



Province of the
EASTERN CAPE
EDUCATION

DIRECTORATE SENIOR CURRICULUM MANAGEMENT (SEN-FET)

HOME SCHOOLING SELF-STUDY ANSWER SHEET

SUBJECT	BUSINESS STUDIES	GRADE	12	DATE	05/08/2020
TOPIC	BUSINESS VENTURES	TERM 1 REVISION		TERM 2 CONTENT	x

QUESTION 1: BUSINESS VENTURES (INVESTMENTS AND FORMS OF OWNERSHIP)

1.1 Introduction

- The JSE is a formal market comprising of all the public companies that have been listed. ✓
- Various services are offered to listed companies by the JSE. ✓
- Preference shares can be considered as a viable investment option as investors have various options to choose from. ✓
- The National Treasury of South Africa issues RSA Retail Savings Bonds/ Government Retail Bonds to the general public. ✓
- A partnership is formed by a minimum of two partners and the maximum number is unlimited. ✓
Any other relevant introduction related to the JSE/types of preference shares/RSA Retail Savings Bonds/Government Retail Bonds/factors contributing to success/failure of a partnership. Any (2x1)

(2)

1.2 Functions of the JSE

- Gives opportunities to financial institutions such as insurance companies to invest their funds in shares. ✓✓
- Serves as a barometer/indicator of economic conditions in South Africa. ✓✓
- Keeps investors informed on share prices by publishing the share prices daily. ✓✓
- Acts as a link between investors and public companies. ✓✓
- Shares are valued and assessed by experts. ✓✓
- Small investors are invited to take part in the economy of the country through the buying/selling of shares. ✓✓
- Venture capital market is made available on the open market. ✓✓
- Orderly market for securities serves as a disciplined market for securities. ✓✓
- Encourages new investments. ✓✓
- Mobilises the funds of insurance companies and other institutions. ✓✓
- Raises primary capital. ✓✓
- Regulates the market for dealing with shares. ✓✓
- Plans, researches and advises on investment possibilities. ✓✓
- Ensures that the market operates in a transparent manner. ✓✓
- Provides protection for investors. ✓✓
- Encourages short-term investment. ✓✓
- Facilitates electronic trading of shares/STRATE. ✓✓

Any other relevant answer related to the functions of the Johannesburg Securities Exchange (JSE).

Max (10)

1.3 Types of preference shares

Participating preference shares ✓✓

Shareholders:

- are guaranteed minimum ✓ fixed dividends. ✓
 - are entitled to share in any ✓ surplus company profits. ✓
 - receive higher dividends ✓ when the company performs well. ✓
 - have preferential rights over ordinary shares ✓ on repayment when the company closes down. ✓
- Any other relevant answer related to participating preference shares.

Identification (2)

Description (2)

Submax (4)

Non-participating preference shares ✓✓

Shareholders:

- receive an amount equal to the initial investment ✓ plus accrued and unpaid dividends upon liquidation. ✓
 - do not have right to participate in profits ✓ after equity shareholders have been paid a dividend. ✓
 - will not get extra dividend ✓ in case of surplus profits. ✓
 - entitled to receive only a fixed rate of dividend ✓ every year. ✓
- Any other relevant answer related to non-participating preference shares.

Identification (2)

Description (2)

Submax (4)

Cumulative preference shares ✓✓

- Shareholders are compensated for past dividends that were not paid out ✓ when profits were too low to declare dividends ✓ / Receive dividends not ✓ previously paid out. ✓
- Any other relevant answer related to cumulative preference shares.

Identification (2)

Description (2)

Submax (4)

Non-cumulative preference shares ✓✓

- Shareholders are not compensated for past dividends ✓ that were not paid out when profits were low. ✓
- Any other relevant answer related to non-cumulative preference shares.

Identification (2)

Description (2)

Submax (4)

Redeemable preference shares ✓✓

- Shares can be redeemed/bought back at the option of the issuing company ✓, either at a fixed price on a specified date/over a certain period of time. ✓
- Any other relevant answer related to redeemable preference shares.

Identification (2)
Description (2)
Submax (4)

Non-redeemable preference shares ✓✓

- Shares are only bought back when the company closes down✓ for reasons other than bankruptcy.✓
Any other relevant answer related to non-redeemable preference shares.

Identification (2)
Description (2)
Submax (4)

Convertible preference shares ✓✓

- Shares can be converted into a predetermined number of ordinary shares✓ on the date specified when the preference shares were issued. ✓
Any other relevant answer related to convertible preference shares

Identification (2)
Description (2)
Submax (4)

Non-convertible preference shares ✓✓

- Shares cannot be converted✓ into ordinary shares. ✓
Any other relevant answer related to non-convertible preference shares.

Identification (2)
Description (2)
Submax (4)

NOTE: Mark the first FOUR (4) only.

Max

(16)

1.4 Impact of RSA Retail Savings Bonds/Government Retail Bonds on investors

Positive/Advantages

- Guaranteed returns✓, as interest rate is fixed for the whole investment period. ✓
- Interest rates are market related ✓ and attract more investors. ✓
- Interest can be received✓ twice a year. ✓
- Investment may be easily accessible✓, as cash may be withdrawn after the first twelve months. ✓
- Low risk/Safe investment✓, as it is invested with the South African Government which cannot be liquidated. ✓
- It is an affordable type of investment✓ for all levels of income earners including pensioners. ✓

- Retail bonds are easily/conveniently obtained√ electronically/from any Post Office/directly from National Treasury. √
 - No charges/costs/commissions payable√ on this type of investment. √
 - Interest is usually higher√ than on fixed deposits. √
 - Retail bonds are listed√ on the capital bond markets/on the JSE. √
 - Investors younger than 18 years/Minors may invest with the help of a legal guardian√, which encourages saving from a young age. √
- Any other relevant answer related to the positive impact/advantages of RSA Retail Savings Bonds/Government Retail Bonds on investors.

AND/OR

Negatives/Disadvantages

- Retail bonds cannot be ceded to banks√ as security for obtaining loans. √
 - A minimum of R1 000 must be invested√, which may be difficult for some small investors to accumulate. √
 - Retail bonds are not freely transferable√ amongst investors. √
 - Investors need to have valid SA identification/should be older than 18 years√ which may discourage foreigners/young people to invest. √
 - Penalties are charged for early withdrawals√, if the savings is less than 12 months old. √
- Any other relevant answer related to the negative impact/disadvantages of RSA Retail Savings Bonds/Government Retail Bonds on investors.

(12)

Max

1.5 **Success and/or failure factors of a partnership**

	SUCCESS	AND/OR	FAILURE
1.5.1	<ul style="list-style-type: none"> • Peter and Teko should be actively involved in management and may use the ideas of other partners.√√ 		<ul style="list-style-type: none"> • Decision making can be time consuming as Peter and Teko have to be in agreement.√√
Management	<ul style="list-style-type: none"> • They should have access to each other's expertise when difficult decisions have to be made.√√ 		<ul style="list-style-type: none"> • Some management tasks may be neglected, as one partner may leave it to others to complete.√√
	<ul style="list-style-type: none"> • Peter and Teko should decide who will be actively involved in management or rather appoint a competent manager.√√ 		<ul style="list-style-type: none"> • Peter and Teko may disagree on how to run the partnership, which may lead to tension between them.√√

		<ul style="list-style-type: none"> They are agents of the partnership and a bad management decision of a partner may be forced onto others.√√ 	
		<ul style="list-style-type: none"> Different personalities/opinions could lead to conflict/ disagreements.√√ 	
	<ul style="list-style-type: none"> Any other relevant answer related to the contribution of management to the success of a partnership. 	<ul style="list-style-type: none"> Any other relevant answer related to the contribution of management to the failure of a partnership. 	
Submax (4)			
	SUCCESS	AND/OR	FAILURE
1.5.2	<ul style="list-style-type: none"> Easy and cheap to establish, as partners must draw up partnership agreement.√√ 		<ul style="list-style-type: none"> Peter and Teko have unlimited liability as they are jointly and severally liable for the debts of the partnership.√√
Legislation	<ul style="list-style-type: none"> Peter and Teko should be motivated to make a success because their personal possessions are at risk.√√ 		<ul style="list-style-type: none"> If one partner dies or retires, the remaining partner needs to draw up a new agreement.√√
	<ul style="list-style-type: none"> No regulatory requirements regarding the name of the business.√√ 		<ul style="list-style-type: none"> Oral agreements between Peter and Teko can cause conflict between partners.√√
	<ul style="list-style-type: none"> Only subjected to the provisions of the Income Tax Act as compared to companies.√√ 		<ul style="list-style-type: none"> A partnership is not a legal entity and cannot sue or be sued.√√
	<ul style="list-style-type: none"> Any other relevant answer related to the contribution of legislation to the success of a partnership. 		<ul style="list-style-type: none"> Any other relevant answer related to the contribution of legislation to the failure of a partnership.
Submax (4)			
NOTE: 1. The answer does not have to be in tabular format. 2. Mark either success AND/OR failure of EACH factor			Max

(8)

1.6 **Conclusion**

- Listed companies on the JSE will get more exposure to possible investors. √√
- Businesses should invest extra cash to generate more income rather than leaving it in the businesses' current account. √√
- Dividends paid out on preference shares will attract more people to invest in a company. √√

- Anyone can invest in RSA Retail Savings Bonds as it only requires a minimum amount of one thousand rand. ✓✓
- Various factors must be considered before choosing a form of ownership. ✓✓
Any other relevant conclusion related to the JSE/types of preference shares/RSA Retail Savings Bonds/Government Retail Bonds/factors contributing to success/failure of a partnership.

Any (1 x 2)

(2)

QUESTION 1: BREAKDOWN OF MARK ALLOCATION

Introduction	2	32
Functions of the JSE	10	
Types of preference shares	16	
Impact of RSA Retail Savings Bonds/Government Retail Bonds.	12	
Factors contributing to the success and/or failure of a partnership: o Management o Legislation	8	
Conclusion	2	
INSIGHT		
Layout	2	8
Analysis/Interpretation	2	
Synthesis	2	
Originality/Examples	2	
TOTAL MARKS		40

LASO – For each component:

Allocate 2 marks if all requirements are met.

Allocate 1 mark if only some of the requirements are met.

Allocate 0 marks where requirements are not met at all.

DBE 2020 Exemplar

TOTAL

[40]