Practice test 1 memorandum

**1.1** A partnership has a minimum of two and maximum of 20 owners,  whereas a private company can start with one person and the maximum is only limited by the number of shares sold.  The owners of a partnership are called partners but in a private company they are shareholders.  All the partners contribute money and assets for capital  but the shareholders purchase shares in a company.  Partners share the profits of the business according to the partnership agreement  but shareholders receive dividends according to the number of shares that each shareholder owns.  Partners are jointly and severally liable for the debts of the business.  A private company is a legal person  and responsible for the business debts. The shareholders responsible for debts are limited to the amount they owe on the shares they have purchased.  A private company can sue and be sued  but partners can be sued in their personal capacity as the partnership is not a legal person.  Share of profits are added to the partners’ personal income and they pay personal tax on these profits.  A company pays business tax on profits and the shareholders pay tax on dividends. A company has continuity but a partnership must be dissolved and re-established if one person dies, retires or leaves the partnership.  (max.20) [20]

**2.1** Economic crime is also called white-collar crime and includes fraud and corruption.  Fraud is a criminal offence and occurs when an employee steals money and adjusts the financial records to hide the theft.  It should be reported to the Commercial Crime Unit who will prosecute the employee.  It is difficult to detect and is often committed by employees who are perceived to be trustworthy.  The business can put financial checks and security methods in place before it employs another bookkeeper.  (max. 6)

**2.2** If workers are retrenched they are unlikely to find another job as the mine offers the most employment in the area.  They will not be able to pay their short-term loans back to Sandile and Peter’s business.  Sandile and Peter will need to make sure that their customers have some form of asset or possession that can be sold to repay the loan if necessary.  The mine will have to give the workers retrenchment packages, which they could use to repay their loans. 

(max. 6) [12]

**3.1** A strike is when workers do not go to work until their grievance is resolved.  The workers may not be fired because they are on strike.  It is difficult for the business to replace these workers with temporary staff as they do not know how long the employees will continue the strike action.  The business loses money as no products are made or sold during this period.  (max. 4)

A go-slow is when workers work slowly and purposely take time to do their work.  This slows down production and the business will not be able to meet targets or deadlines.  (4)

**3.2** A trade union represents the interests of employees.  The union takes part in collective bargaining with employers for better working conditions and wages for its members.  (4)

**3.3** A strike will affect Sandile and Peter’s business as the workers will not receive money during this time and will not be able to repay their loans.  Other customers may not be able to get to the business because of striking workers in the area.  They may get more requests from striking workers for short-term loans to pay their expenses while they are on strike. (max. 4) [16]

**4.1** A franchise arises when a person with a good business model sells the rights to this model to another person, the franchisee.  A franchisee uses the business name, logo, business methods and pays an initial fee plus royalties.  (4)

**4.2** The franchisor gives continuous support to the franchisee on how to manage and run the business successfully. 

The franchisor does marketing for the entire franchise business using the money received from royalties.  The franchisee receives financial advice and assistance from the franchisor.  Franchise businesses have a higher success rate then independent businesses.  The franchisor can make bulk purchases of resources for the franchisee.  (max. 8)

**4.3** The franchisee always owes money (royalties) to the franchisor.  The start-up costs can be very high.  Some contracts allow the franchisor to take over the business if it is not managed according to the franchise contract.  The franchisee is not allowed to be creative or sell other products.  The contract has restrictions on the products or services that can be offered.  Not all franchises are legitimate or good business models.  The franchisor can restrict the area in which the franchise can operate.  (max. 4) [16]

**5.1** Piracy relates to copies of original works that are made and sold without permission.  Original works are more expensive than pirated copies.  The consequences include loss of income for the original artist.  (max. 4)

**5.2** A trademark is a unique mark, name of symbol that is registered for a product of business. The owners of the registered trademark take legal action against anyone using their trademark illegally.  Customers use trademarks to identify quality.  (max. 4) [8]

**6** A Memorandum of Incorporation (MoI) is the company’s charter and is required by the Companies Act in order for the company to be registered.  It sets out the business objectives and the rules for operating the company.  The MoI must be signed by each incorporator. 

The following must be included in the MoI:

* The name of the company, which much end with the word ‘incorporated’ for a personal liability company 
* A statement that the owners, Sandile and Peter, are jointly and severally liable for the debts of the business 
* The main objectives of the company, the general nature of the company and the type of business that will be conducted 
* The number and type of shares that will form the share capital 
* The names of the auditor and company secretary 
* The names and addresses of the directors and incorporators.  [max. 12]

**7** This is a tertiary industry.  A tertiary industry provides services and support to the secondary industry which is manufacturing.  A secondary industry manufacturer produces goods that the tertiary industry purchases.  Both the secondary and tertiary industries are dependent on each other for goods and services to operate their businesses.  [7]

**8.1** Difficult employees, trade unions, strikes, go-slows, unclear vision, poor management skills

(max. 3)

**8.2** Computers, laws that are passed, changes in political parties and policy, changes in financial policies, interest rates, bank charges (max. 3)

**8.3** Customer needs and taste, suppliers not meeting quality standards required, competition, shortages of supply, consumer behaviour, changes in population and habits of consumers

(max. 3) [9]

**Total: 100**