



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2023

BUSINESS STUDIES

MARKING GUIDELINES

Time: 3 hours

300 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	C
1.2	B
1.3	A
1.4	C
1.5	C
1.6	D
1.7	C
1.8	D
1.9	B
1.10	A
1.11	C
1.12	B
1.13	C
1.14	D
1.15	B
1.16	C
1.17	A
1.18	D

QUESTION 2

- 2.1 Total Quality Management
- 2.2 Wholesaler
- 2.3 Lockout
- 2.4 Induction
- 2.5 Skills Development
- 2.6 Bootlegging
- 2.7 Delphi Technique
- 2.8 Indemnification
- 2.9 Debenture
- 2.10 Democratic Style

QUESTION 3

- 3.1 Strength
- 3.2 Threat
- 3.3 Strength
- 3.4 Threat
- 3.5 Weakness
- 3.6 Weakness
- 3.7 Threat
- 3.8 Opportunity
- 3.9 Opportunity
- 3.10 Opportunity
- 3.11 Strength
- 3.12 Threat
- 3.13 Threat
- 3.14 Threat
- 3.15 Opportunity
- 3.16 Threat
- 3.17 Strength
- 3.18 Threat
- 3.19 Opportunity
- 3.20 Threat

SECTION B

Use the mark allocation as a guide to the length of your answers.

QUESTION 4**4.1 Define the term *Corporate Governance*.**

Corporate Governance refers to the system of rules, practices, and processes by which a company is directed and controlled. It encompasses the relationships among a company's management, its board of directors, shareholders, and other stakeholders, as well as the goals by which the corporation is governed. The purpose of corporate governance is to ensure that the company is run in an ethical, responsible, and sustainable manner that benefits all stakeholders, including shareholders, employees, customers, and the broader community. Good corporate governance helps to minimise risks, prevent conflicts of interest, promote transparency and accountability, and improve the long-term performance of the company.

(Consider any other relevant fact)

4.2 State two responsibilities the directors of Spar will have to ensure that Spar achieves the Group Vision.

- Duty of Care
- Fiduciary Duty
- Strategic Planning
- Financial Oversight
- Compliance
- Accountability

**(Mark the first two listed responsibilities of the directors)
(Consider any other relevant facts)**

4.3 Discuss how Spar could make use of the triple bottom line as a strategy to achieve the Group Vision of Spar.

Spar could use the TBL approach to achieve its Group Vision:

Social: Spar could focus on promoting social responsibility by supporting community development initiatives and engaging in corporate social responsibility (CSR) activities. For instance, Spar could partner with local NGOs or community-based organisations to improve access to education, health care, and other essential services in the communities where it operates.

Environmental: Spar could adopt sustainable business practices that minimise its impact on the environment. For example, it could reduce its carbon footprint by using renewable energy sources, implementing energy-efficient practices, and reducing waste generation through recycling and waste reduction initiatives.

Economic: Spar could improve its financial performance by adopting sustainable business practices that reduce costs and increase efficiency. For example, it could invest in technology that improves inventory management, supply chain logistics, and customer experience. By doing so, Spar could improve profitability, increase shareholder value, and create a more sustainable business model.

(Consider any other relevant facts)

for naming each of the triple bottom line elements

(Any 1 fact × 2 marks × 3 elements = 6 marks) for discussion for the how each of the elements could be used of the triple bottom line as a strategy to achieve the Group Vision of Spar

4.4 Give two examples of how Spar could maintain the Group Values.

Putting the customer first: Spar could maintain this value by consistently providing high-quality products and services, creating a welcoming shopping environment, and actively seeking feedback from customers to improve their experience.

Fostering teamwork: Spar could maintain this value by promoting a culture of collaboration, providing opportunities for employee training and development, recognising and rewarding teamwork, and promoting effective communication among employees.

Promoting innovation: Spar could maintain this value by encouraging employees to generate new ideas, experimenting with new products and services, and investing in technology and processes that improve efficiency and customer experience.

Being ethical: Spar could maintain this value by adhering to high ethical standards in all its business practices, promoting transparency and accountability, and maintaining compliance with all applicable laws and regulations.

Caring for the community: Spar could maintain this value by engaging in corporate social responsibility activities, supporting local charities and community organisations, and promoting sustainable business practices that minimise its impact on the environment.

Caring for the environment: Spar could maintain this value by implementing green initiatives such as reducing energy consumption, minimising waste, using renewable energy sources, and sourcing products from suppliers who practice sustainable agriculture and forestry.

**Mark the first two examples of how Spar could maintain the Group Values.
(Consider any other relevant facts)**

4.5 Use only the Ethical, Technological and Legal factors of a PESTLE analysis to show their impact on SPAR. Complete the table below:

4.5.1 Identify one challenge for each factor.

4.5.2 Give a different strategy to deal with each challenge.

Ethical Factor:

4.5.1 **Challenge:** Increasing demand for ethical and sustainable products and practices.

4.5.2 **Strategy:** Spar can adopt sustainable business practices such as using ecofriendly packaging, reducing waste, and sourcing products from ethical suppliers. Spar can also engage in corporate social responsibility (CSR) activities such as supporting local community projects, donating a portion of profits to charity, and reducing its carbon footprint.

Technological Factor:

4.5.1 **Challenge:** Emerging technologies such as blockchain and big data analytics that are disrupting the retail industry.

4.5.2 **Strategy:** Spar can invest in new technologies such as Artificial Intelligence, IoT devices and big data analytics to improve supply chain management, inventory control, and customer experience. Spar can also leverage blockchain technology to improve data security and transparency in its supply chain.

Legal Factor:

- 4.5.1 **Challenge:** Changes in labour laws and regulations that may impact Spar's operations and profitability.
- 4.5.2 **Strategy:** Spar can comply with labour laws and regulations, ensure that its employees are properly trained, and provide fair wages and benefits to its employees. Spar can also conduct regular compliance audits to identify and address any potential legal issues. Spar can also seek legal advice and guidance from legal experts in the retail industry to ensure that it is following all relevant legal requirements.

**(Consider any other relevant facts)
for identifying a challenge for each element
for providing a strategy for each of the challenges identified**

- 4.6 **Explain how Spar could use the Balanced Score Card to measure the success of the Group Strategy.**

Financial Perspective:

Spar could use financial metrics to measure the success of its Group Strategy, such as revenue growth, profitability, and return on investment. Spar can also track its cost savings, capital expenditures, and debt reduction goals to ensure financial sustainability.

Customer Perspective:

Spar could use customer metrics to measure the success of its Group Strategy, such as customer satisfaction, retention rates, and market share. Spar can also track customer acquisition costs and sales growth in specific customer segments.

Internal Processes Perspective:

Spar could use internal process metrics to measure the success of its Group Strategy, such as inventory turnover, supply chain efficiency, and product quality. Spar can also monitor operational metrics such as cycle time, delivery performance, and order accuracy.

Learning and Growth Perspective:

Spar could use learning and growth metrics to measure the success of its Group Strategy, such as employee engagement, training and development, and innovation. Spar can also track its progress in building a culture of continuous improvement, as well as its progress in introducing new products and services.

**(Consider any other relevant facts) for naming each element of the balanced
score card
for how Spar could make use of the Balanced Score Card to measure the
success of the Group Strategy**

- 4.7 **Identify four consumer rights protected by the Consumer Protection Act No. 68 of 2008.**

- Right to Equality in the Consumer Market and Protection against Discriminatory Marketing Practices
- Right to Privacy
- Right to Choose
- Right to Disclosure of Information
- Right to Fair and Responsible Marketing
- Right to Fair and Honest Dealing

- Right to Fair, Just and Reasonable Terms and Conditions
- Right to Fair Value, Good Quality and Safety
- Right to Accountability from Suppliers

**(Mark the first four consumer rights protected by the Consumer Protection Act.
(Consider any other relevant facts)**

4.8

4.8.1 Explain how Spar could use 'People and Physical Evidence' as two of the 7P's of marketing, as a buyers stimulus.

<p>People: The People component of the 7Ps refers to the staff or employees who work for the business. In the case of Spar, the People element could include the store's friendly and knowledgeable staff who can help customers find what they need, offer advice, and provide excellent customer service. Well-trained and courteous staff can create a positive and engaging experience for customers, which can be a strong buying stimulus.</p>	<p>Physical Evidence: The Physical Evidence component of the 7Ps refers to the tangible elements that customers can see or touch. For Spar, the Physical Evidence element could include the store's layout, lighting, cleanliness, and overall atmosphere. Physical Evidence can create a positive impression on customers and influence their buying decisions. For example, a clean, well-organised store with attractive displays can make a customer feel more confident about the quality of the products and services offered.</p>
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(Consider any other relevant fact)

4.8.2 Describe how the following factors will affect the buying decision of a Spar customer.

- **Sociocultural**

Socio-economic factors refer to the social and economic conditions that influence the behaviour of individuals and groups. These factors include income level, education, occupation, and cultural background. For example, a customer who has a higher income level may be more likely to purchase premium products or services, while a customer with a lower income may be more price-sensitive and look for discounts and promotions. Culture is another socio-economic factor that can influence buying decisions. Different cultures may have different attitudes and preferences towards certain products or brands. For example, in some cultures, there may be a preference for organic or locally sourced products, while in others, there may be a preference for products that are perceived as luxurious or high-end.

- **Economic**

Economic factors refer to the broader economic conditions that can impact the buying decisions of customers. These factors include inflation, interest rates, and unemployment rates. For example, during times of economic recession, customers may be more price-sensitive and look for discounts and promotions. Conversely, during times of economic growth, customers may be more willing to spend money on premium products and services. Another economic factor that can influence buying decisions is the availability of credit. When credit is readily available, customers may be

more willing to make larger purchases or purchase items on credit. However, during times of economic hardship, customers may be more cautious with their spending and may avoid taking on additional debt.

(Consider any other relevant facts)

how the sociocultural and economic factors will affect the buying decision of a Spar customer

4.8.3 Suggest two possible outcomes for the buyer.

Purchase: The most obvious outcome is that the buyer will make a purchase. If the buyer is sufficiently motivated by the stimulus, they will be more likely to buy the product or service.

Postponement: The buyer may postpone their decision to purchase. This may happen if the stimulus is not strong enough or if the buyer is uncertain about the product or service.

Switching: The buyer may switch to a different brand or product. If the stimulus provided by the current brand is not effective, the buyer may be motivated to switch to a different brand or product that better meets their needs.

Abandonment: The buyer may abandon their purchase altogether. This could happen if the buyer is not convinced that the product or service is worth the cost or if they encounter other barriers to making a purchase.

Loyalty: The buyer may become loyal to the brand. If the stimulus is strong enough and the product or service meets their expectations, the buyer may become a loyal customer and be more likely to make future purchases from the brand.

**Mark the first two outcomes for the buyer.
(Consider any other relevant facts)**

QUESTION 5**5.1 State the purpose of a Code of Ethics.**

The purpose of a code of ethics is to establish a set of guidelines and principles that define the ethical behaviour expected of members of a particular community or profession. The code serves as a framework for ethical decision-making, and provides a benchmark for evaluating the behaviour of individuals and organisations.

**(Consider any other relevant facts)
for discussing the purpose of a code of ethics.**

5.2 5.2.1 Identify two stakeholders in Pick n Pay

- Shareholder
- Customers
- Employees
- Suppliers
- Government
- Local communities

**Mark the first two stakeholders in Pick n Pay
(Consider any other relevant fact)**

5.2.2 Describe a conflict of interest between the stakeholder identified in Question 5.2.1 and Pick n Pay:

Shareholders: Shareholders may want Pick n Pay to prioritise short-term profits over long-term sustainability, which may conflict with the company's values and commitment to sustainability.

Customers: Customers may want lower prices and greater convenience, which may conflict with Pick n Pay's commitment to fair labour practices and ethical sourcing.

Employees: Employees may want higher wages and better working conditions, which may conflict with Pick n Pay's desire to keep labour costs low and maintain competitiveness.

Suppliers: Suppliers may want to negotiate higher prices or better terms, which may conflict with Pick n Pay's goal of keeping costs low for customers.

**(Consider any other relevant fact)
for describing a possible conflict of interest between the stakeholder and Pick n Pay**

5.2.3 Provide a strategy that could be put in place by Pick n Pay to avoid the conflict of interest in Question 5.2.2:

Shareholders: Pick n Pay could provide regular updates to shareholders on the company's sustainability initiatives and the long-term benefits of investing in sustainable practices.

Customers: Pick n Pay could provide transparent information on the sourcing of its products, and work with suppliers to ensure fair labour practices and environmental sustainability.

Employees: Pick n Pay could provide fair wages and benefits, and create a

safe and supportive work environment.

Suppliers: Pick n Pay could work with suppliers to negotiate fair prices and terms, and provide clear guidelines on ethical sourcing and sustainability.

**(Consider any other relevant fact)
for a strategy that could be put in place by Pick n
Pay to avoid this possible conflict**

- 5.3 **The human capital department of Pick n Pay will need to ensure they are implementing the various South African labour legislations (laws).**

Discuss the Labour Relations No. 66 of 1995 and Skills Development Act No. 97 of 1998 that Pick n Pay will need to implement according to:

- **the purpose of each Act, and**
- **implications (positives or negatives) of each act on both the employer and employee.**

Labour Relations Act (LRA):

The **purpose** of the LRA is to regulate the relationship between employers and employees, promote fair labour practices, and advance economic development and social justice in the workplace. The Act provides for collective bargaining, dispute resolution, and other mechanisms to promote harmonious labour relations.

Positive implications:

Protects employees' rights to fair labour practices and freedom of association.

Provides a mechanism for resolving disputes, which can help to prevent industrial action and improve working conditions.

Encourages employers to engage in collective bargaining with employees and their representatives.

Negative implications:

May be required to engage in collective bargaining and negotiate with employees or their representatives, which can be time-consuming and costly.

Non-compliance with the LRA can lead to legal action, which can result in fines, reputational damage, and increased costs.

Skills Development Act (SDA):

The **purpose** of the SDA is to develop the skills of the South African workforce and to promote learning and career advancement. The Act provides for the establishment of the Sector Education and Training Authorities (SETAs), which are responsible for skills development in specific industries.

Positive implications:

Provides opportunities for skills development and career advancement, which can lead to increased job satisfaction, higher wages, and improved employability.

Encourages employers to invest in training and development, which can improve the quality of work and productivity.

Negative implications:

May be required to pay a skills development levy, which can be an additional cost for the company.

Non-compliance with the SDA can lead to legal action, which can result in fines, reputational damage, and increased costs.

**Consider any other relevant facts
for implications of these Acts).**

5.4 Discuss with the use of practical examples, how each of the following leadership styles could be used by managers at Pick n Pay to increase business performance.

5.4.1 Democratic leadership style:

Democratic leaders involve their team members in the decision-making process and encourage open communication and collaboration. At Pick n Pay, democratic leaders could use this style to increase employee engagement and foster a culture of teamwork. For example, a democratic leader might involve their team in a discussion about how to improve customer service. They might ask for input from team members and use their suggestions to develop a plan of action. By involving their team in the decision-making process, democratic leaders can help to create a sense of ownership and accountability among employees, which can lead to improved performance.

(Consider any other relevant fact)

for making use of a practical example to discuss how the democratic leadership will be used to increase business performance)

5.4.2 Transactional leadership style:

Transactional leaders focus on establishing clear goals and expectations and providing rewards and punishments based on performance. At Pick n Pay, transactional leaders could use this style to improve performance by setting clear targets and providing incentives for meeting or exceeding them. For example, a transactional leader might set a goal to increase sales by 20% in a particular department and provide a bonus to employees who meet or exceed that target. They might also provide coaching or corrective feedback to employees who are not meeting expectations. By establishing clear goals and expectations and providing rewards and punishments based on performance, transactional leaders can motivate their team members to work harder and achieve better results.

(Consider any other relevant fact)

for making use of a practical example to discuss how the transactional leadership will be used to increase business performance)

5.5 Name three management competencies.

- Organisational awareness
- Strategic action
- Teamwork
- Empowerment talent development
- Customer service orientated

**Mark the first three management competencies
(Consider any other relevant fact)**

5.6 Discuss with the use of practical examples how Pick n Pay could make use of the following management tasks to reduce risk for the business.

5.6.1 Planning:

Planning is a critical management task that involves setting goals and objectives, identifying strategies to achieve those goals, and developing action plans to implement those strategies. At Pick n Pay, effective planning can help reduce risk by ensuring that the organisation is prepared for potential challenges and uncertainties. For example, a plan to mitigate risks from supply chain disruptions caused by the COVID-19 pandemic could involve diversifying the organisation's suppliers, developing alternative sourcing strategies, and establishing backup inventory levels. By proactively planning for potential risks, Pick n Pay can minimise the impact of unexpected events on the business.

(Consider any other relevant fact)

for discussing planning with the use of a practical example, to look at how Pick n Pay could reduce risk

5.6.2 Organising

Organising involves creating a structure and assigning responsibilities and resources to achieve organisational objectives. Effective organisation can help Pick n Pay reduce risk by ensuring that responsibilities and accountabilities are clear, resources are allocated efficiently, and employees are empowered to make decisions and take actions to mitigate potential risks. For example, organising the store layout and operations to ensure that COVID-19 protocols are followed can help to reduce the risk of infection and minimise disruptions to store operations. By effectively organizing the business, Pick n Pay can reduce the potential for confusion, miscommunication, and errors that can increase risk.

(Consider any other relevant fact)

for discussing organising with the use of a practical example, to look at how Pick n Pay could reduce risk

5.6.3 Delegating:

Delegating involves assigning tasks and responsibilities to team members based on their strengths, skills, and expertise. Effective delegation can help Pick n Pay reduce risk by ensuring that tasks are completed efficiently and effectively, and that responsibilities are distributed appropriately across the organisation. For example, delegating responsibility for monitoring and reporting potential supply chain disruptions to a designated team can help to ensure that the organisation is aware of potential risks and can take appropriate actions to mitigate those risks. By delegating effectively, Pick n Pay can ensure that potential risks are identified and addressed quickly, before they escalate into major problems for the business.

(Consider any other relevant fact)

for discussing delegating with the use of a practical example, to look at how Pick n Pay could reduce risk

5.7 The marketing efforts of competitors could have a direct impact on the profits of Pick n Pay. Suggest strategies on how Pick n Pay can deal with this challenge.

Differentiation: Pick n Pay can differentiate itself from its competitors by offering unique products, services, or experiences. By creating a unique value proposition that sets it apart from its competitors, Pick n Pay can attract and retain customers who are willing to pay a premium for its offerings.

Price Matching: Pick n Pay can match or beat the prices of its competitors to remain competitive. By offering competitive prices, Pick n Pay can retain price-sensitive customers who might otherwise switch to a competitor.

Promotions: Pick n Pay can offer promotions and discounts to incentivise customers to shop with them instead of a competitor. This could include targeted promotions based on customer segments or time-limited offers to drive urgency.

Brand Building: Pick n Pay can invest in brand building efforts to create a strong brand that resonates with customers. This can include building a positive reputation through social responsibility initiatives, improving customer service, and creating memorable advertising campaigns.

Customer Experience: Pick n Pay can focus on improving the overall customer experience to create loyal customers who are less likely to switch to a competitor. This could include investing in store design and layout, improving checkout processes, and offering personalised services such as home delivery.

Market Research: Pick n Pay can conduct market research to understand the preferences and behaviours of its target customers. This can help the organisation identify gaps in its offerings and develop strategies to address them.

Strategic Partnerships: Pick n Pay can form strategic partnerships with other organisations to create unique offerings or drive cost efficiencies. This could include partnering with local farmers or artisanal producers to offer unique products, or partnering with logistics providers to improve supply chain efficiencies.

(Consider any other relevant fact for suggesting strategies on how Pick n Pay can deal with this challenge)

QUESTION 6

- 6.1 **Discuss quality performance from the viewpoint of the following Business Departments. Purchasing department, Financial department, General management department**

Purchasing department	<p>From the perspective of the purchasing department, quality performance refers to ensuring that the products and services purchased by the organisation meet the required quality standards. This involves working closely with suppliers to identify quality requirements, conducting quality checks on received goods and services, and monitoring supplier performance over time. A focus on quality performance can help the purchasing department reduce costs associated with defects and rework, improve customer satisfaction by ensuring that products meet expectations, and enhance the organisation's reputation for quality.</p> <p style="text-align: right;">(Consider any other relevant fact) for discussing quality performance from the viewpoint of the Purchasing department</p>
Financial department	<p>From the perspective of the financial department, quality performance refers to ensuring that the organisation's financial reporting is accurate, reliable, and meets regulatory requirements. This involves implementing internal controls to ensure the accuracy of financial data, conducting regular audits to identify and address issues, and maintaining compliance with relevant laws and regulations. A focus on quality performance can help the financial department minimise the risk of financial fraud or misstatement, improve investor confidence, and ensure that the organisation's financial statements are a true and fair representation of its performance.</p> <p style="text-align: right;">(Consider any other relevant fact) for discussing quality performance from the viewpoint of the Financial department</p>
General management department	<p>From the perspective of the general management department, quality performance refers to ensuring that the organisation's overall operations meet the required quality standards. This involves developing and implementing quality management systems, monitoring and analysing performance data, and continuously improving processes to optimise quality and efficiency. A focus on quality performance can help the general management department improve customer satisfaction, reduce waste and defects, increase productivity and profitability, and maintain a competitive advantage in the marketplace. Additionally, quality performance can help the organisation achieve its strategic goals and objectives by ensuring that all operations are aligned with the organisation's mission and values.</p> <p style="text-align: right;">(Consider any other relevant fact) for discussing quality performance from the viewpoint of the General Management department</p>

6.2 Discuss with the use of examples, how a retailer would make use of the following quality performance tools to reduce possible risk factors.

Benchmarking:

The retail company could use benchmarking to compare its performance against that of competitors or other similar companies in the industry. This could involve gathering data on factors such as customer satisfaction, sales, and inventory turnover, and comparing these metrics to those of other companies. By identifying areas where it lags behind competitors, the retail company can take steps to improve its performance and reduce risk factors. For example, if the benchmarking data shows that the company has lower customer satisfaction ratings than its competitors, it could invest in training for employees on providing excellent customer service.

(Consider any other relevant fact)
for discussing how a retailer would make use of benchmarking to reduce possible risk factors.)

Sampling and inspection:

The retail company could use sampling and inspections to identify potential quality issues with its products. For example, the company could randomly select a sample of clothing items from each shipment received from a supplier and conduct inspections to ensure that they meet quality standards. This can help the company identify defects or other quality issues early on and take corrective action before the products are sold to customers. By ensuring that only high-quality products are sold, the company can reduce the risk of customer complaints or returns.

(Consider any other relevant fact)
for discussing how a retailer would make use of sampling and inspection to reduce possible risk factors.)

Continuous Skills Development:

The retail company could invest in continuous skills development for its employees to improve their performance and reduce risk factors. For example, the company could provide training on sales techniques, customer service, or inventory management to help employees perform their jobs more effectively. By investing in employee training, the company can improve the quality of its products and services, reduce waste and errors, and enhance the customer experience. This can ultimately lead to increased customer loyalty and repeat business, which can help the company remain competitive and reduce risk factors such as low sales or customer complaints.

(Consider any other relevant fact)
for discussing how a retailer would make use of continuous skills development to reduce possible risk factors.)

6.3 Suggest three strategies that a general retailer could use, to ensure that customers receive a quality service from their cashiers.

- The retailer can invest in comprehensive training programs for its cashiers, covering areas such as customer service, communication skills, product knowledge, and point-of-sale systems.
- The retailer can establish a performance evaluation system to regularly assess the performance of its cashiers.
- The retailer can implement a rewards and incentives program to motivate cashiers to deliver high-quality service.

- The retailer can gather feedback from customers about their experiences with the cashiers. This can be done through surveys, online reviews, or other means.
- The retailer can empower and support its cashiers by providing them with the resources and tools they need to do their jobs effectively.

**Mark the first three strategies that a general retailer could use to ensure that a customer receives quality service from the cashiers)
(Consider any other relevant fact)**

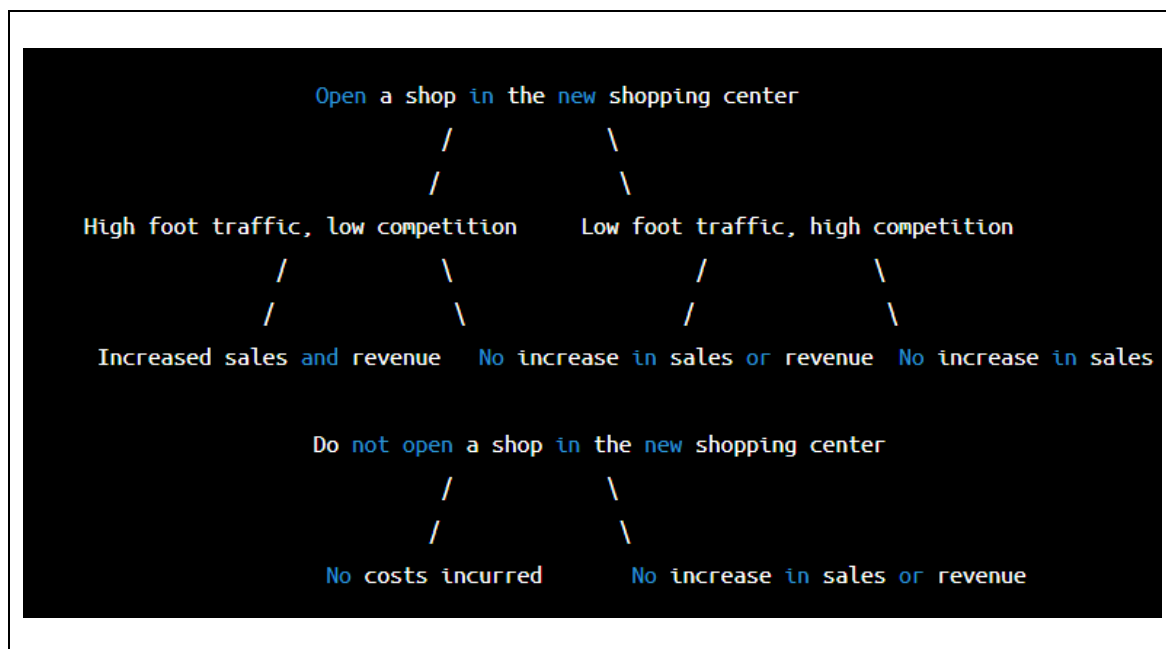
6.4 6.4.1 Describe a decision tree as a creative problem-solving technique.

A decision tree is a visual representation of a decision-making process that can be used as a creative problem-solving technique. It can be particularly useful for retailers when looking at quality service because it allows them to consider all possible outcomes of a decision and choose the best course of action.

By using a decision tree as a creative problem-solving technique, the retailer can systematically evaluate all possible options and choose the best course of action based on the potential outcomes and costs. This can help the retailer make more informed decisions and improve the quality of service provided to their customers.

**(Consider any other relevant fact)
for explaining how a decision tree as a creative problem-solving technique can be used by a retailer when looking at quality service.)**

6.4.2 Use a decision tree to assist a retailer in deciding if they should open a shop in a new shopping centre.



**(Consider any other relevant fact)
for identifying 4 different stages in the decision tree as part of assisting a retailer to
decide if they should open a shop in a new shopping centre)**

6.5 Discuss, with the use of a separate example for each, how and when a retailer would use the following strategies.

<p>Low-cost Strategy</p>	<p>Checkers uses a low-cost strategy to offer customers products at a competitive price. The company focuses on bulk buying and negotiating lower prices with suppliers to keep costs low. Checkers also has its own private label brand, which allows it to offer products at a lower price than branded products.</p> <p>Example: Checkers promotes its low-cost strategy by running promotional campaigns such as 'Everyday Low Prices' and 'R50 Deals'. These campaigns offer customers discounts on everyday products, including groceries, household essentials, and electronics.</p> <p>(Consider any other relevant fact) for discussing, with the use of an example for, how and when a retailer would use a low-cost strategy.)</p>
<p>Forward Integration Strategy</p>	<p>Checkers uses a forward integration strategy to control the distribution of its products and ensure that its stores are well-stocked with the right products. The company has invested in its supply chain, including warehousing and logistics, to improve efficiency and reduce costs.</p> <p>Example: Checkers has implemented a range of initiatives to improve its forward integration strategy. For example, the company has implemented a sophisticated supply chain system that uses real-time data to ensure that products are delivered to stores on time and in the right quantity. Checkers has also invested in its own fleet of trucks and employs its own drivers to reduce reliance on third-party logistics providers. By integrating forward into its supply chain, Checkers can ensure that it offers customers a wide range of products at a competitive price.</p> <p>(Consider any other relevant fact) for discussing, with the use of an example for, how and when a retailer would use of a forward integration strategy.)</p>

6.6 Explain how a retail franchisor would ensure quality control over the various store locations.

Standardisation of processes and procedures: A franchisor can establish a standard set of processes and procedures for all franchisees to follow. This can include guidelines for store layout, product selection, customer service, and marketing. By standardising processes and procedures, a franchisor can ensure consistency across all store locations.

Training and support: A franchisor can provide training and support to franchisees to ensure that they understand and implement the standard processes and procedures. This can include initial training for new franchisees, ongoing training for existing franchisees, and access to support resources such as manuals and videos.

Regular inspections and audits: A franchisor can conduct regular inspections and audits of franchisee stores to ensure that they are following the standard processes and procedures. These inspections can be conducted by the franchisor or by a third-party auditor.

Feedback and communication: A franchisor can establish a system for franchisees

to provide feedback and communicate with the franchisor. This can include regular meetings, surveys, and feedback forms. By listening to franchisee feedback and addressing their concerns, a franchisor can improve quality control and ensure that franchisees feel supported.

Quality assurance programs: A franchisor can implement quality assurance programs that measure and monitor key performance indicators (KPIs) such as customer satisfaction, sales growth, and profitability. These programs can provide data-driven insights into store performance and help franchisees identify areas for improvement.

(Consider any other relevant fact)

for explaining how a retail franchisor would ensure quality control over the various store locations.)

- 6.7 **A retailer would implement a growth strategy with the aim of increasing turnover and sales volumes. Discuss a possible strategy for each of the scenarios below.**

6.7.1 *'A retailer looks at growth opportunities through an **existing market** with **existing products and services**.'*

Could be to increase the retailer's market share by expanding its customer base. This could be achieved by increasing the retailer's visibility through advertising and promotions, improving customer service, and offering competitive pricing. The retailer could also explore new sales channels, such as online sales or partnering with other businesses to offer joint promotions or discounts. By increasing its market share, the retailer can increase its turnover and sales volumes without introducing new products or services.

(Consider any other relevant fact)

for how a retailer would implement a growth strategy with the aim of increasing turnover and sales volumes

6.7.2 *'A retailer looks at growth opportunities through an **existing market** with **new products and services**.'*

Could be to introduce new products or services that complement the retailer's existing offerings. For example, a clothing retailer could expand its product line to include accessories such as shoes, bags, and jewellery. Alternatively, a retailer could introduce new services such as personal shopping, styling consultations, or home delivery. By introducing new products or services, the retailer can attract new customers and increase sales volumes. The retailer could also consider partnering with other businesses to offer joint promotions or cross-selling opportunities. It is important for the retailer to conduct market research and ensure that there is a demand for the new products or services before investing in their development and implementation.

(Consider any other relevant fact)

for how a retailer would implement a growth strategy with the aim of increasing turnover and sales volumes

SECTION C

The following aspects will be considered when marks are allocated in this question:

- **Format:**
 - The CORRECT format for each question must be used, i.e. business report.
 - Where applicable, include an introduction and conclusion.
 - Use headings and subheadings where appropriate.
- **Terminology:** Correct business terminology should be used.
- **Content:** Must be sufficient to cover all aspects of the question.
- **Substantiation:** Justification for statements made.
- **Application to case study/context/theme.**
- **Problem-solving** rather than just giving theoretical facts.
- **Synthesis and sequencing.**

QUESTION 7

The following criteria will be used to evaluate each of the investment options:

- **Risk**
- **Return on investment**
- **Time frames**

Risk

- A high-risk investment is expected to deliver a higher return on investment IF the investment succeeds. A high-risk investment could also result in a big loss if the investment fails. This may be illustrated using a simple example: someone may decide to invest in a new and unknown clothing retailer, selling a new fashion trend. If it is successful, it may yield a high return. If not, the person may lose the entire investment.
- A further idea relating to risk is the concept of diversification. Diversification means all eggs are not kept in one basket. Consequently, not ONE of the investment vehicles (options) below is used to hold all reserves, but rather that a COMBINATION of these investment options is used to spread risks over different assets.
- The investor has the option to choose the degree of risk relative to the most suitable investment option for him/her at that point in time.

Return on investment (ROI) can be described as a tool to measure the efficiency of the investment. It is an indicator of what the investor will get back over and above the original investment made.

Timelines (period of investment)

The longer the period of investment available to the investor, the greater the risks that the investor can afford to take. If someone wants to make provision for his/her retirement and the person is currently 20 years old, they have another 45 years before retirement to recover any potential losses. If someone, however, is already 50 years old and wants to make provision for retirement, there is much less time before the retirement age; this person clearly cannot afford to take too many risks regarding their investments.

INVESTMENT OPTIONS/INSTRUMENTS

EQUITIES/SHARES

Description

Equities are also known as shares in a company. Some companies are listed on the JSE Ltd (hereafter just called JSE), but other companies are unlisted.

When we consider equities or shares, we are going to look at those in listed companies, because information on the shares' performance is regularly available. If the company is unlisted, it will not make information on the financial performance of the business available to anybody but shareholders, banks, creditors and SARS – not to the general public. Without this financial information, it will be impossible to evaluate whether the investment has delivered acceptable returns.

The owners of shares (equities) each own a portion of the business. There are two 'options/methods' to become a shareholder in a company listed on the JSE:

- The shares were bought from the company when shares were issued the first time, thus the person who bought the shares contributes capital to the business.
- The shares were bought on the JSE from a previous shareholder. The money paid for the share is not going to the business, but to the person who sold their shares. Shares bought and sold on the JSE have no impact on the capital available to the business.

Risk

- The JSE (and other stock exchanges in the world) have strict rules for companies to list on the stock exchange to protect investors and (hopefully) decrease the risk of investing in these listed companies. Despite this, equities are still seen as a moderate to high-risk investment.
- Blue-chip shares are shares in high-end companies on the stock exchange and the risk of acquiring shares in a blue-chip company is smaller than having shares in another company. The ROI in these blue-chip companies is usually higher than in other companies.
- Investors usually take smaller risks than people speculating with shares (see discussion under time frame to understand the difference between these two groups of people).

Return on investment (ROI)

When evaluating the ROI of shares bought in a listed company, there are two factors that contribute to the ROI:

- Increase in share price
- Dividends

Shareholders will buy shares in the company with the expectation that:

- The share price will increase over a period of time (capital growth). Capital gains tax may apply when shares are sold later.
- Good dividends will be generated. Dividends are the profits of the company that are divided among the shareholders, and are not taxed in the hands of the shareholder in South Africa.
- A combination of the above occurs, as this usually helps to outperform inflation.

What will determine the price of a share on the stock market? The answer to this question is quite simply: market forces, otherwise known as demand and supply! As with any other commodities that we buy, the price is determined by how many people want the product (demand) and how much of the product is available (supply).

The question that now begs to be answered is: What determines demand and supply of a particular share on the JSE? This answer is slightly more complicated. The following factors will all affect the demand for the share and therefore also the share price. This means it will also have an impact on the overall return on the shareholders' investment (ROI):

- The level of confidence in the state of the economy. When the economy is doing well, investors will feel positive about investing on the JSE and they will be eager to buy shares (bull market). If investors are pessimistic and they anticipate losses, they will sell their shares (bear market).
- Government policies or new legislation will affect the overall confidence in the economy of the country and therefore the share prices. If, for example, there is speculation about nationalisation (state takes over ownership of private assets), shareholders will want to sell their shares and the share prices will drop.
- Industry performance will affect all the companies listed in that industry. Some industries may be more attractive to investors than others. If an industry has recently had negative publicity due to problems (strikes, outdated technology) or positive publicity owing to upcoming events (tourism industry will benefit if a world cup event is won by South Africa), share prices in that industry may fall or increase.
- Financial performance of the business: sales, profits, financial ratios such as solvency, liquidity, return on employment, and the dividends declared. The better the financial performance of the business, the more likely the company is to declare good dividends and as a result the share price is likely to increase.
- Management and the public's confidence in the management team. The higher the confidence in the management team, the higher the demand will be for the shares and share prices will increase.
- Social issues surrounding the company may, for example, include its image in terms of environmentally-friendly manufacturing processes or the degree of involvement in CSR. This may either have a positive or negative impact on share prices.
- Legal issues such as pending lawsuits or allegations of price-fixing may have a negative impact on the share price.
- Media coverage increases public awareness of the above developments, thereby creating certain perceptions of the country, industry and/or company with investors and potential investors; this in turn will have a direct impact on share prices.

Time frame of the investment

- Some people prefer to invest their money in shares with no short-term need to see huge capital gains. The investor will invest in blue-chip shares where there is capital growth (increase in share price) in the long term, and where dividends earned from the share portfolio are often used to buy more blue-chip shares.
- People that speculate with shares approach the matter differently. Speculators buy shares in companies that (in their opinion) will have a quick and significant increase in the share price. The speculator will then sell the shares when there is an opportunity to make a profit based on a higher share price. The speculator is not really concerned with dividends.

DEBENTURES

Description

- Debentures are also sometimes called bonds (not to be confused with a mortgage bond, which is a loan to buy fixed property).
- A debenture is a letter of credit (an 'IOU') that a business sells in order to raise borrowed capital for large projects.
- Debentures are usually not secured by specific assets. So if the company cannot repay the debt (debenture) and it is liquidated, the debenture holders will not have a preferential claim to assets. Having said this, people will be hesitant to buy debentures in companies that are perceived to be at a high risk of liquidation.
- The debenture holder will receive interest on the amount of the debenture. If the business issuing the debenture is perceived to be a high risk, a higher interest rate will have to be offered to convince people to buy the debentures.

- Debenture holders can sell the debenture at any stage to other interested parties on the JSE.
- Types of debentures:
 - A redeemable debenture is repayable on a predetermined date.
 - An irredeemable debenture is never paid back by the company but will last indefinitely with the debenture holder getting interest.
 - A convertible debenture will be converted into shares at a predetermined date in future.

Risk

- When the debenture is sold, it is often sold at a fixed rate, which has benefits and risks. Should interest rates drop, the debenture holder will be in the advantageous position that they will earn the higher interest rate on the debenture than what the banks offer. If, however, interest rates increase then the debenture holder may miss out on earning higher interest rates offered by other opportunities. If the debenture is sold at a variable interest rate linked at prime, this risk does not exist.
- Because debentures are usually unsecured financial instruments, there are always risks of the business going bankrupt, with a consequent loss for the debenture holder of their investment. The degree of this risk will be determined by the company's financial strength; and of course, the degree of risk linked to the projects/type of activity with which the business is involved.
- It carries a higher risk than investments at banks, but a lower risk than an investment in shares, because creditors rank higher than owners to recoup their money in the event of liquidation.

Return on investment (ROI)

- The company that issues the debenture is legally obliged to pay interest. This increases the potential for a return on investment when compared to shareholders, because the company does not have to declare dividends if the financial position does not allow it.
- There is no capital growth associated with debentures, just a steady stream of interest.
- Because debentures are unsecured debt, the business has to offer a higher interest rate to potential investors to compensate them for the higher risks.
- Remember interest income is taxable (above the threshold) and after tax is paid, the ROI on debentures seldom beats inflation.

Time frame of the investment

- Debentures may be used as long-term financial instrument to earn interest until such time as the debenture is redeemed.

RETIREMENT ANNUITIES AND PENSION FUNDS

Description

- A retirement annuity (RA) is a policy that aims to provide an income to the person when they reach the age of 55. A monthly premium is paid and when the RA pays out, it will be in a lump sum, combined with a monthly income. The amount of money paid out when the RA matures, will depend on the period the premiums were paid and/or how high the premiums were.
- The government cannot provide for all citizens to maintain a decent standard of living on old age pensions, thus it wants to encourage people to make provision for their own retirement. For this reason tax relief is given on RA premiums.
- Pension funds are created when all employees, belonging to the particular pension fund, pool their contributions with a pension fund administrator. This administrator then invests the funds in such a manner that it will (hopefully) grow and exceed inflation. When people reach retirement, they then receive a monthly pension (income) from the fund. Contributions made to pension funds are deducted from salaries before taxable income

is calculated. The reason, once again, is that government wants to encourage people to make provision for their own retirement income.

Risk

The risk associated with both a RA and a pension fund will depend on how and where the administrators have invested the contributions of members.

We can also look at risk from a different perspective. Think how pension funds or RAs can help individuals to manage their risk of not having sufficient income to survive once they have retired (when they no longer earn a salary).

Both RAs and pension funds are tools to make provision for an income when the employee stops working and goes on pension. Unfortunately, there are many people who do not make sufficient provision for their pension and as a result they cannot maintain their standard of living. The following points reflect on some of the reasons why people may not be financially secure when they reach retirement age:

- People wait too long before starting to make provision for retirement. Who wants to think about saving money for something 30 or 40 years in the future?
- People generally live longer due to good medical care and, therefore, need to make provision for a longer time after 65 (retirement age), when they will be without a salary.
- Getting older may also mean more money is needed for health care. Additional provision should be made for these costs.
- People do not always consider the loss of benefits when they retire. They are happy if their salary, at the time of retirement, matches the pension payment. What, however, about the loss of a company car or housing subsidy when retirement is reached? One would in such a case actually need MORE money from the pension fund/RA than the last salary earned.
- When people change jobs, the pension built up at the previous job may be paid out. People should immediately reinvest this money in the new pension fund, rather than spend it on luxuries. Unfortunately, many do not reinvest their money.

Pension funds also have the option/benefit to help members to manage risks in terms of death and/ or disability, as it offers cover for both these events.

Return on investment (ROI)

- The ROI will be determined by the prudent decisions of the investment manager that handled and invested the contributions. There are no guarantees and even if a specific ROI is guaranteed by the RA fund/pension fund, it is important to compare this to inflation. Note: the figures regarding ROI given by the funds usually sound better than what they really are, because the funds make 'predictions' of what they are hoping to achieve.
- Also be aware that most financial instruments (pension funds and RA included) will have administrative costs and management fees, which will reduce the ROI.

Time frame of the investment

From the above discussion under 'risk', it should be clear that provision for retirement, be it in the form of an RA or a pension plan, is something that should be started as soon as possible and maintained for the entire 40 or 45 years that a salary will be earned as an employee.

ENDOWMENTS

Description

- Endowments are a form of long-term saving. The saving can be in the form of a lump sum investment and/or monthly contributions.
- The investor will get the full amount after a predetermined period when the policy

matures (usually 5 to 10 years), or in the case of death, the next of kin will receive the investment immediately.

Risk

- When taking out an endowment policy, the investor can choose the risk profile he would like to have – varying from high risk in an equity fund to a lower risk where a more balanced investment approach is followed.
- If the investor has chosen to invest monthly contributions, it is possible (with some insurers) to add a contribution waiver, which means if the investor suffers from a serious illness or becomes disabled, consequently being unable to continue contributing to the investment, the insurer will pay the monthly contributions on behalf of the insured. This is a form of risk management that the insured can take out in the event of adverse circumstances.

Return on investment (ROI)

- The ROI will depend on the risk profile chosen.
- There are management and administration fees that are deducted from the savings amount that will reduce the ROI.

Time frame of the investment

- The investment is usually for a period of between 5 and 10 years. It is thus a long-term savings plan.

OFFSHORE INVESTMENTS

Description

- When one decides to invest locally, the decision has to be made about which investment vehicle is most suitable.
- The same choices have to be made when investing in a different country (offshore).
- Offshore investments are, therefore, quite challenging, but worthwhile investment options, if prudent choices are made.

Risk and Return on investment (ROI)

Some of the reasons for choosing to invest in an offshore account may include:

- Diversification (when referring to offshore investments) means that risks are spread over different countries. Some countries are considered to have more stable markets (developed countries) than others (emerging markets).
- Changes in exchange rates may make it more attractive to invest in another country. The rand has shown a tendency to depreciate against the major currencies of the world – US dollar, British pound and the euro. If the currency depreciates (get weaker) it is favourable for someone with an investment in a foreign country. To illustrate how a depreciating rand can have a good ROI as a result, consider the following example: suppose John has invested R5 in the USA at a time when the exchange rate was USD\$1 = R5. This means he will have an investment = \$1. The exchange rate has since depreciated to USD\$1 = R10. If John cashes his investment in now, he will get R10 for the original R5 that he invested.
- There may be investment opportunities in other countries that do not exist in South Africa. South Africa does not have oil and if an investor feels oil is a good investment to make, they will have to buy shares in an oil company listed in another country.
- Someone may consider the option of emigration to a different country. Because of the exchange control mechanisms in place in South Africa, it is only possible to take a limited amount of money out of the country each year. It may then be a good idea to begin with an investment portfolio in the foreign country.

Time frame of the investment

The only limitation in terms of time is the amount of money that may be taken out of the country every year owing to exchange control by the government. Offshore investments, however, may be used as a long-term or short-term investment strategy.

UNIT TRUSTS**Description**

- Unit trusts can be described as a 'basket of shares' that is trading on the stock exchange.
- When buying unit trusts, the investor will indicate the type of risk profile that is acceptable to them.
- Unit trusts are managed by a fund manager that is responsible for looking after that specific fund.
- A unit trust fund can be diversified over various industries on the JSE or between various companies within a particular industry. The person buying the unit trusts decides which option they want to invest in.
- Unit trusts can be bought with a lump sum, monthly contributions or a combination of the two.

Risk

The options available to choose from may vary from a high-risk equity fund where all funds are invested in shares, to a stable fund where risks are reduced by diversifying investments between equities, international markets and even investing in some low-risk money market instruments.

Return on investment (ROI)

- A good unit trust investment will outperform inflation over the medium term of 3 to 5 years.
- The rate of return will depend on the risk option that was chosen, but will ultimately depend on how well the fund manager has invested the money.

Time frame of the investment

Investing in unit trusts is usually a medium to long-term investment.

COLLECTIBLES**Description**

- Examples of collectibles may include antiques, coins, artwork, stamps, jewellery and Kruger rands.
- When collectibles are chosen, it is important to have a good understanding of the market where these items are bought and sold.
- The market for collectibles in South Africa is limited when compared to the rest of the world, but with technology this is becoming less of a problem.

Risk

- To deal in collectibles requires a high level of knowledge and expertise.
- Any damage to something like a stamp collection, artwork or antiques will drastically diminish the value.

Return on investment (ROI)

- If the article is truly a collectible, the value of the article will increase over time (provided there is no damage).
- The disadvantage of this type of investment is that there is no monthly source of income for the investor.

Time frame of the investment

- The markets for true collectibles are not really volatile and this type of investment generally shows growth over a long period.
- Of course, it is possible to make a profit over a short period of time if an item was bought at a low price, e.g. an unknown artist suddenly becomes famous because they were 'discovered'. Or, a piece of antique furniture, bought at a pawn shop that does not know the value of the article, is subsequently sold at a handsome profit. Generally, these finds are the exception to the rule and sheer luck for the investor.

NOTICE DEPOSITS**FIXED DEPOSITS****Description**

- A fixed deposit is opened with the bank when a fixed amount of money is invested for a fix (predetermined) time at an interest rate that can either be fixed or changes as the prime rate changes.
- Fixed deposits are long-term investments and the money may only be withdrawn when the maturity date is reached or when the investor dies. If the investor wants to withdraw the funds before the maturity date, a penalty will be charged.

Risk

Money invested with the bank generally has a very low risk. The investment can only be 'lost' if the bank is liquidated. It has happened in South Africa that banks have been liquidated in the past, a relatively rare event. However, take note of the situation where African Bank was placed under curatorship in August 2014 to understand that even money in the bank carries some risk.

Return on investment (ROI)

- The interest rate offered on a fixed deposit will differ from bank to bank. It will also depend on the amount of money invested. Generally the longer the time frame and the higher the amount invested, the higher the interest rate will be. Despite this, it can only be hoped that the fixed deposit (even with cumulative interest) will exceed inflation. Unfortunately, it is often not the case.
- The only capital growth achieved with a fixed deposit is, if interest on the fixed deposit is capitalised (reinvested). Cumulative interest is then earned on the original fixed deposit and the interest that was reinvested.
- If the investor decides that the interest must be paid out to him/her to supplement his/her income, there will be no capital growth.
- The return on investment with a fixed deposit is usually low, but then, so is the risk associated with the fixed deposit.

Time frame of the investment

Fixed deposits can be from a year to 10 years (or even longer). The longer the time frame of the investment, the higher the interest rate usually is.

MONEY MARKET ACCOUNTS**Description**

- A money market account is a form of short-term investment and it is becoming increasingly popular.
- It is easy to gain access to money market accounts in the short-term, because they are very liquid. An example of a money market account is a call account, where money is invested 'indefinitely'. The investor only has to give notice that they want to withdraw funds in the future. A 32-day call account has a notice period of 32 days.

Risk and Return on investment (ROI)

- Money market accounts have a low risk, but offer a lower interest rate than longer-term investments.
- The interest rate on money market accounts usually outperforms normal savings accounts.
- This makes them attractive options for short-term investors.

Time frame of the investment

A money market account is a short-term investment option, ranging in time periods of about a month to a year.

Insurance and Assurance

When people talk about insurance, they usually refer to both insurance and assurance. There is, however, a difference between these two concepts and as Business Studies learners, it is important to understand this difference:

- Insurance is in case something happens (e.g. fire, theft, flood, etc.). These events may or may not take place, but in order to manage the risk in case they do occur, the insured wants to be indemnified (placed in the same financial position they were in before the incident).
- As sure as we are human beings living on Planet Earth, we will all retire after we have worked or it is possible that death may come first. We can manage the risk of our loved ones being without income if we die, or the risk of being unable to maintain a decent standard of living after retirement, through assurance.

By taking out insurance or assurance, the insured (an individual or business) pays a monthly premium to transfer the risk to the insurer.

Insurable and non-insurable risks

Some risks are uninsurable and some of them are so expensive to insure, that it is unaffordable to insure against these risks. Some of these risks are:

- War and associated risks are generally uninsurable as insurance companies regard it as a risk that should be managed by the government (it should be prevented).
- One risk that is generally considered to be uninsurable is bad debt. There is, however, insurance available against bad debt, but it is one of those risks that is almost unaffordable.
- Business risks, such as price fluctuations due to time intervals (between the time that the goods are ordered and the time they are received), are not covered by means of a traditional insurance policy. The business may, however, decide to hedge against such risks, but that is not part of our syllabus.
- If trading inventory becomes obsolete or outdated due to changes in fashion, it is a business risk that is not insurable.
- Technology changes at quite a rapid pace and constant improvements are made to machinery and the production processes. A business cannot take out insurance against machines becoming outdated. Leasing, however, is an option to prevent being stuck with outdated equipment.
- No one can take out insurance against committing an illegal act. For example, I cannot take out an insurance policy against a penalty imposed for a traffic offence.

TYPES OF INSURANCE

COMPULSORY INSURANCE

Unemployment Insurance Fund (UIF)

- The Unemployment Insurance Amendment Bill (2013) changes certain issues that were covered by the Unemployment Insurance Act of 2001.
- The Unemployment Insurance Fund (UIF) gives short-term relief to workers when they are unemployed, or if they are unable to work because of maternity leave or illness. It also provides relief to the dependants of a deceased employee who has contributed to the fund.
- Contributions are made by both the employee and employer. One per cent of the gross salary is deducted from the employee's salary and an equal amount is contributed by the employer who is responsible for paying this amount to SARS. The ceiling amount (limit for the purposes of calculating contributions) is currently (2015) R14 872 per month.
- The following people are excluded from UIF insurance:
 - Employees who work less than 24 hours a month.
 - Employees who earn commission only.
- Civil servants and foreigners working in the country were previously excluded. Now some foreigners are covered by UIF. Employees on learnerships are also included as per the 2013 Amendment.
- Domestic workers are INCLUDED in UIF and the employer must ensure they register with the Department of Labour.
- The maximum amount that will be paid to the unemployed worker is 58% of the monthly salary, provided they have already contributed to UIF for at least 4 years. The claim will not be paid for more than 238 days. In the case of maternity leave the maximum number of days that the mother can claim for is 121 days.

Compensation for Occupational Injuries and Diseases Act (COIDA)

- This was previously known as the Workmen's Compensation Fund.
- If an employee is injured at work or becomes sick or disabled as a result of his/her job, the person is entitled to claim compensation from the COIDA. It is also possible for families or dependants of a breadwinner to claim, if they have died as a result of a work-related accident or disease.
- Every employer registers with the Compensation Fund and pays an annual fee based on the employee's earnings and the risks associated with that particular job.
- The amount of compensation paid to an employee is calculated as a percentage of the salary that the employee was earning at the time.
- When will claims not be paid?
 - Privately employed domestic workers cannot claim, but domestic workers employed by a hotel or guesthouse may claim.
 - Members of the South African National Defence Force or South African Police Services are not covered by COIDA, because they have their own separate fund.
 - If the employee is booked off for three days or less due to the incident, the fund will not pay.
 - If the claim is older than 12 months from the date of the incident or when the diagnosis was made, automatic rejection of the claim occurs.

Road Accident Fund (RAF)

- The Road Accident Fund (RAF) is compulsory insurance that covers all users of South African roads.
- The RAF assists people injured in a motor vehicle accident and will pay for rehabilitation

and medical claims.

- The RAF provides indemnity to the person guilty of causing the accident; this prevents the person injured, or his/her family, from lodging a claim against the guilty party.
- The RAF will pay in the following instances:
 - Any person injured in a motor vehicle accident, whether it is the driver, a passenger or a pedestrian.
 - The family of a deceased victim may also claim.
- Contributions to the fund are included in the petrol/diesel price.

Non-compulsory insurance

There are a variety of insurance policies available to businesses and individuals. Different insurance companies may offer short-term insurance policies that differ from one another. What is given below is a generalisation, as it is acknowledged that differences between policies may exist.

When insurance is taken out, the insured pays a premium to the insurer (e.g. Sanlam, First for Women, MiWay, Auto and General, Outsurance, etc.) to cover the risk of a specific event that may occur. Premiums on these insurance policies will depend on the personal needs, the risk profile of the customer, but also on the value of the assets that are insured.

Fire insurance

- Although fire insurance is listed in some books as a separate insurance policy, insuring against fire will usually form part of other insurance policies:
 - Fire damage to the structure of a house or building is usually included in the insurance made compulsory by banks when they finance a bond for the building.
 - Fire causing damage to a vehicle will be included in the vehicle insurance.
 - The content of the house or building will be covered against fire by the householder's insurance.
- The more flammable a product (thatch roof or inventory such as wood, paper, gas, etc.), the higher the risk and therefore the higher the premium.
- The nature of the surrounding buildings may also have an impact on the risk and premium. If the building (house or business) that is insured is next to a garage (selling petrol or diesel) there will be a high risk associated with the insurance and therefore, a high premium payable.

General Business Insurance/Commercial Insurance

Business insurance is probably one of the most important decisions the entrepreneur or manager has to consider in order to protect the business from losses caused by unforeseen circumstances. These circumstances may include theft (shoplifting), burglary (forced entry), public liability if a customer slips on a wet floor and sustains an injury while in the shop (called liability insurance), and damages from fire or elements of nature.

Insurance contracts relating to insurance for inventory (trading stock) will include an 'iron safe clause'. This requires the insured (business) to keep a record of stock on hand in a safe that is fireproof and that cannot be destroyed by the fire. It is no longer required to keep back-up records in a fireproof safe on the premises, as technology enables stock records to be kept off-site.

The business also has to be aware that in extreme circumstances there may be a total or partial loss of income if the business cannot operate while repairs are being done. This loss of income can also be covered in a commercial insurance policy.

Vehicle insurance

When we talk about vehicle insurance, we normally distinguish between two options:

- Fully comprehensive: Fully comprehensive insurance means the insured's car and the other vehicle will be repaired in the case of an accident. Damage caused by fire will be covered or if the car is stolen the insured will be indemnified (put in the same financial position as before the loss occurred). It is important to remember that items such as expensive sound systems, laptops and other expensive items must be specified separately to avoid these assets not being covered by the insurance policy. Insurers can work out a tailor-made solution to cover the individual needs of the insured.
- Third-party, fire and theft: The older the vehicle, the less the value. If a vehicle is relatively old, it may not be financially viable to continue paying fully comprehensive insurance, because the chances are the insurance company will write off the vehicle if it is damaged and not pay out a decent value. In such a case, if the owner/driver (of the old vehicle) is to blame for an accident that caused damage to another very expensive car, at the very least, the damage to the other car (third party) should be paid by their insurance company. This type of insurance also pays out if the car is stolen or damaged in a fire.

We have already mentioned that the premium paid on insurance will be determined by the value of the asset and the risk. It is interesting to note that male drivers under the age of 25 are classified as a very high risk and that their car insurance premiums are usually very expensive!

Money in transit insurance

If a business handles a lot of cash, it may be prudent (wise) to take out Money in transit insurance to cover any potential losses that may occur between the business and the bank. Some businesses prefer not to take this risk and will outsource the transportation of the money to a third party such a Coin Security company (which will definitely have this type of insurance).

Fidelity insurance

Fidelity insurance is taken out to protect the business against financial losses caused by dishonest employees. Theft of money or fraud may be covered. If there are only one or two people in the business handling money or working with finances, the policy may be taken out to cover individual employees (their names are specified on the policy). If a large number of staff members need to be covered, a floating policy may be taken out where specific positions (jobs), rather than individual people are covered.

Total: 300 marks