



EXAMINATIONS COUNCIL OF SWAZILAND
Swaziland General Certificate of Secondary Education

BUSINESS STUDIES

6897/01

Paper 1

October/November 2018

Confidential

MARK SCHEME

{6897/01}

MARKS: 100

Question Number & stem	Answers or indicative content	Marks	Guidance
<p>1 (a) Nosipho has opened a medium scale bakery business in Mbabane. She has decided to merge the business with a reputable flour milling company because she believes that this strategy will help in controlling the costs of raw materials. She also hopes to consider other types of merger in future</p>	<p>Explain what is meant by ‘merger’?</p> <p>Possible answer -A joining together of two businesses (1k) to form a larger company (1k).</p> <p>Or</p> <p>-An agreement that unites two existing companies into one (1k) so as to allow both companies to achieve growth or strength (1k)</p>	2	
<p>1 (b)</p>	<p>Identify any two forms of merger other than the one described in the case.</p> <p>Points examples might include:</p> <ul style="list-style-type: none"> • Vertical integration • Horizontal integration • Conglomerate/Diversification 	2	
<p>1 (c) Nosipho further wishes to open several branches in the different regions of the country.</p>	<p>Identify and explain any two communication barriers that could be associated with such expansion.</p> <p>Possible answers might include:</p> <ul style="list-style-type: none"> • Language difficulty(1k) as people in the regions might speak different dialects (1an) • Poor communication network (1k) as telecommunication infrastructure in other regions might be underdeveloped (an) • Cultural differences (k) could inhibit understanding as mannerisms and non-verbal cues are interpreted differently (an) 	4	

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<p>1 (d) Nosipho has employed a general manager to oversee operations of the bakeries. The new general manager believes that the business would perform better if she is allowed to delegate authority to the branch managers.</p>	<p>Explain any three benefits to the branch manager of delegated authority.</p> <p>Relevant points might include:</p> <ul style="list-style-type: none"> • Well motivated managers (k) as their duties become enriched by delegation (an) • Enhanced decision-making skills (k) as managers learn more from exercising delegated powers (an) • Improved efficiency (k) as the managers can deal with customer concerns promptly without considering a referral to Nosipho (an) • High effectiveness (k) as improved relations with customers and staff leads to increased organisational performance (an) 	6	
<p>1 (e) Nosipho thinks that the average costs of running the business would decrease if she opens more branches.</p>	<p>Do you think that the average costs of production would decrease if the bakery business continued to expand? Justify your answer. viewpoint is acceptable.</p> <p>Possible positive viewpoint could include:</p> <ul style="list-style-type: none"> • Decreased production costs (k) as expanding bakery will buy flour in bulk (app) thus enjoying discounted purchases (an) <p>Possible negative viewpoint could include:</p> <ul style="list-style-type: none"> • Increased expenditure (k) since expanding bakery can incur high overheads (an) such as electricity (app) <p>Possible positive evaluation point:</p> <ul style="list-style-type: none"> • Average production costs could decrease as the bakery outlets would share marketing or advertising costs (1ev) thus the business would enjoy high revenue and profits for making less expenditure (1ev) <p>Possible negative evaluation point:</p> <ul style="list-style-type: none"> • Increased operational costs owing to Nosipho losing control of distant managers (1ev) thus business delayed intervention might make business to incur unnecessary costs (1ev) 	6	

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<p>2 (a) Caterpillar (Pty) Ltd assembles and sells tractors to the public. The business mainly uses public relations to promote its products and has a well-motivated work force.</p>	<p>Explain what is meant by 'public relations'.</p> <p>Possible answer - An <i>planned</i> communication effort to establish a good image (1k) for a company and its products with the general community (1k) Or -A <i>strategic</i> communication process undertaken to maintain a good image (1k) for a business and the community in which it operates (1k)</p>	2	
<p>2 (b)</p>	<p>Identify two characteristics of a well-motivated workforce.</p> <p>Points examples might include:</p> <ul style="list-style-type: none"> • Increased worker morale in the factory • Improved worker productivity in assembling and selling the tractors • Improved worker innovativeness and creativity and producing new tractor designs or models reduced absenteeism • Reduced labour turnover among factory workers or engineers 	2	
<p>2 (c) Caterpillar uses quality control to ensure that the tractors meet the expectations of the customers.</p>	<p>Identify and explain two phases of quality control.</p> <p>Possible answers might include:</p> <ul style="list-style-type: none"> • Setting up rules for checking the condition of inputs (1k) so as to ensure that goods produced will be of acceptable value to company (an) • Setting up rules or standards for evaluating finished products (1k) so as to ensure that products taken to the market will be valuable to customers (an) • Setting up rules or standards for monitoring the production process (1k) so as to reduce waste and product defects (an) 	4	

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<p>2 (d) The Managing Director is concerned about the company's low market share and wants to attract more customers by sponsoring popular football clubs as a promotion method.</p>	<p>Identify and explain three other promotion methods that the business could use</p> <p>Relevant points might include:</p> <ul style="list-style-type: none"> • Personal selling (1app) - Caterpillar can send sales personnel to directly influence farmers to purchase the tractors (1an) • Sales promotion (1app) - the business can announce price reduction on the tractors so as to increase revenue (1an) • Trade fairs and exhibitions (1app) - the business can showcase its tractors in a public event thus influencing many farmers to buy (1an) • Advertising (1app) - the company can send attractive messages through the media thus influencing customers to prefer the company's products (1an) 	6	
<p>2 (e) The directors of Caterpillar (Pty) Ltd have agreed to spend more money on training its workforce rather than on increasing salaries.</p>	<p>Do you think that training workers is better than giving them higher salaries? Justify your answer.</p> <p>Possible positive viewpoint could include:</p> <ul style="list-style-type: none"> • Increased profits (an) as trained workers become more efficient in managing operational costs (k) in the assemble plant(app) <p>Possible negative viewpoint could include:</p> <ul style="list-style-type: none"> • Increased waste of funds (an) since trained workers can exit the company (app) for greener pastures elsewhere <p>Possible positive evaluation point:</p> <ul style="list-style-type: none"> • Increased productivity as lowly paid workers can be motivated by salary raises (1ev) thus leading to high output of tractors (1ev) <p>Possible negative evaluation point:</p> <ul style="list-style-type: none"> • Decreased productivity among workers in the long-run (k) as salary raises do not improve workers' skills in tractor production (1ev) thus workers would become less motivated (1ev) 	6	

Question Number & stem	Answers or indicative content	Marks	Guidance
<p>3 (a) Siviwe is a small scale farmer supplying vegetables to local hotels and supermarkets. He wants to increase his scale of production and so he has approached a development bank for a loan to buy a larger farm. If the loan application fails, Siviwe will consider other sources of finance</p>	<p>Give two examples of sources of finance that Siviwe could consider for the required funding other than banks</p> <p>Possible answer</p> <ul style="list-style-type: none"> • Financial institutions for SME's • Regional Development Fund • Youth Development Fund • Cooperative unions • Societies 	2	
<p>1 (b) Siviwe uses labour intensive methods to produce the vegetables.</p>	<p>Explain what is meant by 'labour intensive'.</p> <p>Points examples might include: Higher dependence on human effort (1k) to produce goods and services than machine technology (1k) Or A process that requires a large number of workers (1k) to produce goods and services (1k)</p>	2	
<p>1 (c) Siviwe has decided to use agents to distribute the vegetables to distant towns.</p>	<p>Identify and explain two reasons why Siviwe selected agents to supply the vegetables to final consumers.</p> <p>Possible answers might include:</p> <ul style="list-style-type: none"> • Siviwe's products are perishable (1k) and so agents can ensure that the product reaches the market quickly (1an) • Siviwe has limited financial resources to transport produce to distant consumers (1k) and so agents could help her distribute her products effectively (1an) • Agents can assist Siviwe with storage facilities thus the keeping the vegetables fresh for a long duration • Agents charge low commission on services (1k) thus Siviwe's business would incur less operational costs (1a) 	4	

Question Number & stem	Answers or indicative content	Marks	Guidance
<p>3 (d) Siviwe is considering using retailers to distribute his produce in future.</p>	<p>Identify and explain three functions of retailers in the distribution of Siviwe's products.</p> <p>Relevant points might include:</p> <ul style="list-style-type: none"> • Retailers could serve as a ready market for the vegetables (1k) and so Siviwe would be assured of raising revenue (1an) • Supermarkets would know the tastes and preferences of consumers (1k) thus they can advise Siviwe on which vegetables to grow (1an) • Large retailers have their own storage facilities (1k) and so Siviwe can make savings on renting storage facilities in distant areas (1an) • Multinational retail franchises have a high reputation (1k) and so the brand image of Siviwe's products could improve if he accessed their customers (1an) 	6	
<p>3 (e) Siviwe uses the market oriented approach to decide on the kinds of vegetable she should grow. He feels that the product oriented approach wouldn't work for him.</p>	<p>Do you think Siviwe's opinion is correct? Justify your answer.</p> <p>Possible positive viewpoint could include:</p> <ul style="list-style-type: none"> • Using the market oriented approach could make Siviwe understand the needs of the customers (app) thus the business would produce vegetables that are on demand (an) • Possible negative viewpoint could include: • Using the product oriented approach could prevent Siviwe from accessing critical information about the market (1k) thus the business wouldn't develop an effective marketing mix (1an) <p>Possible positive evaluation point:</p> <ul style="list-style-type: none"> • Using the market oriented approach reduces risk of business failure (1ev) and thus ensuring the survival of Siviwe's business (1ev) <p>Possible negative evaluation point:</p> <ul style="list-style-type: none"> • Using the product oriented approach prevents expenditure on market research (1ev) thus Siviwe's business could make more profits than when using the market oriented approach (1ev) 	6	

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<p>4 (a) Futhi runs a small textile firm producing t-shirts. Table 1 below shows some financial information about Futhi's business.</p> <p style="text-align: center;">Table 1</p> <table border="1" data-bbox="204 464 545 915"> <thead> <tr> <th colspan="2">Financial information about Futhi's textile business</th> </tr> <tr> <th>Item</th> <th>Amount (E)</th> </tr> </thead> <tbody> <tr> <td>Total Fixed Costs per year</td> <td>10 000</td> </tr> <tr> <td>Variable costs per unit</td> <td>60</td> </tr> <tr> <td>Selling price per t-shirt</td> <td>100</td> </tr> </tbody> </table>	Financial information about Futhi's textile business		Item	Amount (E)	Total Fixed Costs per year	10 000	Variable costs per unit	60	Selling price per t-shirt	100	<p>Define the term 'variable costs'.</p> <p>Possible answer: - Expenditure that change (1k) with the level of output. (1k)</p> <p>OR - Expenditure that changes (1k) proportionately with the quantity produced (1k)</p>	2	
Financial information about Futhi's textile business													
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<p>4 (b) Identify two examples of variable costs in Futhi's business.</p>	<p>Identify two examples of variable costs in Futhi's business</p> <p>Points examples might include:</p> <ul style="list-style-type: none"> • Garments/clothes/collars/sleeves etc. • Buttons/knobs • zippers • sewing threads • power for driving sewing machines 	2											
<p>4 (c)</p>	<p>Using information shown in table 1, calculate the break-even point for Futhi's business</p> <p>Possible answers might include: $FC/(SP-VC)$ or FC/CM (1) $= 10\ 000/(100-60)$ (2) OR $=10\ 000/40$ $=250$ units or E25 000 (1)</p>	4	<p><i>Where;</i> FC=Fixed costs, SP=Selling price, VC=Variable costs and CM=Contribution margin</p>										

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4 (d) Futhi is planning to form a human resources department in the business.	<p>Identify and explain three functions of a human resources department.</p> <p>Relevant points might include:</p> <ul style="list-style-type: none"> identifying skills gap among the workforce and then provide relevant training (1k) so that the textile workers would become more productive (1an) Plan for human resources (1k) so that the business would know the number of employees require at any given time (1an) To determine employees appropriate 'salaries (1k) so as to motivate workers and comply with the country's labour laws (1an) Recruitment (1k) so as to fill vacancies with the right employees at the right time (1an) 	6	
4 (e) Futhi has been advised by a marketing expert to brand the t-shirts to attract more customers	<p>Would you advise Futhi to brand the t-shirts? Support your answer.</p> <p>Possible positive viewpoint could include:</p> <ul style="list-style-type: none"> Increased customer loyalty (k) as brand image would influence customers to prefer to buy Futhi's clothing over other brands in the market (an) <p>Possible negative viewpoint could include:</p> <ul style="list-style-type: none"> Decrease in revenue (k) from clothing would occur as brand loses its positive public image and customers are scared away (an) <p>Possible positive evaluation point:</p> <ul style="list-style-type: none"> Futhi must accept the advice to brand her textile products because branding is cheaper than advertising (1ev) and so it helps the business to sustain profitability without increasing marketing costs (1ev) <p>Possible negative evaluation point:</p> <ul style="list-style-type: none"> Futhi must not accept the advice to brand her textile products because branding is not acceptable in other societies (1ev) thus it can be a barrier towards market penetration (1ev) 	6	

Question number	Answers or indicative content	Marks	Guidance
5 (a) The government of Swaziland has introduced Free Primary Education (FPE) in all public schools. As a result, she has decided to change the country's fiscal	<p>Explain what is meant by 'fiscal policy'?</p> <p>Possible answer</p> <ul style="list-style-type: none"> Plan used by government to influence the economy (1k) through amount of spending and revenue collection (1k) Strategy used by government to increase economic growth and development (1k) through public spending and taxation (1k) 	2	

policy by increasing taxes.			
5 (b)	<p>Identify two elements of a country's fiscal policy.</p> <p>Points examples might include:</p> <ul style="list-style-type: none"> • National budget/ government spending • General taxation rates 	2	
5 (c)	<p>Explain two negative effects of a tax increase on businesses.</p> <p>Possible answers might include:</p> <ul style="list-style-type: none"> • Decreased firm's profits (k) as the amount tax deducted from business income would be higher than before (1an) • Low purchasing power among workers (k) since higher tax deductions could reduce consumers' net incomes (1an) • Increased operational costs (k) as raw materials become expensive (an) • Rise in workers' strikes (k) as trade unions begin to demand higher wages and salaries to compensate for the increase in taxation (an) 	4	

Question number	Answers or indicative content	Marks	Guidance
5 (d) Businesses have taken advantage of opportunities offered by globalisation to help the country develop.	<p>Identify and explain three positive impacts of globalisation on the economy.</p> <p>Relevant points might include:</p> <ul style="list-style-type: none"> • Increased foreign direct investment (k) as international companies take advantage of country's attractiveness to international trade (an) • Increased access to larger international markets (k) as reduced international barriers allow domestic firms to export their products and services globally (an) • Increased transfer of technical know-how (k) as skilled workers can get employment all over the world helping businesses to achieve success (an) • Increased flow of quality goods (k) as greater competition influences global companies to improve goods and services to win market share (an) 	6	-answers should refer to the advantages of globalisation to the economy

<p>5 (e) Some businesses may produce products that are harmful to society.</p>	<p>Do you think that government should control what businesses can produce? Explain your answer.</p> <p>Possible positive viewpoint could include:</p> <ul style="list-style-type: none"> Increased environmental protection (k) as businesses are restricted from producing dangerous and harmful goods that threaten sustainable development (an) <p>Possible negative viewpoint could include:</p> <ul style="list-style-type: none"> Rise in unemployment (k) as enforcing controls (app) can include effecting penalties that scare away investors (an) <p>Possible positive evaluation point:</p> <ul style="list-style-type: none"> Without government control some businesses could exploit consumers by making money out selling poor quality goods (1ev) thus enriching themselves at the expense of the community's welfare (1ev) <p>Possible negative evaluation point:</p> <ul style="list-style-type: none"> Government's control of what businesses can produce involves high expenditure on monitoring institutions (1ev) thus reducing funds available to address other critical socio-economic issues (1ev) 	<p>6</p>	<p>Note: -Answers should address the advantages and disadvantages of government's control of what businesses produce</p>
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