



EXAMINATIONS COUNCIL OF ESWATINI  
Eswatini General Certificate of Secondary Education

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**BUSINESS STUDIES**

**6897/01**

Paper 1

**October/November 2019**

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*Confidential*

***MARK SCHEME***

***{6897/01}***

***MARKS: 100***

Q 1	Questions and Answers or indicative content	Marks	Guidance
<b>Musa is a sole trader who operates two restaurants in Ezulwini and Malkerns. The chain of command in each restaurant flows from the owner, branch managers, supervisors and workers.</b>			
1 (a)	<p><b>Explain what is meant by ‘chain of command’?</b></p> <p><b>Possible answers</b></p> <ul style="list-style-type: none"> <li>• Clear understanding [2k] – a chain of command is <b>a line of responsibility and authority [k]</b> that allows <b>instructions/information/communication [k]</b> to be passed down from the <b>top to the bottom</b> of the organisation</li> </ul> <p>Or</p> <ul style="list-style-type: none"> <li>• An communication path based on authority [k] which must be followed to ensure that workers or subordinates receive instructions for tasks [k] from their relevant supervisors</li> <li>• Some understanding [k] – communication between managers and subordinates in a business [k]</li> </ul>	2	
1 (b)	<p><b>Describe any <u>two</u> features of the restaurant’s organisational structure.</b></p> <p><b>Possible answer:</b> Clear description [2x1] - the organisation has fewer levels of management. [1] -the chain of command is shorter. [1]</p> <p><b>Other possible words</b> – flat, larger span of control, few management levels, a short chain of command and a wide span of control [2ap]</p>	2	
<b>Musa is planning to decentralise decision making to the branch managers because he believes in democratic leadership.</b>			
1 (c)	<p><b>Identify and explain any <u>two</u> methods of decentralisation that Musa could use.</b></p> <p><b>Possible answers might include:</b></p> <ul style="list-style-type: none"> <li>• <b>Deconcentration [1k]:</b> where a business assigns tasks and functions to areas of the business that are in different locations from the business headquarters. This improves efficiency of production. [1an]</li> <li>• <b>Delegation [1k]:</b> where top level of an organisation assigns responsibilities to departments at lower levels to allow the organisation to improve customer service [1an]</li> <li>• <b>Devolution [1k]:</b> the top level of an organisation gives some of its decision making powers to departments at lower levels of the business so as to allow quick response to customer needs [1an]</li> </ul>	4	

Q 1	Questions and Answers or indicative content	Marks	Guidance
<b>Musa wants to motivate his workers through job satisfaction.</b>			
1 (d)	<p><b>Identify and explain any three ways that Musa could use to increase job satisfaction in his restaurants.</b></p> <p><b>Relevant points might include:</b></p> <ul style="list-style-type: none"> <li>• Musa could show recognition of high performers <b>[app]</b> in the restaurants by announcing their names and offering them tokens of appreciation so as to make workers feel valued in the business <b>[an]</b></li> <li>• Promote good health by ensuring a clean working environment <b>[app]</b> and house in the restaurants thus reducing the occurrence of illness among the workers <b>[an]</b></li> <li>• Musa could plan work shifts according to the working hours required by the labour laws <b>[app]</b> thus allowing workers to enjoy decent treatment <b>[an]</b></li> <li>• Musa could promote workers based on the skills acquired and performance <b>[app]</b> thus making all the workers feel they have a fair chance to climb to high positions <b>[an]</b></li> </ul>	6	
<b>Musa recently made security guards redundant because he believes that technology such as alarms and cameras could do a better job in maintaining security in the business.</b>			
1 (e)	<p><b>Do you agree with Musa's opinion that technology is better than workers? Justify your answer</b></p> <p><b>Possible answers could include:</b></p> <ul style="list-style-type: none"> <li>• Security technology can spot suspicious activity as it happens <b>[k]</b> thus allowing the business to cut down losses by preventing crime before it happens <b>[an]</b>.</li> <li>• Mounting security cameras or alarm systems can be very expensive for Musa <b>[app]</b> thus the business could end up experiencing a cash flow crisis as expenditure on maintenance costs could be high <b>[an]</b></li> <li>• I would advise Musa to introduce security technology because it can also be used to monitor employee behaviour thus giving the added benefit of ensuring that customers are being treated properly <b>[2ev]</b>.</li> <li>• Without use of technology security guards would not notice all criminal activities in the workplace hence Musa could lose valuable property due to the acts of his own workers <b>[2ev]</b></li> </ul>	6	

Q 2	Questions and Answers or indicative content	Marks	Guidance
<b>Cela has just fulfilled her dream of starting her own business. She runs Buve Holdings as a hardware franchise.</b>			
2 (a)	<p><b>What is meant by ‘franchise’?</b></p> <p>A franchise is a business that is licenced to sell goods and services developed by another [k] at an agreed fee or royalties [k] <b>OR</b></p> <ul style="list-style-type: none"> <li>• A business that uses a licence offered by another to implement a business idea of a viable product or service[k] in return for payment of royalties to the business that owns the viable business idea [k]</li> </ul> <p><b>-Some understanding [1k]:</b></p> <ul style="list-style-type: none"> <li>• It’s a business that is licenced to operate under a well-known name[k]</li> </ul>	2	
2 (b)	<p><b>Identify any <u>two</u> examples of franchise businesses in Eswatini</b></p> <p>Examples could include:</p> <ul style="list-style-type: none"> <li>• Fast food outlets such as Kentucky Fried Chicken, Nandos, Chicken Licken, McDonald’s, or Ocean Basket</li> <li>• Car fitment centres or automotive franchises such as Supa Quick, AutoZone or Firestone</li> <li>• Supermarkets such as Spar, Shoprite, OK, Pick n Pay, Tops or Liquor City</li> <li>• Fuel service stations such as Total, Galp, Shell or Engen</li> </ul>	2	
<b>Workers at Buve Holdings are frequently trained so as to improve customer satisfaction</b>			
2 (c)	<p><b>Identify and explain any two methods of training that Buve Holdings could use.</b></p> <p><b>Possible answers might include:</b></p> <ul style="list-style-type: none"> <li>• <b>On- the-job-training</b> [1k] where the workers at Buve Holdings could be made to acquire more customer service skills by doing the actual work so as to improving the company’s performance in customer satisfaction [1an]</li> <li>• <b>Off-the-job training</b> [k] where workers at Buve Holdings could be taught customer service skills at a site away from the workplace so that they can improve their productivity [an]</li> <li>• <b>Induction training</b> [k] where new workers at Buve Holdings could be provided with required information so that they can immediately get started in improving customer satisfaction [an]</li> </ul>	4	

Q 2	Answers or indicative content	Marks	Guidance
<b>Before being granted the franchise, Cela was required to identify a suitable location for the hardware shop.</b>			

2 (d)	<p><b>(a) Identify and explain three factors influencing the location a hardware shop.</b></p> <p><b>Relevant points might include:</b></p> <ul style="list-style-type: none"> <li>• Affordable rental costs [app] thus enhancing the chance for the shop to make profits [an]</li> <li>• Highly accessible area so that many shoppers could come and support the hardware business</li> <li>• High number of nearby shops so as to improve the hardware business's visibility to customers and lower advertising costs</li> <li>• Adequate parking space within the hardware shop's premises so that customers and delivery trucks can get in and out of the parking lot with ease</li> <li>• Nature of competition so as to determine the risk of business failure or sufficiency of market share</li> </ul>	6	
<b>Cela's friends are not sure whether or not he made the right decision by investing in the franchise.</b>			
2 (e)	<p><b>Do you think that investing in a franchise would be advantageous to Cela? Support your answer. Assessment objectives:</b></p> <p><b>Possible answers could include:</b></p> <ul style="list-style-type: none"> <li>• The franchiser would bear all advertising costs [k] hence Cela as franchisee could spend less on advertising [1an].</li> <li>• However, Cela would be required to invest millions on the licence and further obligated to pay royalties to the franchiser [1app] resulting in the hardware shop making low profits [an].</li> <li>• I think investing in the franchise would be an advantage to Cela as the franchisor decides on the design of the products and also controls supply of raw materials thus reducing the amount of work that Cela would have to do in the business [2ev].</li> <li>• Regrettably, Cela wouldn't introduce her own innovations in the franchise thus she might end up being frustrated by the whole arrangement [2ev]</li> </ul>	6	

Q 3	Answers or indicative content	Marks	Guidance
<b>Sive Blocks Ltd produces and sells building blocks and ready-mixed concrete in Sidvokodvo. The business is currently experiencing a cash flow problem which is affecting its performance</b>			
3 (a)	<p><b>What is meant by "cash flow problem"?</b></p> <p><b>Assessment objectives:</b></p> <p>-Knowledge [2x1]: award 1 mark per correct feature of the definition of 'cash flow problem'</p> <p><b>Possible answers</b></p> <p>-Clear understanding [2k]:</p>	2	

	<p>-A situation when a business runs out of cash or does not have enough cash [k] to pay its short term debts or current liabilities when they fall due [k] such that it might end up being sued by creditors [k]</p> <p><b>Some understanding [1k]:</b></p> <p>-This is when a business does not have enough cash [k]</p>		
3 (b)	<p><b>Identify any two examples of cash inflows in Sive Blocks.</b></p> <p><b>Possible answers could include:</b></p> <ul style="list-style-type: none"> <li>• Cash sales,</li> <li>• Payments from debtors,</li> <li>• Loans from directors and other institutions</li> <li>• Discount received</li> <li>• Bank interest on savings</li> <li>• Grants</li> <li>• Sale of fixed assets</li> </ul>	2	

The following information was taken from Sive Blocks' published accounts.  
Table 1

Items	Amounts in (E)
Sales	80 000
Cost of sales	35 000
Current assets	1 100
Current liabilities	1 000

3 (c)	<p><b>Calculate the company's gross profit and current ratio, using the information in Table 1 above.</b></p> <ul style="list-style-type: none"> <li>• one mark for correct answer in each ratio</li> </ul> <table border="1" style="width: 100%;"> <thead> <tr> <th>Gross Profit</th> <th>Current ratio</th> </tr> </thead> <tbody> <tr> <td>= Sales – Cost of sales</td> <td>= Current assets/Current liabilities</td> </tr> <tr> <td>= E80 000 – E35 000 [1app]</td> <td>= E1100/ E1 000 [1app]</td> </tr> <tr> <td>= E45 000 [1an]</td> <td>= 1.1: 1 [1an]</td> </tr> </tbody> </table>	Gross Profit	Current ratio	= Sales – Cost of sales	= Current assets/Current liabilities	= E80 000 – E35 000 [1app]	= E1100/ E1 000 [1app]	= E45 000 [1an]	= 1.1: 1 [1an]	4	
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Q 3	Answers or indicative content	Marks	Guidance
	In a recent meeting shareholders have instructed management to deal with the cash flow problem that Sive Blocks is currently experiencing.		

3 (d)	<p><b>Identify and explain three ways that the business can use to solve its cash flow problem.</b></p> <p><b>Answers could include:</b></p> <ul style="list-style-type: none"> <li>• Sive Blocks could cut overheads and other operational costs [k] so as to reduce cash outflows [an]</li> <li>• Reduced credit period offered to customers [k] so that customers could pay for their purchases quicker [an] thus increasing cash inflows [an]</li> <li>• Delayed expansion plans [k] so as to conserve cash required to finance current operations [an]</li> <li>• Debtor factoring [k] so that financial institutions could lend Sive Blocks short term cash secured against the value of the company's accounts receivables [an]</li> <li>• Offer early settlements discounts [k] so as to encourage to pay off their accounts much quicker hence increasing cash inflows [an]</li> </ul>	6	
<p><b>The workers at Sive Blocks are not happy about working conditions in the business and they have decided on a 'work-to-rule' to put pressure on the company to improve the situation.</b></p>			
3 (e)	<p><b>Do you think that a 'work-to-rule' strike is the right form of industrial action the workers could use against the employer? Justify your answer.</b></p> <p><b>Possible answers could include:</b></p> <ul style="list-style-type: none"> <li>• A work- to-rule may work in favour of the workers as they would continue with their normal brick-making jobs [k] thus preventing Sive Blocks from applying the no work-no pay rule that reduces workers' earnings [an]. <b>(advantage)</b></li> <li>• However a work-to-rule could cause a decrease in worker productivity [app] hence the employer might either consider dismissing the workers for failure to produce the required quantity of constructional materials [app], [an] or even just close down operations [an]. <b>(disadvantage)</b></li> <li>• I think the work-to-rule is the right form of industrial action as it is not illegal thus the employer might find it difficult to discipline the workers involved in it [2ev]</li> <li>• Even though the work-to-rule is more protective of workers, it is less disruptive compared to a strike thus the employer may just ignore the workers' demands [2ev].</li> </ul>	6	

Q 4	Answers or indicative content	Marks	Guidance
<p><b>Thanda is an entrepreneur from Siteki who owns Tee Zee Transport. He started his business through the Regional Development Fund (RDF). The business regularly conducts market research in order to identify strategies for improving its market share.</b></p>			
4 (a)	<p><b>Explain what is meant by 'market share'.</b></p> <p><b>Possible answers</b></p> <p><b>-Clear understanding [2k]:</b></p> <ul style="list-style-type: none"> <li>• The portion of the total market [k] that persistently consumes the Tee Zee Transport's services</li> </ul> <p><b>-Some understanding [1k]:</b></p>	2	

	<ul style="list-style-type: none"> <li>• A market for the products of Tee Zee Transport <b>[k]</b></li> </ul>		
<b>4 (b)</b>	<p><b>Identify two characteristics of a successful entrepreneur. Assessment objectives:</b></p> <p><b>Possible answer:</b></p> <ul style="list-style-type: none"> <li>• energetic</li> <li>• self-confident</li> <li>• initiative</li> <li>• willingness to take responsibility</li> <li>• self-driven</li> <li>• persistent</li> <li>• risk taking propensity</li> </ul>	<b>2</b>	
<b>Thanda is a sole trader who performs his managerial tasks effectively.</b>			
<b>4 (c)</b>	<p><b>Identify and explain any two managerial tasks that Thanda performs in his business.</b></p> <p><b>Possible answers might include:</b></p> <ul style="list-style-type: none"> <li>• Planning <b>[1k]</b> as Thanda would be expected to set up clear goals and objectives for his transport business to achieve hence enhancing performance <b>[an]</b></li> <li>• Organising <b>[k]</b> as Thanda would have to set up a clear structure of operation thus allowing a proper allocation of resources <b>[an]</b></li> <li>• Leading <b>[k]</b> as Thanda must motivate and coordinate his workers to achieve the company goals <b>[an]</b></li> <li>• Controlling <b>[k]</b> as the manager would be expected to evaluate how well the company is doing so that workers could strive to achieve its goals <b>[an]</b></li> </ul>	<b>4</b>	

Q 4	Answers or indicative content	Marks	Guidance
<b>Thanda is now recognised as a businessman who has contributed to the development of the country's economy</b>			
4 (d)	<p><b>Identify and explain any three contributions of entrepreneurs to the economy.</b></p> <p><b>Answers could include:</b></p> <ul style="list-style-type: none"> <li>• Increased employment opportunities [<b>1k</b>] as the business employs local people who may not be employable in larger corporations [<b>1an</b>], for example, drivers and conductors</li> <li>• Increased government revenue [<b>k</b>] as the business will pay tax thus enabling the government to provide for the economic needs of the society [<b>an</b>]</li> <li>• Enhanced support to other businesses [<b>k</b>] as the business could provide transport services outsourced by large corporations thus enabling such large companies to be efficient on their core activities [<b>an</b>]</li> <li>• Sustained economic activity [<b>k</b>] since small businesses are able to stay afloat during tough times they tend to strengthen the local economy against shocks or total collapse [<b>an</b>]</li> </ul>	6	
<b>Thanda strongly believes that using the market oriented approaches gives his business competitive advantage over businesses that use product oriented approaches.</b>			
4 (e)	<p><b>Would you advise Thanda to use the market oriented approach in his transport business. Support your answer.</b></p> <p><b>Possible answers could include:</b></p> <ul style="list-style-type: none"> <li>• The market oriented approach could enable Thanda's business to serve the exact needs of his customers [<b>k</b>] thus gaining more market share from delivery of perceived quality service to c [<b>an</b>]</li> <li>• However, the market oriented approach would involve conducting costly market research [<b>app</b>] resulting to Thanda's business generating low profit [<b>an</b>]</li> <li>• I would advise Thanda to use the market oriented approach as paying attention to customer needs increases customer loyalty [<b>app</b>] thus ensuring sustained revenue regardless of strong market competition [<b>an</b>], [<b>2ev</b>].</li> </ul>	6	

Q 5	Answers or indicative content	Marks	Guidance
<b>Easycharge (Pty) Ltd imports portable cell phone chargers from the European Union (EU) market. Importers to the EU market are constantly affected by fluctuating exchange rates. As a result, some local businesses are calling for an improved trade agreement with the EU.</b>			
5 (a)	<p><b>What is meant by 'exchange rate'?</b></p> <p><b>Possible answers could include:</b></p> <p><b>Clear understanding [2k]:</b></p> <p>-It is the price of one currency [k] compared with the price of another currency [k]</p> <p><b>Some understanding [1k]:</b></p> <p>- It is the value of a country's currency [k]</p>	2	
5 (b)	<p><b>State any two reasons why countries make trade agreements.</b></p> <p><b>Answers could include:</b></p> <ul style="list-style-type: none"> <li>• Peacekeeping</li> <li>• Facilitation of exchange of goods and services</li> <li>• Strengthened country relations</li> <li>• Strengthened economies for related countries</li> <li>• Reduced tariffs</li> <li>• Strengthened political voice of related countries</li> </ul>	2	
<b>Swaziland is experiencing a rise in inflation. This situation is threatening the performance of Easycharge (Pty) Ltd.</b>			
5 (c)	<p><b>Identify and explain any two problems that could be caused by high inflation to businesses such as Easycharge (Pty) Ltd</b></p> <p><b>Possible answers could include:</b></p> <ul style="list-style-type: none"> <li>• Low demand for goods and services [k] as people's disposable income will decline thus eroding their purchasing power [1an]</li> <li>• Increased cost of imports [k] as inflation will weaken the value of the domestic currency hence local business will be forced to increase prices resulting in los of sales [an]</li> <li>• Increased operational costs [k] thus most businesses might not expand [an]</li> </ul>	4	

Q 5	Answers or indicative content	Marks	Guidance
<b>Recent economic data indicate that Eswatini is going through a trade cycle</b>			
5 (d)	<p><b>Identify and explain three stages of a trade cycle.</b></p> <p><b>Answers could include:</b></p> <ul style="list-style-type: none"> <li>• Recovery <b>[app]</b> where businesses in Eswatini increase the level of investment which in turn increases employment and income leading to a growth in demand for consumer goods <b>[an]</b></li> <li>• Boom stage <b>[app]</b> where the rate of investment increases further as businesses such as Easycharge (Pty) Ltd can easily access credit thus creating more jobs and enhanced purchasing power of consumers <b>[an]</b></li> <li>• Recession/slump <b>[app]</b>- an onset of a situation where investment production or economic growth begins to decrease leading to a decline in exports <b>[an]</b></li> <li>• Depression <b>[app]</b> where production, employment and income in the Eswatini economy decline and prices fall due to low purchasing power <b>[an]</b></li> </ul>	6	
<b>Easy charge wants to choose the most effective market promotion method for the cell phone chargers. The CEO prefers to use television while the lower level managers think that radio would be more suitable</b>			
5 (e)	<p><b>Do you think that promoting the cell phone chargers through radio could be more effective compared to using television? Support your answer.</b></p> <p><b>Answers could include:</b></p> <ul style="list-style-type: none"> <li>• Promoting the cell phone chargers through radio would be more effective than using television since radio has a wider coverage <b>[k]</b> thus messages could reach a wider audience <b>[app]</b> within a short period of time <b>[an]</b></li> <li>• However, television is more persuasive than radio <b>[app]</b> as real images of the chargers and celebrities who use them could be visually shown to attract more customers <b>[an]</b>.</li> <li>• I would advise Easycharge (Pty) Ltd to use radio as it is a cheaper medium accessible to both rich and poor <b>[app]</b> thus resulting in the business lowering the cost of advertising while maximising profits <b>[app], [2ev]</b></li> <li>• A further downside of television it is more exclusive thus a number of consumers might not own them thus the target market the promotional messages about the chargers <b>[2ev]</b></li> </ul>	6	