Western Cape Government

Education

Directorate: Curriculum FET

TELEMATICS 2016

BUSINESS STUDIES

GRADE 12

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TELEMATICS SCHEDULE

Term 1 **February and March (Grade 12)**				
Day	**Date**	**Time**	**Subject**	**Topic**
Tuesday	2 February	15:00 – 16:00	Business Studies	Recent Legislation - BBBEE; CPA & NCA
Tuesday	1 March	15:00 – 16:00	Business Studies	Creative Thinking
Term 2 **April and May (Grade 12)**				
Day	**Date**	**Time**	**Subject**	**Topic**
Thursday	14 April	15:00 – 16:00	Business Studies	Leadership & Management
Term 3 **July, August and September (Grade 12)**				
Day	**Date**	**Time**	**Subject**	**Topic**
Tuesday	19 July	15:00 – 16:00	Business Studies	Investment: Insurance
Wednesday	17 August	15:00 – 16:00	Business Studies	Forms of Ownership

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SESSION 1

BUSINESS ENVIRONMENT: RECENT LEGISLATION

1. BROAD BASED BLACK ECONOMIC EMPOWERMENT ACT [BBBEE] – 1998

1.1 BBBEE - Nature

- BBBEE is the cornerstone of the South African Government's efforts to educate and train the large sector of the population that was disadvantaged under apartheid rule.
- It aims to accelerate the participation of black people in the economy by encouraging change in key areas in the economy.
- Integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa.

1.2 BBBEE – Purpose / Aims

- Enable wealth to be spread more broadly across all population groups
- Outlines areas that would give the government a better platform for bringing about a better spread of wealth.
- BBBEE Act is an enabling framework
- Allows for the development of Codes of Good Practice

1.3.1 BBBEE- Impact [Advantages / Disadvantages] on small business operations

Advantages

- BBBEE makes it possible for the business to get access to contracts.
- BBBEE makes it possible for the business to compete in new unexplored markets.
- Access to finance would be easier once the business comply with BBBEE requirements.

Disadvantages

- Established relationships with current suppliers will be at risk once the business has to buy from empowered suppliers.
- Implementing BBBEE will be time consuming and can result in the neglect of existing customers.
- The ownership requirements of BBBEE will be lead to the owner losing control over the business.

1.3.2 BBBEE- Impact [Advantages / Disadvantages] on large business operations

Advantages

- A good BBBEE rating will improve the image of the business
- Develops the employees' potential and skills, and boosts staff morale.
- BBBEE can be used as a tool for marketing the business to other businesses looking for a BBBEE compliant supplier.

Disadvantages

- Investment and ownership issues can cause animosity between shareholders.
- It can lead to corruption and jobs for friends
- Many employees get jobs based on BEE ratings rather than on proficiency.

1.4 BBBEE – Suggest ways in which the business can comply with the Act

- Use the services of verification agencies who issue certificates of compliances.
- Increase the number of black employees managing and owning the business
- Use suppliers who comply with BBBEE standards.

1.5 BBBEE – Penalties for not complying with the BBBEE Act

- Fronting will be penalised
- Companies that do not comply with the employment equity ratios will be prosecuted and fined
- It will be difficult for sectors (mining sector) to renew their licenses.

1.6 BBBEE – Actions regarded as discriminatory

- Not employing a young woman because she will want to have children
- Refusing to employ a person because they have strong religious beliefs
- Doing HIV testing, unless justified by the Labour Court
- Any person who is denied access to the workforce by being treated unfairly is being discriminated against.

1.7 Discuss how businesses can address the following issues in the work place:

Human rights	**Equality**	• Previously disadvantaged persons are given equal opportunities for promotion/management/ownership in the workplace. • Preferential procurement processes should be fairly implemented√ to the benefit of previously disadvantaged persons.
	Respect and dignity	• Previously disadvantaged persons are empowered by skills development to improve their chances of better employment/wages. • Black people, who have been promoted to managerial positions, has the right to be treated with respect and dignity.
	Economic	• Apply BBBEE to ensure that economic transformation takes place. • Previously disadvantaged people are given a chance to manage, own and control the business
	Social	• Socio-economic development programmes should include provision of houses/access to healthcare to previously disadvantaged workers.
Inclusivity		• Inclusivity means giving everyone in the work place an equal opportunity. • Business should not practice discrimination against one on the basis of: poverty; race; gender; language; disability or personality disorders. • Workers must be representative of the demographics in the country • The aim should be to create an Inclusive environment where people of different races, cultures, languages, gender, beliefs can work together harmoniously for the benefit of the business and society
Environmental Issues	**Protection of the Environment**	• Business must ensure that the environment is protected for the benefit of future generations • Pollution and environmental degradation must be prevented • Business must at all times promote conservation and encourage ecological sustainable development and use of resources
	Human health	• Business must ensure that the working environment is not harmful to the worker's health and well-being • Healthy working environment has adequate lighting and ventilation

1.8 BBBEE –Distinguish between BBBEE and BEE

BEE	BBBEE
• Consists of two empowerment elements that measures black participation in the economy through: - equity ownership: and - management representation in businesses	• It aims to accelerate the participation of black people in the economy by encouraging change in the following key areas of business: - ownership, - management and control, - employment equity, - skills development, - preferential procurement, - enterprise development - socio-economic development [BBBEE Pillars] *

*** Reduced to 5 Pillars**

1.9 Justify the introduction of BBBEE in relations to BEE

BEE

- Policy that was put in place by the government to give those who are classified as previously disadvantaged a chance to balance out the inequalities of the past
- The objective was to right the wrongs of the past
- Focus was on getting black people into management

BBBEE

- Objective is to distribute the wealth of the country across all races and gender groups.
- Focus was on increasing black ownership of businesses; increase the skills levels; increase the number of candidates in management positions who are blacks
- Empower rural communities by giving them access to land, infrastructure, ownership and skills
- Ensure that black owned businesses get government tenders as a result of their scorecards
- BBBEE ensures that economic transformation takes place
- Previously disadvantaged people are given a chance to manage, own and control the economy

2. CONSUMER PROTECTION ACT [CPA] - 2008

2.1 CPA - Nature

- Protects the interests of all consumers.
- Ensures access to clear and efficient ways for consumers to set right if they experience abuse or exploitation in the market place.
- Ensures that previously disadvantaged persons enjoy full participation as consumers in the economy

2.2 CPA - Purpose / Aims

- Promotes and protects the economic interest of consumers.
- Improves the access to information to make informed choices.
- Protects consumers from hazards to their well-being and safety.
- Promotes and provides for consumer education.

2.3 CPA - Impact [Advantages / Disadvantages] on small and large operations

Advantages
- Promotes and protects the interest of consumers by improving access to information
- Compels the business to provide and promote consumer education
- Enables businesses and consumers to resolve disputes fairly and in a way that respects the rights of both parties.
- It makes transactions fairer for both the consumer and the business.
- Forces consumers to make responsible and informed decisions

Disadvantages
- The Act encourages consumers to complain
- Businesses need to ensure that they comply with the Act, so that they are not penalised.
- Many business documents need to be redone, so that they comply with the Act.
- Consumers can take advantage of the business by being able to cancel contracts very easily

2.4 CPA – Suggest / Recommend ways in which a business can comply with the Act

- Businesses must comply with the terms and conditions of the National Consumer Commission.
- The business will have to consider how to manage all the risks linked to the implementation of the Act.
- Businesses have to comply with the requirements of the law regarding promotional competitions.
- Businesses must disclose the prices of all products, including those on sale.

2.5 CPA – Discuss the consequences / penalties for non-compliance comply

- The consequences for businesses that contravene the CPA could be costly, involving a fines of up to a R1 000 000 or imprisonment.
- A business may be ordered to pay any interest or damages that may be due to the consumer.
- Replace goods or complete the service as specified by the authority.
- Refund any money owing to the consumer.

2.6 CPA - Actions regarded as discriminatory

- Varying the quality of goods when selling in different areas
- Prioritising any consumers' groups over another when marketing or selling
- Charging unfair prices for the same goods and services
- Treating customers differently based on age, race, gender etc.

2.7 CPA - Rights and obligations of the business and rights of consumers

Rights of the business
- The supplier has the right to recover goods delivered within 20 days after the date of informing the consumer that the goods were delivered in error.
- If the consumer terminates the contract before fully paying for goods, the supplier may charge a penalty in respect for those goods

Rights of the consumers
- Right to equality in consumer market
- Consumer's right to unwanted direct marketing
- Consumer's right to demand quality service
- The right to end any fixed term contract on any date earlier than the agreed expiry date.
- The consumer has the right to a 5 business day cooling-off period after direct marketing.
- The consumer has the right to receive notices, documents and or other visual representation in plain language

3. NATIONAL CREDIT ACT [NCA] - 2005

3.1 NCA - Nature

- Covers all aspects of credit management and application
- Allows consumers to make informed decisions before buying on credit.
- National Credit Regulator [NCR] was established to regulate the credit industry in SA
- The National Debt Mediation Association [NDMA] provides advice on credit usage and ways to avoid the debt spiral.

3.2 NCA – Purpose / Aims

- Improves the protection offered to consumers.
- Promotes full participation in the economy by all South Africans, especially the previously disadvantaged South Africans.
- The NCA specifically aims to improve consumer rights in terms of applications for credit
- Streamlines credit transactions
- Seeks to remove unfair discriminatory practices, to make it easier for more people to have access to credit.
- Promotes responsible granting of credit by credit providers.

3.3 NCA- Impact [Advantages / Disadvantages] on small and large operations.

Advantages
- Makes credit agreements easy to read.
- Prevents reckless lending and thereby avoids possible losses to the business
- Allows consumers to make informed decisions before buying goods or services
- Consumers have the right to know why credit has been refused

Disadvantages
- A business must make sure all attempts have been made to recover the debt before blacklisting the customer.
- Businesses must extend their administrative capacity to be able to comply with the Act.
- Businesses must disclose a lot of information about their products and processes.
- The Act encourages consumers to complain.
- Businesses are not allowed to carry out credit marketing.
- Administrative process required by the NCA is costly and time-consuming.

3.4 NCA - Suggest / recommend ways in which business can comply with the Act

- Credit providers must submit an annual compliance report to the National Credit Regulator.
- Credit providers must do an affordability assessment to ensure the consumer has the ability to meet his/her obligations.
- Credit providers need to have procedures in place to comply with the provision of the Financial Intelligence Centre Act (FICA) e.g. verify the identity of clients, report suspicious transactions, train staff on their obligations in terms of FICA.
- Credit providers must also conduct a credit check with a registered credit bureau and may also consult the National Credit Register.

3.5 NCA - Discuss the consequences / penalties for non-compliance

- The credit provider will receive a non-compliance notice and may even lose its registration with the NCR.
- Have its credit agreements suspended.
- Fined R1 000 000 or 10% of annual turnover.

3.6 Outline / Explain the action regarded as discriminatory

- Refusing to grant credit to a customer based on gender, race, religion or age.
- Charging consumers different interest rates based on the gender, race, religion or age of the consumer.
- Blacklisting the consumer before exhausting all other remedies.

3.7 NCA – Obligations of business and Rights of consumers

Rights of the business / credit provider

- The credit provider's most important rights are
  - the right to enforce the agreement;
  - the right to receive payment of the credit extended, together with agreed interest and fees;
  - upon breach of contract, the right to cancel the agreement and recover any goods sold.
- A credit provider may suspend a credit facility (like a credit card or cheque account) at any time if the consumer is in default, or otherwise close the facility on ten business days' notice
- A credit provider who has incurred costs in the attachment of goods while enforcing a debt may ask a court to order the consumer to pay the costs of attachment.

Rights of consumers

- The right to apply for credit and the right to know why your credit was refused.
- You have the right to receive documentation and information in the language that you can speak, read and understand.
- The right to receive documents, including statements.
- The right to access and challenge Credit Bureau Records and Information.
- The right to confidentiality and for personal information not to be divulged to a third party, without written consent.
- The right to apply for debt counselling in terms of The (NCA).
- The right to be advised by the credit provider, before any adverse information is reported.
- The right to receive a free credit report, once a year, from each of the Credit Bureaus operating in South Africa.

CONSOLIDATION ACTIVITIES

ESSAY WRITING

You are a debt consultant surfing the web. A consumer complained about her washing machine that broke. She decided to get a new one on credit from a recommended trader. She had to complete many forms, submit three months bank statements, fetch her salary statements from home and present her ID. She was told that they will do their best and will let her know within 48 hours of the outcome of her application. Four days later she received an SMS that the application was declined. No reason was given.

- Being a debt consultant, you decide to explain the nature and purpose of the NCA to her.
- Compare the advantages and disadvantages of the Act for consumers (buyers) and credit providers (lenders).

SESSION 2

BUSINESS ROLES: CREATIVE THINKING

CREATIVE THINKING - DEFINITION

- Creative thinking is the ability to think of original, varied and innovative ideas

2.1 Distinguish between problem solving and decision making

Problem solving	Process that evaluates alternatives and uses research to solve a problem	**Example:** How would you deal with a staff member who persistently arrives late and takes regular, unauthorised, breaks from work to smoke a cigarette?”
Decision making	It is the practice of considering a number of existing alternatives and deciding which one is the best solution	**Example:** If you were presented with a Samsung, Blackberry and Nokia cell phones and you choose the Samsung one.

2.2 Steps in problem solving

• Step 1- Identify the problem • Step 2- Define the problem • Step 3 -Identify alternatives • Step 4 -Evaluate alternatives	• Step 5 -Choose the best alternative • Step 6 -Implement the decision • Step 7 -Monitor the decision • Step 8 -Evaluate the decision

2.3 Advanced problem solving skills

		Explanation
1	Delphi Technique	• Used when trying to solve big problems for which there seems to be no previous examples of solutions. • Panel of anonymous experts are invited; Questionnaire is distributed; Anonymous responses are summarized; feedback report is sent to the panellist with a second set of questions; Panellist read feedback report; Panellist may decide to change their original decision; Second questionnaire completed; Final summary and feedback report is compiled; Idea is to reach consensus through this method consensus; Best solution will be found

		Explanation
2	Force Field Analysis	• Developed by Kurt Lewin to facilitate change in an organisation. • People are often resistant to change. • Management will force acting for change. • Employees may force acting against change. • Forces cancel each other out and no change takes place. • Force-field analysis suggests that change be communicated effectively to employees.
	Force Field	**Concepts**

	Analysis	• **Unfreezing:** Stop all change for a while to allow until proper communication to take place. • **Moving:** Explain the reasons and benefits of change to all; Ensure that everyone understands how change will affect them; Ensure all questions are affectively dealt with • **Refreezing:** Do not make any more changes in the organisation for a while; Allow changes to stabilize and employees can get used to the changes.
		Method
	Force Field Analysis	• Write the plan or proposal for change in the middle of a sheet of paper; List all the forces resisting change in the column on the left ; List all the forces in support of change on the right; Assign a score for each force from 1 for weak to 5 for strong; Add the total score for both the resisting and support of change; Weigh up the positive and the negatives; Analyse the restraining forces and the best way to address them; Analyse the supporting forces and the best way to address the; Identify priorities and produce an action plan

		Explanation
3	Brainstorming	• Used for problem solving when an organisation wants to involve a group or team in the problem solving process. • Managed by a facilitator to ensure the best results are achieved. **METHOD** • Problem is defined; Participants suggest ideas and solutions at random; All ideas are written on a flipchart; Facilitator encourages all to participate; No ideas are criticised; Sheet with the idea are put up in a room; Similar ideas are grouped together; New list is drawn up which refines the ideas; The group rate the ideas according how successful they think each one will be; Plan of action is discussed to put the best idea into practice

		Explanation
4	Mind-mapping	• Mind maps are diagrams that represent ideas or concepts. • Useful for generating ideas and problem solving. **METHOD** • Decide on a central problem or topic that forms a central theme; Break down the central theme into main ideas or points; Put the main points or ideas on the main branches; Break the ideas further down into sub-points

		Example
5	Nominal Group Technique [NGT]	• Used to avoid the disadvantages of group discussions. • One or two dominant people always try to take over in a group. • Other group members sit passively. • They do not have the confidence to give their opinions. **METHOD** • Group is divided into smaller groups; Problem is clearly defined; Each individual brainstorm silently as many ideas as possible; One by one each person in the group give their solution; Then everyone gives a second solution; This process is repeated until all the solutions have been recorded; Each person reads through the suggestions and rates them anonymously; The highest points for the best solution and the lowest for the least liked solution; Ratings are collected and calculated; The group is given the results of which idea received the most; second most; third most etc.; Each group presents the solution that was deemed the best according to the votes.

6 SCAMPER		
	Meaning	**Example**
Substitute	Replace part of the problem with something new	Sell pens instead of paper
Combine	Arrange parts of the problem in a creative way to cancel out the problem	Sell pens and pencils
Adapt	Look at the existing solution and adapt them to solve your current problem	Sell pen and pencil as offered by competitors and add writing paper
Modify	Change the situation or distort the problem	Use existing machinery to manufacture trailers instead of card
Put to other uses	Use part of the product for something else	Sunscreen can be used as a moisturiser
Eliminate	Try to get rid of some parts of the product	Sell a pen that has no pocket clip to reduce cost
Rearrange	Push the idea around and rearrange it to help you think differently so that you can come up with creative ways to solve the problem	Offer free use of internet for the first 15 minutes and charge only after the use of the first 15 minutes

		Explanation
7	Forced combinations	• Helps to look at existing ideas in new combinations. • Generating creative ideas by re-mixing existing ideas. **METHOD** • In a group define and understand the problem; Brainstorm key words to do with the problem; Write the key words on small piece of paper &stick them on a wall; Combine words to make new combinations; Try to come up with ideas from those combinations; Be adventurous and play with words; Select the best idea and use them to create a strategy

		Example
8	Empty chair technique	• Used when you've got to make a decision on your own. **METHOD** • Place an empty chair in the room; Imagine someone you respect is sitting on the chair; Explain the problem to him / her aloud and in detail; Tell him / her what you think the possible solutions are. Tell him / her how you think the possible solutions will work out. **BENEFITS** • stimulate your thinking; helps to clarify the problem source: • helps to improve your understanding of the problem; and • allow you to hear possible solutions.

2.4 Explain the benefits/advantages of creative thinking in the workplace

- It improves the quality of solutions to business problems
- It stimulates profitable new ideas for products, marketing campaigns and public relations
- Motivates workers and improves their skills
- Improves productivity and the profitability and the business
- Creates a market for new products that never existed before
- Improves the quality of life of the consumer

2.5 Evaluate the impact (positive and negative) of advanced creative thinking technique/skills

Techniques	Advantages	Disadvantages
Delphi	• Experts give anonymous suggestions • More creative	• Suggestions may not be the same • Difficult to reach consensus
Force Field	• More people feel included • People develop and grow	• Time consuming • Requires the participation of all the business units
Brainstorming	• Stimulates creative thinking	• One strong member can dominate • Shy members don't contribute
Mind-mapping	• Easy to generate • Stimulates the brain • Easy to remember	• Some people find it messy and chaotic • Can become complicated

Techniques	Advantages	Disadvantages
Nominal group	• All group members participate • Votes are anonymous and therefore more honest	• Ideas may not converge • Suggestions may not be as creative as when a group throws ideas around
SCAMPER	• Helps to generate different ideas • Stimulates objectivity	• Relative complex • Not suitable for all groups • Time-consuming
Forced Combination	• Stimulates creativity • Allows people to think outside the box	• People can feel inhibited • Ideas can become wild
Empty Chair	• Clarifies the problem • Solutions must be justified	• Limit creativity • One person's view is applied

2.6 Recommend / Suggest ways for businesses to create an environment that promotes creative thinking

- Encourage a spirit of play and experimentation
- Giving positive feedback on ideas that workers share
- Providing opportunities for creative problem solving
- Encourage employees to have group problem solving sessions
- Training staff in creative thinking & problem solving techniques
- Recognising and rewarding achievement
- Allowing employees to express their ideas and take risks in a safe environment

CONSOLIDATION QUESTIONS

Identify the problem solving techniques described in each of the following instances

1 Thando engaged in a role-play conversation with an imaginary person in the other chair to clarify the advantages and disadvantages of a proposed solution, to a problem

2. The management of Mountain View Bed and Breakfast has requested a group of experts to complete questionnaires to help them solve certain business problems

3. All members first generate ideas on their own and then share their ideas with other group members.

4. **Read the scenario below carefully and answer the questions that follow.**

You are the general manager of ***Wavecrest Steakhouse*** *in Cape Town. The restaurant is doing so well that you are thinking about opening another branch in Green Point , but you are not 100% sure whether it is the right decision:*

4.1 Using the information below, illustrate how you would apply the force-field analysis problem solving technique.

The issue:	• Opening another branch in Green Point.
The driving forces:	• Grow the business • Become renown • Lower cost per unit
The restraining forces	• Capital expenditure on new equipment • Competition • Risk • Increased expenses

4.2 Would you recommend that ***Jack 'O' Steakhouse*** open another branch. Motivate your answer.

SESSION 3

BUSINESS VENTURES: LEADERSHIP & MANAGEMENT

3.1 Define the terms leadership and management

What is leadership:
- A business leader is to provide the overall vision and goals of the business
- Leaders have the ability to inspire and motivate others

What is management:
- Management organise employees to achieve goals
- They set up systems and procedures to keep the organisation function optimally

3.2 Distinguish between leadership and management

	Management	Leadership
Role in organisation	• Administrator • Controlling/Directing people and resources according to achieve objectives	• Motivator of change • Motivate, guide and communicate.
Purpose	• Management is a function	• Leadership is a relationship
Functions	• P – Planning • O – Organising • D – Directing • C – Controlling	• Setting vision • Inspiring • Communicate ideas • Gaining acceptance
Examples	• Drawing up budgets • Business plan • Monitor progress in people	• New business strategies • Recognise potential

3.3 Leadership Styles

1. **Autocratic/Authoritarian leadership style:**
   - Autocratic managers like to take decisions on their own without consulting staff.
   - Quickest and most efficient method of making decisions
   - The style is appropriate for implementing policies, rules and regulations.
   - Example: Used in crises and emergencies such as natural disasters, accident or fire when people need to be removed from a dangerous situation.

2. **Democratic/Participative leadership style:**
   - This style invites the team to contribute ideas and participate in decision making process.
   - This is the most effective leadership style.
   - Example: Used in situations where group member are skilled and eager to share ideas

3. **Bureaucratic leadership style:**
   - Make sure employees follow rules and policies
   - Appropriate for routine jobs
   - Example: When team members must comply for requisition requirements for staff transport.

4. Laissez-Fair/Free Reign leadership style:
- This style is referred to as the "hands-off" approach because the tasks is delegated to followers with little or no direction given
- High degree of independence and complete freedom to make decisions.
- Leader have little involvement in the decision making process.
- Example: When workers are highly skilled, are self-motivated and are trustworthy

5. Transactional leadership
- Focus on motivating followers through a system of reward and punishment
- Focus on role of supervision and group performance
- Followers are carefully monitored

6. Charismatic leadership
- This style is based on the magnetic charm and inspirational personality of the leader.
- They motivate sub-ordinates to exceed their expected performance.
- Example. The former President of South Africa, Mr Nelson Mandela

3.4 Distinguish between the following leadership styles

	Democratic	**Autocratic**	**Bureaucratic**	**Laissez-Faire/Free Reign**
Description	• Employees included in decision making. • Participative style and centred around people	• Management makes all decisions • Centred around the leader	• Employees to follow rules and policies strictly	• Employees allowed to make own decisions
Advantages	• Employees involved • Variety of skills and inputs • Greater variety of ideas • Encourages innovation	• Quick decision making • Effective when employees are unskilled • Good for crisis situations • Practical in large businesses	• Employees are disciplined • Increase productivity	• Employees make the decisions • Employees are empowered and motivated • Variety of skills and input
Disadvantages	• Incorrect decisions can be taken if employees inexperienced • Discussions can take time • Not effective in times of crisis	• Clear division between management and staff • Poor motivation and productivity • Little input from employees	• No/ lack of flexibility	• Incorrect decisions can be taken if employees inexperienced • Employees can lose focus • Can be time consuming

	Transactional	Charismatic
Description	• Leader motivates the workers through a system of rewards and punishments, and workers are expected to achieve routine performance goals.	• Uses personal charm and inspiration rather than domination. • Uses praises rather than authority to get what he or she wants.
Advantages	• Simple system that is easy to apply • Does not need much training. • Provides a powerful motivation for employees. • Gets results.	• Expert at selling vision and achieve excellent results. • Leader is very energetic and motivating. • Inspires loyalty and hard work
Disadvan-tages	• Does not provide for any individual treatment. • Discourages any innovative ideas from workers. • When problems occur the leader blames the employees. • Rely on the leader being present.	• Leader believes more in himself or herself than the business. • Projects can collapse if the leader leaves • Managers tend to be stifled as they do not express their ideas.

3.5 Suggest/recommend situations in which different leadership styles can be applied

	Leadership styles	Situations
1	Autocratic/Authoritarian leadership style:	• In a crisis situation, such as a fire
2	Bureaucratic leaders	• When a team of cashiers is performing routine transactions involving cash.
3	Democratic leaders	• When a new policy on staff communication is being implemented
4	Laissez-faire(free reign) leaders	• When the marketing department decides on the design and layout of a marketing campaign
5	Transactional	• Encourage staff members to reach certain predetermined targets
6	Charismatic	• To convince followers to pursue a particular direction when they have doubts about that being the correct direction.

3.6 Discuss and distinguish between the different theories of management and leadership

	Differences
Leaders and followers	• Focus on relationship between leader and follower • Key to success is an open and honest communication between leader and follower • Respect is encouraged • Example: employee able to critically evaluate a leaders solution to a problem and suggest changes
Situational leadership	• The situation determines how a leader should lead • Based on the theory that there is no single style of leadership • The leader adapt to the leadership style according to the task at hand • Leaders show various skills • Followers highly skilled and high level of maturity
Transitional leadership	• Occurs during the time before big changes • Interaction between leaders and followers are critical for a success during a transition
Transforma-tional leadership	• Leaders inspire followers • Leaders explore new ways of doing things • Open communication between leaders and followers • Leadership is people orientated • Followers are highly motivated

3.7 Discuss the role/effect [positives/negatives] of a positive or negative personal attitude in success and leadership.

Positive attitude in success and leadership

- An attitude is a way of thinking and behaving

1	**Enthusiasm**	• Refers to a confident commitment and a belief in yourself. • Team members will believe in themselves if they see they have a leader who is enthusiastic and believe in himself
2	**Perseverance**	• Refers to the ability to stay with the task and seeing it through, despite difficulties and setbacks. • Encouraging team members to see the light at the end of the tunnel, despite obstacles
3	**Desire**	• Pushes the leaders to work harder • Creates new opportunities and bring out new talents you did not know you had

- Leaders with positive attitudes transform the work into a positive experience
- They strive for an attitude of excellence and demonstrate excellence in the way they work
- They make a conscious decision to excel and do not accept second best
- They exhibit personal leadership so that they live their lives in a manner that inspires others.

CONSOLIDATION ACTIVITIES

1.1 Choose the correct word(s) from these given in brackets.

1.1.1 A manager has the innate ability to (delegate/inspire)
1.1.2 (Servant leadership/situational leadership) work with highly mature employees.
1.1.3 Advantages of transitional leadership (good interaction between leaders and followers/quick decisions)
1.1.4 Leadership is a (function/relationship)
1.1.5 (Leadership/Management) refers to a process of influencing employees to become achievers in the performance of their duties.

2.1 Read the scenario below and answer the questions that follow:

Thabo is the manager of Exclusive Clothing. He explains work procedures, rewards employees for excellence and punishes them if targets are not met.

2.1.1 Identify the leadership style described above.
2.1.2 Evaluate the impact of this leadership style on business operations.

3.1 Analyse the scenario and identify the type of leadership style in the following cases. Provide a reason for your answer.

3.1.1 A small company has set up an experimental innovation department to look at the design of a new phone. They want as many ideas as possible.

3.1.2 Strict control is kept in the Business environment of Beacon Traders.

3.1.3 Employees are trusted to decide which production system is to be used.

SESSION 4

BUSINESS VENTURES – INVESTMENT: INSURANCE

4.1 Distinguish between compulsory- and non-compulsory insurance

Compulsory	Non-compulsory insurance
• required by law / regulated by government	• entered into voluntarily (by choice)
• no contract required	• signing of a contract

4.2 Examples of compulsory and non-compulsory insurance

Compulsory	Non-compulsory insurance
• Unemployment Insurance fund (UIF)	• Insurance of goods against a range of risks. Example: car insurance; contents of household; cell phone insurance
• Road Accident Fund (RAF)	• life insurance
• Compensation Fund for Occupational Injuries and Diseases (COIDA)	• insurance against loss as a result of certain actions of other people e.g. theft, burglary, accidents

4.3 Understand the following of insurance for a business:

	Concepts
Insurer	• insurance company
Insured	• person / business insuring unfortunate event (loss/risk)
Risk	• natural disaster, fire, burglaries, fraud
Insurance policy	• contract between insured and insurer
Insurance broker	• determines need for insurance
Insurance premium	• amount of money paid by the insured to the insurer
short term insurance	• insurance of goods, e.g. motor vehicles
long term insurance	• insurance of life, e.g. life insurance, pension fund
compulsory insurance	• insurance that is required by law

Principles	
Average clause	• Payment of the insurance claim will be according to the amount insured. • Applicable when the insured have under-insured the asset. • Payment will be paid in proportion to the value of the asset insured
Indemnify	• The Insurance Company will put the insured in the same financial position the insured was before the event took place. • Payout from the insurance companies will only occur if there is proof that the event took place.
Insurable interest	• A person can only insure an asset and claim if they are going to suffer a financial loss when an event occurs

Utmost good faith	• Both the insured and the insurer must be honest when concluding the insurance contract. • Details the insured supplies when entering the contract must be true and accurate. • Details which the insured supplies when claiming must also be accurate

Importance / Advantages of Insurance

• indemnify the insured against risk / financial loss • protection to businesses against future losses • keeps re-instatement costs under control

4.4 Identify and explain the following concepts:

Insurable Risk	• Insured must derive a financial benefit from the existence of the object which is insured • Insured stands to lose financially if goods are destroyed or by the death of a person • Examples: Multi-peril policies, Fire, Assets policies, Personal property policies
Non-insurable risk	• A risk for which no insurance can be taken out • The chance of loss is very high or cannot be accurately measured. • Examples: Pre-existing condition, Earthquake, Nuclear war

4.5 Identify / Explain the types of life insurance

1	**Whole-life policy**	• This type of life insurance policy pays out when a person dies no matter when that happens. • Payment is known as a death benefit. • Death benefit is paid to a beneficiary who is named by the insured. • Beneficiary of a life policy is normally the insured's family or other dependent. • The insured pay a premium on a whole-life policy until he/she dies.
2	**Term insurance**	• Basic type of life insurance. • The policy is written for a specific period of time, which is the term. • Most common type is the 30 year term insurance. • If the insured dies during this period, the insurance company will pay a death benefit to the insured's beneficiaries.
3	**Universal-life policy**	• Pays out when a person dies no matter when it happens, but it allows the policy holder to change the premiums and death benefits during the course of the policy. • Useful for people who need lifetime coverage but also wants flexibility.

4.6 Give examples of the different types of insurance

Short-Term Insurance	• Short-Term Insurance covers eventualities in regards to a person's belongings and thus covers personal property. • Examples: car insurance, household insurance, home insurance or business insurance
Long-Term insurance	• Long-Term insurance is an insurance that is directly linked to an insured person's life or well-being. • This type of insurance is usually paid over a long period of time. • Examples: life insurance, disability insurance and income protection insurance.

4.7 Discuss / Evaluate the viability and relevance of insurance for:

Individuals	• Protect the individual in the event of theft or burglary of personal belongings, e.g. Cell Phone, Laptop, and Smart TV etc. • Car of an individual can be repaired or damaged in the event of an accident. • Individual do not have to pay out money if the individual is responsible for the damage to another vehicle • Insurance is a form of savings and it can be used as an additional income during retirement
Businesses	• Protects the business in the event of theft or burglary of stocks or assets • Product liability insurance protects the business from claims related to the manufacture or sale of products, food, medicines or other goods to the public. • It covers the manufacturer's or seller's liability for losses or injuries to a buyer, user or bystander caused by a defect • An insurance policy that protects employers from liabilities arising from disease, fatality, or injury to employees resulting from workplace conditions or practices

4.8 Explain the advantages of:

	Advantages
Life Insurance	• Insurance on the life of a human being that cannot be replaced. • Pays out lump-sum to dependents • Families of deceased can maintain standard of living. • Settle debts, e.g. balance on house / car.
	Advantages
Retirement Annuities [RA]	• Funds in RA are protected from creditors. • Income after retirement can be guaranteed for life. • Lump-sum contributions can be made at any time. • Retirement funds are taxed at a favourable rate.

4.9 Distinguish between insurance and assurance

INSURANCE	ASSURANCE
Events that <u>MIGHT</u> happen	Events that <u>WILL</u> happen
Pays out if the insured <u>claims</u>	Always results in a <u>payment</u>
Covers short-term period	Cover a long-term period
Examples: Fire Insurance; Theft & Burglary Insurance; Car Insurance	**Examples:** Life Insurance: Retirement Annuities: Endowment Insurance

4.10 Explain by using examples the following concepts:

Concept	Meaning	Example
Over-insurance	• Insurance cover is greater than replacement cost of assets insured	• Purchase vehicle = R100 000, cover = R150 000, over-insured by R50 000
Under-insurance	• Insurance cover is less than replacement cost of assets insured	• Purchase vehicle = R200 000, cover = R180 000, under-insured by R20 000
Average clause	• Payment of insurance claim according to the value insured	• Purchase vehicle = R100 000, cover = R100 000
Re-instatement	• Replacement of damaged or stolen goods instead of paying amount to insurer	• Value of vehicle at time of accident = R150 000, replaced with vehicle of same value

4.11 Calculate from case studies / scenarios under-insurance

The property of Retro Clothing has a current market value of R300 000. The warehouse was partly damaged by fire. Damage was assessed at R60 000. The insurance company is not prepared to pay the full amount of the claim because Retro Clothing insured the property for only R200 000
Calculate the compensation that Retro Clothing will receive from the insurance company. Show ALL the calculations.
$\frac{\text{Amount insured}}{\text{Value of the asset}} \times \text{Damage}$ $= \frac{200\,000 \times 60\,000}{300\,000} = R40\,000$
Which principle of insurance is applicable to the above claim? Average clause

4.12 Benefits of the Unemployment Insurance Fund [UIF]

unemployment; illness; maternity; adoption; death

4.13 Know the rights of workers registered for UIF

Types of benefits	Rights of workers
Unemployment	• Workers can claim from the day stopped working until benefits are exhausted, or start working again. • Benefits may stop if worker refuse to accept a job / go for training / go for advice.
Illness	• If a person is unable to work for more than 14 days and does not receive a salary or part of salary. • Cannot claim if contributor refuses to undergo medical treatment.
Maternity	• Can be claimed for up to 17 weeks (four months) • Miscarriages: claim for six weeks
Adoption	• Application: adoption of child below age of two • Application: person takes unpaid leave or receives only portion of his/her salary while at home caring for the child
Death	• person who financially supporting the household • spouse of deceased can claim if he/she is unemployed

4.14 Explain the provisions of the Road Accident Fund [RAF]

- **Compensation to:**
  - drivers,
  - passengers and
  - pedestrians injured in road accidents due to negligence of someone.
- **Compensation to dependents of someone killed in a road accident.** Eg. Wife ; Child/ren

4.15 Know the rights of road users in terms of the RAF

- Provide cover for all drivers of motor vehicles against claims by persons injured in vehicle accidents.
- Provide for claims of dependents of people killed in vehicle accidents.
- Indemnifies driver to compensate for losses suffered due to bodily injuries or death.
- No cover for damage to property.
- All road users are limited to claims up to R160 000.

4.16 Explain the main purpose of COIDA as a type of compulsory insurance

- To protect employees and their families against injury or death that is the result of duties performed
  for the employer.
- Protection is in the form of compensation, for the employees and / families, for injuries or death that
  occur in the course of the employees' work duties
- The employee must be a bona fida employee, that is he / she must be legally employed.
- Injury must have been caused by accident, while carrying out normal duties.
- Applies to all employees that are permanent- and casual staff.

4.17 Keep abreast of changes in legislation relating to RAF

- Changes in legislation (RAF Amendment Act – 1 August 2008)
- Maximum of R160 00 per year for loss of income or loss of support.
- Claimants cannot sue the guilty party in event of an accident.
- Medical cost claims limited to rates charged by public health care authorities.
- Passenger claims will be settled in full, to maximum of R160 000 per year.

CONDOLIDATION ACTIVITIES

Read the case study below and answer the questions that follow:

Mr Johnson bought a house in 2010 at a market value of R500 000. Due to financial constraints he decided to insure it for R400 000. Last month his house was damaged and he suffered a loss of R100 000.

1. The insurance company has decided to pay Mr Johnson for damages incurred. Calculate the compensation he will receive for this claim. [Show all calculations] (6)

2. Also motivate why he will receive this amount. (2)

SESSION 5
BUSINESS VENTURES – FORMS OF OWNERSHIP

COMPARISON OF THE DIFFERENT FORMS OF OWNERSHIP

	SOLE TRADER	**PARTNERSHIP**	**CLOSE CORPORATION**
Name	No specific suffix	No specific suffix	End with CC
Ownership	1	2 – no limit	1 – 10
Name of owners	Owner	Partners	Members
Liability	Unlimited	Jointly & Severally	Limited
Management	Owner	All/Some partners	All/Some members
Formation documents	No requirements	Partnership Agreement	Founding Statement – NOT APPLICABLE

Tax	Tax in personal capacity	Tax in partners personal capacity	Company tax – Double tax
Profits	Profits paid to owner	Divided between partners	Paid according to % interest held by member

	PRIVATE COMPANY	**PUBLIC COMPANY**	**PERSONAL LIABILITY COMPANY**
Name	(Pty) Ltd	Ltd	Inc
Number	1 – no limit	1 – no limit	1 – no limit
Owners	Shareholders	Shareholders	Shareholders
Liability	Limited	Limited	Company, directors and previous directors - Jointly & severally
Management	1 or more directors	3 or more directors	1 or more directors
Formation documents	MOI	MOI	MOI
Tax	Company tax – Double tax	Company tax – Double tax	Company tax – Double tax
Payment to owners	Dividends – Board approval	Dividends – Board approval	Dividends – Board approval

	STATE OWNED COMPANIES	**CO-OPERATIVES**	**NON-PROFIT COMPANIES**
Name	SOC Ltd	“Co-op”	NPC
Number	1 – no limit	5 – primary 2 – no limit	3 – no limit
Owners	Shareholders	Member/Shareholder	Not required
Liability	No one is liable	Limited	Director(s)
Management	1 or more directors	Board of Directors	3 or more directors
Formation documents	MOI	MOI	MOI
Tax	Company tax – Double tax	Tax on income retained	May qualify for tax exemption
Profits	Dividends – Board approval	Members portion of surplus – proportion to the value of transactions conducted by a member	No part of income may be paid to director

5.2 Critically evaluate the forms of ownership in terms of the following criteria: [Refer 2015 Exam Guidelines]

Sole Trader		
	Success Factors	**Failure factors**
Capacity	• The business is easy to control because it is small. • Personal attention of owner is given.	• Difficult for one person to control all the business functions. • There is also no difference between your debt and the debt of the business.
Taxation	• The owner is taxed as an individual tax payer on his/her share of the profit. • Business does not pay secondary or companies tax	• If the rates are increased, the owner will have less profit. • Increased tax from higher profit may be more than that of a CC or company.
Management	• Owner has full control over the way in which the business is managed. • Makes decisions without having to consult other people. • Quick decision-making can be done to take advantage of good deals.	• May take wrong decisions because there is nobody else to consult. • Owner must rely on own instinct to make tough decisions. • Lack of management experience.
Capital	• Capital will be utilised economically. • The owner can borrow capital if he/she has the necessary security	• Limited to the amount that the owner alone can contribute. • Lack of capital restricts expansion of the business.
Division of Profits	• Owner is the only person receiving the profit and this will motivate him to be successful.	• Greed could result in unethical practices so as to earn more. • Owner needs to budget carefully so that business debts are covered
Legislation	• No registration requirements • Only needs to adhere to the requirements in the Income tax Act, 58 of 1962, as revised.	• Not a legal entity. • Unlimited liability. • No continuity.

Partnership		
	Success Factors	**Failure factors**
Capacity	• The business is usually small with all partners active. • Personal attention of partners is given to the business.	• There are unlimited liabilities for partners. . • This means that the debt of one partner is also the debt of the partnership.
Taxation	• The business does not pay income tax. • The individual partners pay tax on their income.	• If the tax scales are increased, partners pay higher personal tax • If profits are very high, the increased tax might be higher than a CC or company.

Management	• Partners are jointly and actively involved in managing the partnership. • Partners have access to expertise of other partners when tough decisions are made	• Must get agreement from other partners during decision-making and before transactions can be done. • Decision-making can be time consuming • Partners are agents of the partnership and management decisions will be forced on to other partners.
Capital	• More than one person to contribute capital. • Greater security to borrow money, because the partners are jointly and severally responsible for the debts.	• Lack of capital because not all the partners contribute cash. • Some contribute assets or their services.
Division of Profits	• Profits are divided between partners as stipulated in the Partnership Agreement. • Because all the profit is divided between the partners, this will motivate them to be successful.	• The profit is divided according to the Partnership Agreement. • Hard-working partner receives less profit than others who didn't contribute the same effort to the partnership. • This may lead to this partner losing interest in the partnership.
Legislation	• Only needs to adhere to the requirements in the Income tax Act, 58 of 1962, as revised. • There are no legal requirements which bind the partners. • Only need a partnership agreement between the partners.	• Not a legal entity. • Unlimited liability. . • No continuity because partnership must dissolve when there is a change in the number of partners.

Closed Corporation		
	Success Factors	**Failure factors**
Capacity	• Easy and inexpensive to start. • Easy to control because it is normally not a big enterprise. • All members can be actively involved.	• Not in a position to compete with bigger enterprises. • Cannot have more than ten members
Taxation	• A CC pays income tax at the same rate of companies. • The profit (after tax) is distributed to members. • The CC then pays STC tax (secondary tax) on the money distributed to members.	• CC pay the same rate of tax as companies
Management	• No separation between ownership and management - members are also managers. • Members are actively involved in managing the business	• Decision-making can be time consuming as all members have to agree first. • Members may have conflict when making decisions

Capital	• More capital for small to medium size businesses because up to 10 persons can contribute capital. • Combined assets of members give greater security if they want to borrow money.	• Members are limited to 10 and that may hamper the supplying of capital. • Lack of capital to expand the business.
Division of Profits	• Profit after taxation is divided between the members according to the percentage interest of each member in the business. • This can motivate members to contribute more capital.	• A member, who contributes less capital, will receive less profit. • Member may not be as committed as the other members
Legislation	• Founding statement serves as a control mechanism. • A CC has its own legal entity. • Members have limited liability for the debt of the CC.	• Close Corporations must be registered by the Registrar of Close Corporations. • The Act does not control management and this may leave the way open for corruption. • Compulsory to appoint a financial officer.

Private Company		
	Success Factors	**Failure factors**
Capacity	• Can be large or small and can have a number of owners or shareholders • The new companies act makes it easier to establish a private company	• Cannot compete with public companies.
Taxation	• A company pays tax on the profit earned. • Companies pay tax at 28% of taxable income.	• Companies pay secondary tax of 15% on the dividends distributed to shareholders. • Affects the cash flow of the company
Management	• Management and ownership are legally separated. • Owned by shareholders • Shareholders can vote for directors • Business is managed by directors with expertise	• Shareholders are not actively involved in managing the company. • Shareholders have the power to elect suitable directors, but not all shareholders exercise their voting rights.
Capital	• Capital can be increased by issuing of more shares	• Shares are not freely transferred. • Private companies do not sell shares to the public.
Division of Profits	• Profit belongs to the company and can be used to expand the business. • A part of the profit can be withheld in a reserve fund for future needs. • Profit after taxation is divided between shareholders in the form of dividends.	• The market value of shares can decrease or increase • Dividends are not always paid to shareholders

Legislation	• Must comply with the requirements in the Companies Act, 71 of 2008 as revised. • Must complete Memorandum of Incorporation [MoI], Notice of Incorporation and payment fee to register company. • Limited liability	• Takes a long time to register a company. • Extra burden on management to see to it that all the different requirements in the Act are adhered to. • Changes in companies' legislation can bring extra challenges. (New Companies Act) • Can become complicated to follow the correct process and obtain all the necessary legal documents.

Public Company		
	Success Factors	**Failure factors**
Capacity	• Can be large or small and can have a number of owners or shareholders • The new companies act makes it easier to establish a public company	• Large capacity of the company can also lead to its downfall due to structures and processes that may become too costly. • Control can be difficult because of a variety of activities.
Taxation	• A company pays tax of 28% on the profit • Profit after taxation will be divided between shareholders in dividends.	• Companies pay secondary tax of 15% on the dividends distributed to shareholders
Management	• Management and ownership are legally separated. • Owned by shareholders and managed by at least three directors.	• Shareholders are not actively involved in managing the company. • Shareholders have the power to elect suitable directors, but not all shareholders exercise their voting rights.
Capital	• Amount of shares available can be increased to raise capital • Shares are freely transferable. • Shares can be sold to the public	• Share prices change regularly and the share may lose its value over time • In slow economic times and if the company is not performing well it might be difficult to sell shares.
Division of Profits	• Profit belongs to the company and can be used to expand the business. • A part of the profit can be withheld in a reserve fund for future needs. • Profit after taxation is divided between shareholders in the form of dividends according to the number and type of shares held by the shareholder.	• Dividends are not always paid out • Certain shareholders receives guaranteed dividends, whilst others are not always sure if they will be paid a dividend
Legislation	• Must comply with the requirements in the Companies Act, 71 of 2008 as revised.	• Takes long time to register a company. • Extra burden on management

	• Must complete Memorandum of Incorporation [MoI], Notice of Incorporation and payment fee to register company. • Limited liability	to see to it that all the different requirements in the Act are adhered to. • Changes in companies' legislation can bring extra challenges. (New Companies Act) • Can become complicated to follow the correct process and obtain all the necessary legal documents.

CONSOLIDATION

1. Match the form of ownership in Column A with the statement in Column B

	Column A		Column B
1	Partnership	A	Name of the business ends with the letters "Inc"
2	Personal Liability Company	B	Members have access to expertise of other members when tough decisions need to be made.
3	Non-Profit Companies	C	Shares are not freely transferred.
4	Close Corporation	D	2 – 20 members
5	Sole trader	E	Certain shareholders receive guaranteed dividends, whilst others are not always sure if they will be paid a dividend at all.
6	Private Company	F	Jointly and severally responsible for the debt of the business
7	Public Company	G	Lack of capital restricts expansion of the business
		H	May qualify for tax exemptions
		I	1 – 50 members

Read the following scenario and answer the questions that follow:

Your friends, Nadine &Fred started their own bakery in Cape Town, baking and selling a variety of bread products and offering a delivery service to their customers. The consistent increase in sales and profits over the past year has encouraged them to expand their business into other residential areas. They however require additional funding to allow them to purchase more equipment and vehicles. This would also allow them to employ more workers.

3.1 Identify the best form of ownership for Nadine & Fred, if they do not want to risk their personal possessions. Motivate your answer.

3.2 Critically evaluate partnerships and public companies in terms of the impact of taxation, capital and division of profits.

3.3 Mention any THREE characteristics of a sole proprietorship.