Practice test 2 memorandum

**1.1** Responsibility,  risk taking,  perseverance,  good management and organisation,  honesty and ethics,  passion and energy,  creativity and innovation,  confidence and adaptability.  (max. 6)

**1.2 Note:** The learners must apply their knowledge to the scenario and draw conclusions. Their answers must be logical and applicable to Jim. Sample: Jim needed to learn the basics about business from his partners or attend a course.  He should not have trusted his bookkeeper even if he respected her.  If he had knowledge of basic business skills, he would have put checks in place to prevent fraud and money theft.  He could have asked his accountant to check the bookkeeper’s work and to suggest ways to ensure the bookkeeper could not steal money.  He needed to learn how to read a balance sheet so that he understood whether he was financially sound or in financial trouble.  (max. 8)

**1.3** He needed to check whether the business was profitable.  The percentage profit over capital needs to be more than he would have made had he rather invested money in the bank.  He needed to check his business’ market share and assess the potential increase in market share.  Jim needed to do research on whether the business was sustainable.  (max. 8)

**Note:** Brand recognition or stock value would be incorrect as the case study does not indicate it was a big-brand business and a partnership does not have stock value.

**1.4** He could maintain or increase his market share by a specific percentage and draw up a marketing plan to achieve this.  If he understood the profit margin that was being charged, he could make a decision to increase his market up to an acceptable and profitable level.  Jim could develop new products or add to the service offered to the target market.  He could find new target markets and develop a marketing strategy to meet these customers’ needs. 

(max. 8) [30]

**2.1** Batch production is when small batches of different products  are made to meet the orders from customers,  for example, ostrich biltong and beef biltong. Each batch is completed before the next batch is made.  The size of the batch depends on the orders received or stock levels or demand.  General-purpose machinery is used in batch production.  (max. 8)

**2.2** Workplace safety and hygiene is governed by the Occupational Health and Safety Act.  The employees work with knives and other potentially dangerous equipment and need to be trained to use this equipment safely.  They must wear safety and hygienic clothing, such as gloves and hats, when working with food.  If the hygiene and safety is good, the factory will not have any stoppages resulting from accidents which will cost the business money in products not being made.  The workers will feel secure and safe and be able to focus on doing their work.  (max. 8)

**2.3** The OHSA provides for an advisory council to rule on any issue relating to health and safety in the workplace.  Health and safety inspectors carry out inspections to ensure that employers comply with the requirements of the Act.  The main purpose of the Act is to ensure that all workers are able to do their work in a safe, hygienic environment.  The Act states the general duties of employers in relation to providing a safe working environment.  (max. 6)

**2.4.1** Total cost = R6 000 + R32  = R6 032 

**2.4.2** Contribution = selling price – variable costs  = R60 – R32  = R28 

**2.4.3** Break-even point = fixed costs ÷ contribution  = R6 020 ÷ 28  = 215 items  (16)

**2.5** The business can increase the number of products made by utilising the human and material resources more efficiently.  it can reduce its overhead costs and keep a strict control over unnecessary expenses and spending.  It can increase its sales by using better marketing strategies.  (max. 4)

**2.6** Selling focuses on getting the product sold and does not take into account the needs of the customer.  Marketing focuses on meeting the needs of the customer and provides a product or service to do this.  (4)

**2.7** Employees can use the skills learnt in the workplace to train and encourage members of their community.  They can negotiate with their employers to provide financial and material support to a project that they are involved in.  The employees can organise a team-building exercise where they do some work or give time to a needy venture in a community.  (6)

**2.8** Cosmos could do the following:

* Website: Potential customers could access a Cosmos Biltong and Nuts website and see photos of its products, the price list and where or how they can order the products. 
* Email: Email allows the business to build relationships with its customers, which can increase sales. 
* Social networking sites: Facebook and Twitter spread the message about their products much quicker than traditional media and they provide feedback to Cosmos about its product from the the customer’s perspective. 
* Cellphones to communicate: SMSs can inform existing customers of specials and promotions very quickly at low cost. 
* Blogs on the Internet: Blogs provide interesting ideas and thoughts, recipes, etc. from Cosmos that anyone on the Internet can access.  (max. 8)

**2.9** Make special offers to increase sales, for example, buy for R20 and get R5 off.  Offer bonus packs, for example, biltong and a packet of nuts sold together for a special price.  Offer discount vouchers on the Internet, magazines or newspapers for customers to produce when purchasing products from the company.  Offer free gifts, for example, a sharp knife or biltong slicer when purchasing biltong for R200.  Use loyalty cards. A discount could be given after a specific number of purchases.  (max. 4)

**2.10** Standardisation is when a product is made according to basic measurable standards.  Standardisation is used for manufactured goods, for example, clothing, equipment and vehicles.  Grading is used for food products that are sorted into specific classes or grades of quality.  The meat that Cosmos uses varies from farm to farm and so is purchased according to grade.  (max. 6) [70]

**Total: 100**