



EXAMINATIONS COUNCIL OF ESWATINI
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MARK SCHEME

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MARKS: 100

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QUESTION 1

Melo and Meko run a partnership business that has a number of stakeholders.

(a) (i) Explain two advantages of a partnership.

- **More capital (1k)** – two partners will raise capital jointly.(1an)
- **Share of responsibilities (1k)** – one does not need to be a jack of all trades (1an)
- **Share of losses (1k)** – either partner wont bear the losses made alone (1an)
- **Shared decisions** – more sounds decisions taken
- **Able to take time off**
- **Easy to start up**

[any 2 points for 2 marks each = 4]

(ii) Identify three stakeholders of Lethu Paper and explain their interest in the business.

- **Community (1k)** – people living in the area. Interested in Job opportunities. (1ap)
- **Workers (1k)** – people working in Lethu firm. Interested in high wages and salaries and better working conditions (1ap)
- **Managers (1k)** – supervise the production of the paper. Interested in high salaries, perks, status and job security. (1ap)
- **Customers** – those who buy the products. Interested in quality products at low prices.
- **Government** – law maker in the country. Interested in tax collection.
- **Owners (Melo and Meko)** – she started the business. Interested in profits and business growth.
- **Suppliers** – provide business with raw materials. Interested in business ability to buy more and pay for the raw materials.
- **Competitors** – sell same products. Interested in getting more clients.
- **Financial institutions** – provide financial assistance. Interested in ability of business to pay back the loans with interest.
- **Trade unions** – pressure group for workers. Interested in better working conditions and fair treatment of workers.

[1 stakeholder, 1 interest X 3 = max 6]

The Managing Director of Lethu Paper performs a range of tasks. He uses the laissez-faire leadership style.

(b) (i) Explain two disadvantages of the laissez-faire leadership style used by the Managing Director.

- **Used to blame others (1k)** – leaders use it to shift blame to workers (1an)
- **Lack of control (1k)** – managers may not exercise enough control (1an)
- **Not enough effort** – managers may not put enough effort in their work
- **Targets not achieved** – the business might fail to meet its targets

[2 x 2 = 4]

(ii) Outline three functions that Lethu Paper's Managing Director must perform.

- **Planning (1k)** – describing actions to be followed and methods to be carried out in the plan. (1an)
- **Organizing (1k)** – collecting all necessary factors of production. (1an)
- **Coordination** – ensuring that everything works well in the production.
- **Control** – making sure that the business achieve the desired results.
- **Command** – giving a sense of directing in the business.

[2 x 2 = 4]

[Total: 20 marks]

QUESTION 2

Most entities like the partnership business start out as small.

(a) (i) Explain two roles that Melo and Meko, the entrepreneurs, played in managing their small business.

- **Performs the task of management (1k)** – guiding and directing the firm (1an)
- **She organized the factors of production (1k)** – bringing together all resources (1an)
- **Bear the risk of business failing (1k)** – responsible for the business failure (1an)
- **Raises capital** – ensures that the business has enough money to run

[2 x 2 = 4]

(ii) Discuss three factors that lead to the failure of businesses such as Lethu Paper.

- **Limited Capital (1** – operating without enough capital.(1
- **Skills shortage (1** – lack of necessary expertise.(1
- **Expansion beyond the means or ability (1** – growing beyond the firm's capacity.(1
- **Operating without a business plan (1** – failure to create a business plan for the firm.(1
- **Lack of inventory control** – failure to properly manage stock.
- **Lack of knowledge and experience** – lack of know how in terms of operating the business.
- **Competition** – failing to withstand competition by other producers.
- **Lack of diversification or flexibility** – inability to change in line with changes in demand.

[2 x 3 = 6]

Melo and Meko drafted a business plan before starting the business and later joined an employers association.

(b) (i) Explain why it was important for Melo and Meko to draw up a business plan before starting the business.

- **Convince potential funders (1)** – could be taken to funders who would use it to check the viability of the business (1)
- **Helps entrepreneurs understand business (1)** – this ensures the survival of the business as they know what should be done when (1)
- **Acts as a guide (1)** – it gives a sense of direction to the owners of the business.(1)

[Any 2 for 2 marks] 4

(ii) Explain three advantages of being a member of the Federation of ESwatini Employers Association.

- **Easy to raise awareness (1)** – with regards to effective measures of bargaining or negotiating with trade unions.(1)
- **New and small scale business owners benefit (1)** – through discussions with experienced employers they gain wisdom.(1)
- **Minimizes bullying (1)** – decreases chances of strong trade unions bullying the employers.(1)
- **Access to manuals** – gain information on how to deal with labour related matters.
- **Representation** – represents employers when dealing with government proposals that may negatively affect the interest of business.
- **Better success chances** – workers stand better chances of achieving their goals when dealing with an employer association and the association iron out issues faster when dealing with unions than individuals.

[3 x 2 = 6]

QUESTION 3

It is important for a business involved in international trade to have access to a wide range of banking services.

(a) (i) **Explain two functions of ESwatini's Central Bank.**

- **Government bank (1** – the government banks with the Central Bank and she manages her accounts.(1
- **National debt (1** – she keeps a record of debts between the country and the rest of the world.(1
- **Interest rates (1** – she is responsible for the supply of money and cost of borrowing money.(1
- **Foreign exchange** – provides commercial banks with other countries' currencies.
- **Bankers bank** – bank to the commercial and other bank.
- **Lender of last resort** – provides commercial banks with credit when they have run short of funds.
- **Prints notes and mints coins** – responsible for changing the country's currency.
- **Advisor to the government** – advises the govt on money related issues.

[2 x 2 =4]

(ii) **Explain to the partners how the international customers of Lethu Paper could use the following contemporary methods of banking.**

- **Internet banking** – clients all over the world can easily transfer monies to Lethu business by simply logging (1) onto their bank accounts through internet enabled gadgets (1) and then transfer the funds which reflect on Lethu Paper account instantly.(1)
- **Electronic funds transfer (EFT)** – used by paper clients to transfer money from their bank accounts (1) to the accounts of beneficiaries through the internet (1). It is very convenient as clients do not have to travel to the bank to make the transaction.(1) The funds reflect instantly on the receivers account (1) and it is one of the fastest and safe methods of making payments.(1)

- **Point of sale (PoS)** – these are gadgets that are at the point of sale.(1) buyers swipe their debit or credit cards (1) through the gadgets and the funds are transferred instantly to the sellers account.(1) clients are saved the trouble of carrying large sums of money when buying the paper.(1)

[2 x 3 = 6]

Lethu Paper has clients and business associates all over the world. The business uses different communication technology tools to communicate with the clients.

(b) (i) Explain two elements of the communication process used by the firm.

- **Source (1** – the this is the creator or encoder of the message (information, belief, feeling or idea) to be shared.(1
- **Message (1** – what was communicated.(1
- **Channel (1** – the medium through which the message is carried.(1
- **Receiver** – person or group to which message is intended.(1
- **Destination (1** – person for whom message is targeted or directed.(1

[2 x 2 = 4]

(ii) Outline two advantages and one disadvantage of e-commerce to Lethu Paper.

Advantages:

- **Orders placed at any time (1** – service available 24 hrs.(1
- **Purchases made in the comfort of home or office (1** – no need to move around doing shopping.(1
- **Discourages impulse buying (1** – due to inability to physically see and touch items buyers usually buy what they need.(1
- **Buyers from all over the world** – it allows people from all over the world to purchase the paper easily.(1

Disadvantages:

- **Extra charges (1** – for handling and courier.(1
- **Risks of fraud (1** – exposes buyers to internet related scams. (1
- **No feel of product (1** – buyers buy products without getting their feel thus might be disappointed with the product. (1

[any 2 advantages and 1 disadvantage = 2 x 3] = 6

[Total: 20 marks]

QUESTION 4

The partners consider it very important to keep the workers motivated.

(a) (i) Explain the following motivation theories to the partners.

- **Herzberg's theory** – states that motivation by health related issues. If one's health concerns are covered a worker will be motivated to work.
- **FW Taylors Theory** – it states that workers are motivated by money (1) and in order to keep them happy, it is necessary to pay them fairly for a days' work.(1)

[2 x 2 = 4]

(ii) Analyse the two views of motivation to the Managing Director.

- **Intrinsic Motivation (1)** – it has to do with voluntary choices(1 that an individual makes and then acts in a certain way.(1
- **Extrinsic Motivation (1k)** – it is driven by incentives and rewards (1ap) that could be earned and drives one to behave in a particular manner.(1an)

[3 x 2 = 6]

The paper firm uses video-conferencing to communicate with its suppliers.

(b) Would you advise the firm to continue using video-conferencing to communicate with the suppliers? Justify your answer.

Advantages of video-conferencing

- communicate as if in same place
- saves traveling costs
- cuts need to travel
- production not affected

Disadvantages of video-conferencing

- expensive to set up
- affected by different time zones
- easily affected by bad network

3 positive analysis: 1 point explained [2] and 1 stated [1]

3 negative analysis: 1 point explained [2] and 1 stated [1]

2 application: should be on an explained point.

2 conclusion: 1 mark if point not explained.

[Total: 20 marks]

QUESTION 5

The firm will be expected to supply at least 8 000 boxes of the LP2 paper per week. This paper is a Veblen good.

- (a) (i) Explain two differences between a Veblen and Giffen good to the managers of the firm.

Veblen goods

- goods of ostentation (1
- bought to show off (1
- high status goods
- demand increases as price rises

Giffen goods

- special kind of an inferior good (1
- bought because they are needed (1
- goods for low income earners
- not affected by price, same quantity bought even after rise/fall in price

[2 x 2 = 4]

- (ii) Explain to the Director two factors that could cause the supply of the LP2 paper to increase in the future.

- **Cost of production (1** – if it becomes cheap for the firm to produce the LP2 paper, more will be produced and supplied. (1
- **Technology (1** – improvement in paper making technology will lead to high output.(1
- **Number of suppliers (1** – if more firms supply the paper then supply will be high.(1
- **Prices of other paper** – if the price of other paper is lower than that of LP2 paper, then more of the LP2 paper will be supplied.
- **Expectations** – if the price of the LP2 paper is expected to rise in the future, then more of it will be supplied in future.

[3 x 2 = 6]

- (b) Using information from Appendix A and any other relevant information, explain to the management of Lethu Paper whether the firm should specialize in the production of the LP2 paper or not. Your answer should be well justified.

Advantages of Specialization

- save on tooling cost
- saves time
- high level of output
- workers do not get in other workers way
- can lead to economies of scale
- workers gain more skills

Disadvantages of specialization

- work is boring
- can lead to high absenteeism
- can lead to loss of workers skills
- workers cannot identify their input in finished products.
- absence of one worker can stop the whole production process.
- slow workers slow down output

3 positive analysis: 1 point well explained [2] and 1 point stated [1]

3 negative analysis: 1 point well explained [2] and 1 point stated [1]

2 application: on an explained point. the application should be linked to information from appendix A. the candidate is expected to quote at least one figure.

2 evaluation/conclusion, 1 mark if point not explained. [10]

[Total: 20 marks]

NB: for the evaluation questions, allow 1 mark each if points have been listed but DO NOT award marks for the conclusion and application. This means that candidates will earn maximum 6 marks.