer printing calendars from them. MP is not listed in the Johannesburg Securities Exchange.

5.2.1 Identify the form of ownership applicable in the scenario above. (2)

5.2.2 Quote TWO advantages of MP from the scenario above. (2)

5.2.3 Discuss the disadvantages of MP as a Private Company. (6)

[14]

PUBLIC COMPANY

DEFINITION

- A public company is a company that is registered to offer its stock/shares to the general public. This is mostly done through the Johannesburg Securities/Stock Exchange (JSE).
- The public company is designed for a large-scale operation that require large capital investments.



Characteristics on a public company

- A minimum of one person is required to start a public company.
- The company name ends with letters Ltd.
- Shareholders have a limited liability.
- A prospectus is issued to the public to raise capital.
- Has legal personality and therefore has unlimited continuity
- A public company has a separate legal personality.
- Requires three or more directors and three or more shareholders.
- Profits are shared in the form of dividends in proportion to the share held
- A public company is required to hold an AGM (Annual General Meeting).
- Register with the Registrar of Companies by drawing up Memorandum of Incorporation.
- Raises capital by issuing shares to the public and borrowing capital by issuing a debenture.
- Auditing of financial statements is compulsory and audited statements are available to shareholders and the public.
- The new Act forces personal liability on directors who knowingly participated in carrying out business in a reckless/fraudulent manner.

Advantages of a public company

- The business has its own legal identity and can own assets/property.
- Managed by at least one competent highly skilled director.
- Directors bring creative ideas which encourage innovation/high productivity.
- Shareholders can sell/transfer their shares freely.
- Attracts small investors as shares can be transferred freely/ easily.
- Strict regulatory requirements protect shareholders.
- Easy to raise funds for growth through the sale of shares.
- Additional shares can be raised by issuing more shares or debentures.
- No limitation on the number of shareholders, so growth/ expansion is not limited
- Shareholders have a limited liability for the debt of the company/Shareholders may only lose the amount which they invested.
- The management of the company can improve since directors are accountable to shareholders.

- The public has access to the information, and this could motivate them to buy shares from a company.

Disadvantages of a public company

- Difficult and expensive to establish as the company is subjected to many legal requirements.
- Must disclose all financial information which can be used by its competitors.
- Directors may not be motivated to work very hard because shareholders decide on the directors' remuneration.
- Directors may not have a direct interest in the company, which can hamper growth and profit maximisation.
- Directors' fees increase the company's expenses which reduces net profit.
- Some shareholders may not exercise their voting rights resulting in choosing the wrong person as a director.
- A full report must be submitted to the major shareholders each year.
- Large management structure can result in decision making taking time.
- Large amount of funds is spent on financial audits.
- Financial affairs must be known to publicly, this information could be used to competitors' advantage.
- Management may be open to legal challenges if their reports do not comply with King Code III.
- Public companies are subject to more disclosure and transparency requirements.

Differences between the Private Company and Public Company

PRIVATE COMPANY	PUBLIC COMPANY
<ul style="list-style-type: none">• May not offer shares to the general public.	<ul style="list-style-type: none">• Trades its shares publicly on the Johannesburg Securities Exchange.
<ul style="list-style-type: none">• Shares are not freely transferable	<ul style="list-style-type: none">• Shares are freely transferable
<ul style="list-style-type: none">• Minimum of one director.	<ul style="list-style-type: none">• Minimum of three directors.
<ul style="list-style-type: none">• Name must end with Proprietary Limited/(Pty) Ltd.	<ul style="list-style-type: none">• Name must end with Limited/Ltd.

<ul style="list-style-type: none">• Annual financial statements need not be audited and published.	<ul style="list-style-type: none">• Annual financial statements need to be audited and published.
<ul style="list-style-type: none">• Does not need to publish a prospectus as it cannot trade its shares publicly.	<ul style="list-style-type: none">• Have to register and publish a prospectus with the Companies and Intellectual Property Commission/CIPC.
<ul style="list-style-type: none">• The company is not required to raise the minimum subscription/ issue minimum shares.	<ul style="list-style-type: none">• Must raise a minimum subscription prior to commencement of the company.

ACTIVITY 6

6.1 Outline the characteristics of a public company. (4)

6.2 Read the scenario below and answer questions that follow

IMVELO CONSERVERS LTD (IC)

Imvelo Conserverns LTD specialises in purification of water. The company pays tax from its profit while shareholders also pay tax from their dividends. IC requires three directors and one shareholder. Management structure of IC often take time to take decisions, and this gives advantage to competitors.

6.2.1 Quote TWO disadvantages of Public Company from the case study above. (2)

6.2.2 Explain advantages of a Public Company. (6)

6.3 Tabulate the differences between a Public Company and Private Company. (8)

STATE-OWNED COMPANY

Definition

- A state-owned company has the government as its major shareholder and falls under the department of Public Enterprise.
- These companies take on the role of commercial enterprise on behalf of the government.

Characteristics of a state-owned company

- The name ends with letters SOC.
- SOC is listed as a public company.
- It is owned by the government and operated for profit.
- One or more persons may incorporate and there is no limit on number of shareholders.
- Requires three or more directors and one or more shareholders.
- Register with the Registrar of Companies by drawing up Memorandum of Incorporation.
- State-owned companies support private businesses by providing infrastructure such as communication service /Post office and supply of electricity/Eskom.
- A state-owned company enjoys financial autonomy because they are to depend on the government for initial investment.
- The Act imposes personal liability on directors who are knowingly part of the carrying on of the business in a reckless or fraudulent manner.



Advantages of a state-owned company

- Shareholders have limited liability.
- Profits may be used to finance other state departments.
- Offer essential services which may not be offered by the private sector.
- Wasteful duplication of services is eliminated.
- Jobs are created for all skills levels.
- Generates income to finance social programmes.
- Prices are kept reasonable/Create sound competition with the private sector to make services affordable to more citizens.
- Planning can be coordinated through central control.
- Provides a healthy competition to private sectors because of government contributions.
- Most of the government companies run on sound business lines as they have their surpluses to run their projects.
- State-owned company can be expanded by means of selling its shares to the public.
- A state-owned company has a separate legal personality.

Disadvantages of a state-owned company

- Inefficiency due to the size of the business.
- Financial statements must be audited.
- Losses must be met by the taxpayer.
- Government can lose money through the business.
- Shares are not freely tradable making it difficult to raise capital.
- A lack of incentive for employees to perform if there is no absence of other motivator such as productivity bonuses.
- A lack of incentive for employees to perform if there is no share in the profit.
- May result to poor management as government is not always as efficient as the private sector.
- Often rely on government subsidies which may not cover all the company's expenses.
- SOC must follow strict regulations for operations to raise capital.
- A state-owned company is compelled to attend an annual general meeting (AGM).
- State-owned company is compelled to have its financial statement audited.

ACTIVITY 7

- 7.1 Elaborate the meaning of a state-owned company. (2)
- 7.2 Outline the advantages of a State-owned Company. (4)
- 7.3 Describe the disadvantages of a state-owned company. (6)

[12]

CO-OPERATIVES

Definition

- A cooperative is a traditional way of a group of interested parties getting together and sharing resources/infrastructures and costs to achieve a better outcome.

Types of Co-operatives

- Housing co-operative.
- Worker co-operative.
- Social co-operative.

- Agricultural co-operative.
- Co-operative burial society.
- Financial services co-operative.
- Consumer co-operative.
- Transport co-operative.

Characteristics of Co-operatives

- Minimum of five members is required to start a cooperative.
- The word 'Cooperative Limited' must appear at the end of its name.
- They are motivated by service rather than profit.
- They are managed by a minimum of three directors.
- Decisions are taken democratically.
- Members own and run the business together and share equally in its profits.
- Legal entity and can own land and open bank accounts.
- Must register with the Registrar of Cooperatives Societies.
- The objective of a co-operative is to create mutual benefit for the members.

Advantages of Co-operatives

- Access to resources and funding.
- Decision making is by a group.
- Members have limited liability.
- The decisions are democratic and fair.
- Co-operatives have continuity of existence Profits are shared equally amongst members.
- Each member has an equal share in the business.
- A co-operative can appoint its own management.
- Members are motivated because they are working for themselves.
- Can gain extra capital by asking its members to buy shares.
- Resources of many people are pooled together to achieve common objectives.

Disadvantages of Co-operatives

- Difficult to grow a co-operative.
- Shares are not freely transferable.
- Very few promotion positions for staff.

- Decisions are often difficult to reach and time consuming.
- It can be difficult to get a loan because their main objective is not always to make a profit.
- Success of cooperatives depends on the support of the members.
- All members have one vote regardless of the number of shares held.

ACTIVITY 8

8.1 State any FOUR types of co-operatives. (4)

8.2 Read the scenario below and answer the questions that follow.

KUSILE POULTRY FARMING (KPF)

A group of five unemployed women from Ngubeni Area decided to start a poultry farming. KPF is registered with the Registrar of Co-operatives Societies. Members are motivated by rendering a service rather than making profit. KPF find it difficult to grow the business as some members might not want new members to join.

8.2.1 Name the form of ownership applicable in the scenario above. (1)

8.2.2 Quote the characteristics of Co-operatives from the scenario. (2)

8.2.3 Advise KPS on other disadvantages of the form of ownership named in QUESTION

8.2.1. (4)

[11]

HOMEWORK: ACTIVITY 9

9.1 Identify the form of ownership represented in EACH statement below:

9.1.1 The management of Thingo CC involves their employees in decision making.

9.1.2 SABC news broadcast different programmes that aim at benefiting the community and their prices are kept reasonably low.

9.1.3 All shareholders signed the prospectus before it was issued to JSE.

9.1.4 Five local women with common interest in agriculture approached the local municipality to request a piece of land so that they start farming business.

9.1.5 Agri. Mining Inc. employs employees using affirmative action to comply with Employment Equity Act.

(10)

CONCEPT OF QUALITY

Concepts:

Meaning of quality

- Quality is the ability to satisfy customer/consumer needs.
- It refers to the features/characteristics of a product/service that meets customer's requirements.
- It refers to products and services that satisfy needs and exceeds customer expectations on a continuous basis.
- Includes learning from mistakes and continuously improving all aspects of the business.
- It is a degree of excellence to which a product/service satisfies the required needs of customers.

Meaning of quality control

- Inspection of the final product to ensure that it meets the required standards.
- Includes setting targets/measuring performance and taking corrective measures.

Meaning of quality assurance

- Carried out during and after the production process to ensure required standards have been met at every stage of the process.
- Ensure that every process is aimed at getting the product right first time✓ and prevent mistakes from happening again.

Differences between quality control and quality assurance

QUALITY CONTROL	QUALITY ASSURANCE
Inspection of the final product to ensure that it meets the required standards.	Carried out during and after the production process to ensure required standards have been met at every stage of the process
Includes setting targets/measuring performance and taking corrective measures.	Ensure that every process is aimed at getting the product right first time and prevent mistakes from happening again.
Checking raw materials / employees / machinery / workmanship / products to ensure that high standards are maintained	The “ building in” of quality as opposed to “checking for quality”

The importance of quality for businesses

- Effective customer services are rendered, resulting in increased customer satisfaction.
- Time and resources are used efficiently.
- Productivity increases through proper time management/using high quality resources.
- Products/Services are constantly improved resulting in increased levels of customer satisfaction.
- Vision/Mission/Business goals may be achieved.
- Business has a competitive advantage over its competitors.
- Regular training will continuously improve the quality of employees' skills/ knowledge.
- Employers and employees will have a healthy working relationship resulting in happy/productive workers.



Activity 1

Explain the meaning of the following quality concepts:

- 1.1 quality (2)
- 1.2 quality control (2)
- 1.3 quality assurance (2)

Activity 2

- 2.1 Differentiate between *quality control* and *quality assurance*. (8)

Activity 3

- 3.1 Read the scenario below and answer questions that follow.

EXOTIC WOODTURNERS (EW)

Exotic Woodturners specialises in making household furniture. EW checks quality during and after the production process. The production manager checks the final product to ensure it meets required standards.

- 3.1.1 State TWO quality concepts that are applicable to EW. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer ACIVITY 3.1

QUALITY CONCEPTS	MOTIVATIONS
1.	
2.	

(6)

Activity 4

4.1 Discuss the importance of quality for businesses.

(6)

QUALITY INDICATORS

The relation between quality and Human Resource Function

- Ensure quality environment for employees
- Help to define employee job descriptions
- Pay wages, salaries and benefits on time
- Counsel employees on career developments and promotional opportunities
- Keep up-to-date on industry developments that affects employees
- Manage employee performance through training programmes.

The relation between quality and the administration function.

- Store and retrieve information correctly and quickly
- Communicate information to intended recipients quickly and accurately.
- Manage reception services effectively and efficiently.

The relation between quality and the financial function

- Quality financial recording and reporting to general management.
- Do regular internal and external audits of records against source documents.
- Secure archiving of physical documents and backing up of electronic data
- Document the forecasting methods and data used to arrive at future performance estimates.

The relation between quality and the general management function

- Creates high quality plans for the future activities of the business
- Promote a culture of striving for quality clear and accurate communication and strong ethical leadership

Quality indicators of the Human Resources function

- Low rate of staff turnover in the business
- Maintain a healthy relationship between employees and employer
- Provide good working conditions
- Motivate and reward employees

- Makes sure there is a good recruitment policy that attracts best candidates
- Ensures fair and equitable selection process

Activity 5

5.1 Explain how quality relates to the following business functions:

- | | |
|--------------------------|-----|
| 5.1.1 Human Resources | (4) |
| 5.1.2 Administration | (4) |
| 5.1.3 Financial | (4) |
| 5.1.4 General management | (4) |

Quality indicators of the Human Resources function

- Low rate of staff turnover in the business
- Maintain a healthy relationship between employees and employer
- Provide good working conditions
- Motivate and reward employees
- Makes sure there is a good recruitment policy that attracts best candidates.
- Ensures fair and equitable selection process

Activity 6

6.1 Read the scenario below and answer the questions that follow.

MAMBA STORES (MS)

Mamba Stores specialises in selling building materials to contractors and the public. The Human Resources manager ensures that his department executes its activities effectively and efficiently within MS. He motivates and rewards his employees to increase service delivery to customers and suppliers. He ensures that his employees are provided with a good working environment.

- | | | |
|-------|---|-----|
| 6.1.1 | Quote TWO performance indicators from the scenario above that was applied by the Human Resources manager. | (2) |
| 6.1.2 | Explain other performance indicators of the Human Resources function. | (4) |

Activity 7

7.1 Suggest TWO quality indicators for EACH of the following business functions:

7.1.1 Financial function

(4)

7.1.2 Administration function.

(4)

Importance of quality in promoting the image of the business.

- The business would have a good reputation and promote brand awareness.
- Customers associate image of the business with the quality of the product.
- Quality products increase sales, profits, business growth and attracts prospective investors
- Business gain goodwill and support from the community.

Correlation between management and the success of the business.

- Management play an important role in making the correct decisions and motivating employees to be productive.
- Poor management can result in ineffective employees and loss in productivity.
- Businesses requires on-going decision making and problem solving.
- Problems that cannot be solved and decisions that are not made appropriately can lead to a decrease in productivity.



Activity 8

8.1 Read the scenario and answer the questions that follow.

DESIGNER CONCEPTS (DC)

Designer Concepts is known for selling quality products. Quality enables the business to have a good reputation and promotes brand awareness. He has appointed Sabelo to ensure that the business maintains a high standard of internal publicity and appearance of the buildings.

8.1.1 Quote from the scenario the importance of quality in promoting the image of the business.

(1)

8.1.2 Outline TWO other importance of quality in promoting the image of the business.

(4)

Activity 9

9.1 Explain the correlation between management and the success of the business.

(4)