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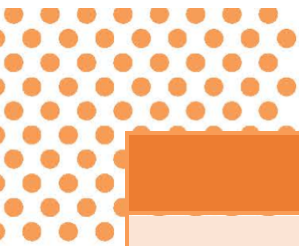


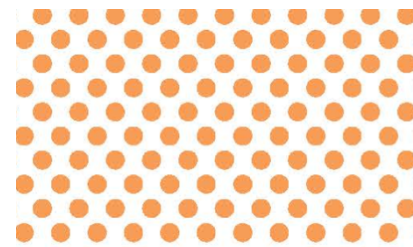
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1. Introduction

The declaration of COVID-19 as a global pandemic by the World Health Organisation led to the disruption of effective teaching and learning in many schools in South Africa. The majority of learners in various grades spent less time in class due to the phased-in approach and rotational/ alternate attendance system that was implemented by various provinces. Consequently, the majority of schools were not able to complete all the relevant content designed for specific grades in accordance with the Curriculum and Assessment Policy Statements in most subjects.

As part of mitigating against the impact of COVID-19 on the current Grade 12, the Department of Basic Education (DBE) worked in collaboration with subject specialists from various Provincial Education Departments (PEDs) developed this Self-Study Guide. The Study Guide covers those topics, skills and concepts that are located in Grade 12, that are critical to lay the foundation for Grade 12. The main aim is to close the pre-existing content gaps in order to strengthen the mastery of subject knowledge in Grade 12. More importantly, the Study Guide will engender the attitudes in the learners to learning independently while mastering the core cross-cutting concepts.





2. How to use this booklet

Purpose of the study guide

- This study guide is developed to assist you to respond to different kind of questions on the topics included in this booklet
- It will assist you to understand relevant concepts. For this purpose, a glossary of related terminology is included.
- Pay special attention to hints and tips in preparing you on how to respond to different kinds of questions
- After every content topic there will be an activity, check provided answers in the booklet.
- The activities are based on exam- type questions derived from past papers.
- If you get any incorrect answers, make sure you understand where you went wrong before you continue to the next section.



Study and Examination tips:**Structure of Paper 2**

SECTION	TYPE OF QUESTION	MARKS	TIME	COGNITIVE LEVELS
A	<p>Compulsory</p> <p>Covers BOTH TOPICS</p> <p>Multiple choice: (5 x 2) 10)</p> <p>Matching (5 x 2) (10)</p> <p>Choose the correct word: (5 x 2) (10)</p>	30	20	<p>Mostly Level 1 (Remembering/Recall)</p> <p>and</p> <p>Level 2 (Understanding)</p>
B	<p>Choose any TWO questions in this section. (40 marks x 2 questions)</p> <p>THREE questions, TWO covering each main topic and the third question will cover both main topics (a miscellaneous question)</p> <p>These questions should cover the entire curriculum for EACH main topic. Applicable action verbs in this section are, for example, identify, outline, quote, motivate, explain, discuss, distinguish, differentiate, compare, evaluate, critically evaluate, suggest, recommend, advise, etc.</p> <p>Case studies (scenarios) or source-based questions should be included. Answers should be in point form, full sentences, or paragraph style as per requirement of each question.</p>	80	70	<p>Levels 1 to 6 (Remembering/Recall, Understanding, Applying, Analysing, Evaluating, Creating)</p>
C	<p>Answer any ONE question in this section. (40 marks x 1 question)</p> <p>TWO questions, EACH covering the TWO main topics.</p> <p>Longer, essay type questions of lower, middle, and higher cognitive and difficulty levels to assess insight and interpretation of theoretical knowledge in addition to content.</p>	40	30	<p>Mostly Levels 3 to 6 (Applying, Analysing, Evaluating and Creating)</p>

TOTAL		150	120	
Take special note of the following:				
	<ul style="list-style-type: none"> Learners are advised to refer to page 6 of the 2021 examination guidelines. This page outlines TWO main topics and sub-topics of each main topic. 			
	<ul style="list-style-type: none"> Take note of main topics that are easy to understand. 			
	<ul style="list-style-type: none"> Make a checklist of topics that are well understood as they may assist in the selection of choice questions during the final exam. 			
	<ul style="list-style-type: none"> You need to know all sub-topics that are covered in each main topic. 			
	<ul style="list-style-type: none"> Take note of the structure of the question paper, mark- and time allocation. 			
3.2	Tips on how to answer different types of questions in Business Studies			
	SECTION A:			
	How to answer multiple choice questions			
	<ul style="list-style-type: none"> Try to work out the answer without looking at the possibilities 			
	<input type="checkbox"/> Read through the statement and all the options.			
	<ul style="list-style-type: none"> Underline the key words in the statement. 			
	<input type="checkbox"/> Cross out the options that are wrong.			
	<input type="checkbox"/> Read through the statement again and select the most appropriate option from the options remaining.			
	<input type="checkbox"/> Write down your answer and move to the next question			
	<input type="checkbox"/> Do not guess your answers, go back to the questions you were not sure of at the end of the paper if there is time left.			
	Example:			
	This problem-solving technique requires each employee to first generate his/her own ideas and then share them with members:			
	A	Brainstorming		
	B	Force-field analysis		
	C	Empty chair technique		
	D	Nominal group technique		

Example:			
COLUMN A		COLUMN B	
1.3. 1	Triple bottom line F ✓✓	A	applying the code of conduct of a profession.
1.3. 2	Insurable risk H ✓✓	B	Reporting on profit, processes, and people.
1.3. 3	Ethical behaviour I ✓✓	C	businesses may be insured against losses from changes in fashion and shoplifting
1.3. 4	Decision-making G ✓✓	D	Disagreement between two or more parties in the workplace
1.3. 5	Grievance J ✓✓	E	a group of people generate alternative solutions and critically evaluate them
		F	report on profit, planet, and people
		G	a senior manager considers all alternatives before choosing the best solution
		H	businesses may be insured against losses from theft and fire
		I	forms part of a code of conduct to guide employees
		J	When an employee has a complaint in the workplace

(2×5) (10)

SECTION B

How to answer case studies/ scenarios or data response questions.

- Look at the heading and the pictures to get an idea of what the case study is about.
- Read through the case study/scenario carefully and slowly with understanding.
- Read each question and underline the keyword/ verb
- Read the case study again and underline each of the keywords in the case study.
- Now answer the questions, pay special attention to action verbs
- Look at the mark allocation as a guide of how many facts should be included in your answer.

SECTION C

The essay consists of three parts: Introduction, body, and conclusion

Introduction

- Start with the word "Introduction" as a heading
- Write an opening statement that links to the instructions of the essay question
- Give at least two meaningful facts to obtain maximum 2 marks [2x1=2]
- **Do not repeat or use the words that are in the question paper either in the introduction or conclusion.**

Body

- Break up the information into logical parts, making use of headings and subheadings

- The maximum marks obtained for the body = 32 marks

[32]

- Do not repeat facts, get to the point.
- Responses must be bulleted and in full sentences.
- Put your statements in context.

Conclusion

- Start with the word “conclusion” as a heading.
- Briefly summarise the main point and focus of the essay
- End your essay with a meaningful fact – not repeating what was said in the introduction or body
- Give at least one meaningful closing statement

[1x2= 2]

Insight /LASO

- Write the words Introduction and Conclusion with supported facts under each to obtain full marks for layout.
- Write sub-headings that appear in the question paper to obtain ONE mark for analysis.
- Ensure that you write as many correct facts as you can that amount to at least 16 marks or more in the body to obtain another ONE mark for analysis.
- Write only responses relevant to the questions asked to obtain two marks for synthesis.
- Use at least TWO current examples to elaborate on facts to obtain two marks for originality.

3.3 Action verbs commonly used in the Business Studies NSC examination

Action verbs	Meaning
Identify	<ul style="list-style-type: none"> Naming the fact from given scenarios/statements.
Motivate/Support your answer	<ul style="list-style-type: none"> Quote as is from the scenario otherwise you will not be awarded marks.
Explain/discuss/describe	<ul style="list-style-type: none"> State heading (2 marks) and write an explanation (1 mark)
Give/State	<ul style="list-style-type: none"> Supply a one/two words answer.
Evaluate/Analyse	<ul style="list-style-type: none"> Requires advantages/positives and /or disadvantages/negatives
Suggest/Recommend/Advise	<ul style="list-style-type: none"> Provide your own opinion with a valid argument.
Elaborate	<ul style="list-style-type: none"> Explain a little bit further.
Distinguish/Differentiate	<ul style="list-style-type: none"> Explain the differences between concepts.
	<ul style="list-style-type: none"> The difference/distinction does not have to link but the differences must be clear.
Tabulate/Compare the differences between two concepts	<ul style="list-style-type: none"> Explain the differences between two concepts and they must link.

Take note of the following:

- Refer to the glossary for specific important definitions of terminology.
- To obtain full marks per fact you are required to write a fact and a supporting statement e.g., Workers may not work more than 45 hours[✓] in a week. [✓]
- This is applicable to Sections B and C

Use the table below as a guide to respond to questions with the following verbs:

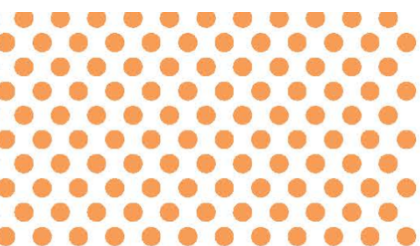
Split marking ✓ ✓	Two marks at end of Statement ✓✓	One mark at end of Phrase ✓
Describe	Classify	Give
Explain ✓ ✓	Name ✓✓	Identify ✓
Distinguish/Differentiate(May use table) ✓ ✓	Suggest ✓✓	List ✓
Discuss ✓ ✓	Advise ✓✓	
Analyse ✓ ✓	Propose ✓✓	Name ✓
Elaborate ✓ ✓	Define ✓✓	State ✓
Evaluate ✓ ✓	Recommend ✓✓	
Compare ✓ ✓	Outline ✓✓	
Tabulate ✓ ✓		





4.1.1 Overview of the topic

In this section a detailed explanation of the different investment opportunities will be provided. These will be addressed in line with content learners are expected to know as outlined in the Examination Guidelines of 2021 which should be used by learners to check scope covered



TERMS	DEFINITIONS
Simple interest	It is when interest is paid on the original amount only and not on the accrued interest.
Dividends	It is the return/or earning which shareholders receive for investing in shares/when they have bought shares
Capital gain	It is the extra money the investor makes from selling an asset.
Debenture	The lender agrees to lend money to the company on certain conditions for a certain period.
Compound interest	It is when interest is earned also on the interest accrued, not only on the amount invested.
Return on investment	Refers to the income made from the investment e.g. interest, dividends, capital gain (increase) on the original amount.
Risk	Refers the possibility that the invested amount may be lost over a period due to unexpected circumstances.
Dividends	It is the return/or earning which shareholders receive for investing in shares/when they have bought shares.
Investment period/term	This refers to the duration of the investment which may influence the return on investment.
Inflation rate	It is the percentage rate at which prices of goods and services increase.
Fixed rate	The rate of return stays the same for the period.
Accumulated	Interest earned over the investment period
Capital Market / securities market	It is the market for securities/shares where companies and the government can raise long-term funds.
Shareholder	An owner or part owner in a company

1. Functions of the Johannesburg Security/Stock Exchange/JSE

- Acts as a link between investors and public companies.
- Shares are valued and assessed by experts.
- Regulates the market for dealing with shares.
- Provides protection for investors.
- Encourages short-term investment.
- Venture capital market is made available on the open market.
- Orderly market for securities serves as a disciplined market for securities

2. Factors that should be considered when making investment decisions

- Return of investment (ROI)
- Risk
- Investment term/period
- Inflation rate
- Taxation
- Liquidity

3. Explanation of investment decisions

3.1 Return on investment

- High risk investments yield higher returns.
- Generally, there will be a direct link between risk and return.

3.2 Risk

- Shares have low/medium risk over a longer investment period.
- Shares with higher risks have a greater potential for higher returns.

3.3 Inflation rate

- People are affected by a high inflation rate because the value of money/purchasing power decreases.
- The return on investment should be higher than the inflation rate.

3.4 Liquidity

- An amount could be invested in a type of investment that can easily be converted to cash.
- It is used to describe the ease and speed with which investors can convert an investment into cash.

3.5 Taxation

- A good investment will yield good after-tax returns.
- Tax rates are not necessarily the same for different investments.



ACTIVITY 1

- | | | |
|------------|--|-----|
| 1.1 | Outline the functions of Johannesburg Security/Stock Exchange/JSE | (8) |
| 1.2 | Discuss the factors that should be considered when making an Investment decisions. | |
| 1.2.1 | Investment term | (4) |
| 1.2.2 | Taxation | (4) |

3	TYPES OF INVESTMENT OPPORTUNITIES AND THEIR RISKS	
3.1	Mutual funds/Stokvels	
	<ul style="list-style-type: none"> • It is an informal savings scheme to which a relatively small group of people are contributing. • It encourages people to save each month for a specific reason. 	
	<p>Risk</p> <ul style="list-style-type: none"> • Schemers who claim to be running stokvels may be running illegal pyramid schemes and pay-outs may not be possible as cash has run out/members may lose their savings. • Money in a savings account is a safe investment, but with low interest rates/the returns are low. 	

3.2	Managed portfolio	
	<ul style="list-style-type: none"> • An investor instructs a financial institution/bank/financial advisor to manage his/her various investments/assets in one portfolio. • If the portfolio does not perform well/as expected, the portfolio/parts thereof may be changed with/without informing the investor. 	
	<p>Risk</p> <ul style="list-style-type: none"> • Risk is lower over a longer term/period. • Investments are made in various sectors/companies, therefore the risk is spread and better managed by the portfolio manager. 	

3.3	32-Day Notice Accounts	
	<ul style="list-style-type: none"> • Money is invested at a fixed rate, although withdrawals may be made provided the bank is given 32 days' notice of the withdrawal. • It earns more interest than a current/cheque/savings account, but less interest than a fixed deposit. 	
	<p>Risk</p> <ul style="list-style-type: none"> • Low risk, as investment plus interest will be paid out on the maturity date of investment. • Interest rate may fluctuate with market conditions, increasing the risk. 	

3.4	Debentures	
	<ul style="list-style-type: none"> ● It is issued to raise borrowed capital from the public. ● Most types of debentures can be traded on the JSE. 	
	Risk <ul style="list-style-type: none"> ● Debentures have a low risk as they need to be paid back. ● Companies are liable to repay the amount of the debenture plus interest, which decrease the risk for the investor. 	

3.5	Business Ventures/Venture capital	
	<ul style="list-style-type: none"> ● Venture capital is given by an investor/business to start up/expand a business in return to have a share in the new/expanded business. ● Investor(s) should know the type of business/market/economic conditions before a business is bought/started. 	
	Risk <ul style="list-style-type: none"> ● High risk for the investor(s) if research is not properly done. ● Inexperienced business owners that make wrong business decisions may experience big losses/closing of an existing business 	

3.6	Endowment/Life insurance policies/Retirement Annuities	
	<ul style="list-style-type: none"> ● A monthly payment is paid to an insurance company with the expectancy of receiving a pre-determined amount on a date in the future. ● To provide for a future expenses/give peace of mind to the dependants of the insured. 	
	Risk <ul style="list-style-type: none"> ● Low risk, as the insured amount will be paid out regardless of circumstances. ● Only the closing down/bankruptcy of the insurance company may result in losing the monthly contributions made up to the close down date. 	

ACTIVITY 2

2.1 Explain the following factors that may be considered when making investment decisions and their risk factors

2.1.1 Venture capital

(4)

2.1.2 Endowment policies

(4)

4	Forms of investments	
	<ul style="list-style-type: none"> • Government/RSA retail savings bonds • Unit trusts • Shares • Fixed deposit 	
4.1	Impact of FOUR forms of investments	
4.1.1	RSA Retail Savings Bonds/Government Retail Bonds	
	Positives/Advantages	
	<ul style="list-style-type: none"> • 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. • Interest is usually higher than on fixed deposits. • No charges/costs/commissions payable on this type of investment. 	
	Negatives/Disadvantages	
	<ul style="list-style-type: none"> • 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/gather/collect. • 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. 	

		<ul style="list-style-type: none"> ● Penalties are charged for early withdrawals if the savings is less than 12 months old. 	
4.1.2	Unit Trusts		
		Positives/Advantages	
		<ul style="list-style-type: none"> ● Managed by a fund manager who buys shares on the stock exchange/JSE. ● Easy to cash in when an investor needs money. ● A small amount can be invested per month. ● Generally, beats inflation on the medium/long term. ● Safe investments, as it is managed according to rules and regulations. 	
		Negatives/ Disadvantages	
		<ul style="list-style-type: none"> ● Share price may fluctuate. ● Unit Trusts investors are not allowed to borrow funds as it reduces their potential returns. ● Not good for people who want to invest for a short period. ● Not good for people who want to avoid risks at all costs. ● If blue chip companies do not continue their growth path, the growth of unit trusts will also be affected and will not render the expected returns. 	
4.1.3	Shares		
		Positives/Advantages	
		<ul style="list-style-type: none"> ● Can be freely transferred/traded on the JSE. ● Shareholders have voting rights at the annual general meeting (AGM). ● Investing in shares provides protection against inflation. ● Investing in shares can provide solid returns at retirement age. ● Rate of return on investment (ROI) is linked to the performance of the company. 	
		Negatives/Disadvantages	

	<ul style="list-style-type: none"> ● Shareholders may receive less dividends/no dividends when company profits are low. ● Companies have no legal obligation to pay dividends to shareholders. ● Risk may be high, as investment may be lost when companies are liquidated. ● Dividends declared may be determined by the management/directors of the company/business. 	
	Fixed Deposits	
	Positives/ Advantages	
	<ul style="list-style-type: none"> ● Interest is earned at a fixed rate regardless of changes in the economic climate. ● The period of investment can be over a short/medium/long term. ● Investors can choose the investment period that suits them. ● Principal amount plus interest earned is paid out on the maturity date. ● Ensures financial discipline as investors cannot withdraw their funds before the maturity date. 	
	Negatives/Disadvantages	
	<ul style="list-style-type: none"> ● The investor cannot withdraw their funds before the maturity date. ● Low returns compared to other investments. ● May not outperform the effect of inflation over long term. 	



ACTIVITY 3

3.1 Read the below Scenario and answer questions that follow

RAMAFOLE TRAINING AND LOGISTICS (RTL)

Ramafole Training and Logistics have increased their number of clients because of the quality of the services offered by the business.

The management of RTL have instructed the bank to manage their investment in a diverse portfolio managed by a specialist.

- | | | |
|--------------|---|-----|
| 3.1.1 | Identify the type of investment option that is applicable to the above scenario | (2) |
| 3.1.2 | Discuss the impact of the type of investment identified in QUESTION 3.1.1 | (8) |

4.2	Types Of Shares		
	4.2.1	Ordinary shares	
		<ul style="list-style-type: none"> ● Ordinary shares only receive dividends when profit is made. ● Normally the higher the net profit, the higher the dividend. ● Shareholders are the last to be paid if the company is declared bankrupt/ liquidated. 	
		Rights of ordinary shareholders	
		Shareholders have a right to: <ul style="list-style-type: none"> ● Vote at the Annual General Meeting. ● Attend the Annual General Meeting to learn about the company's performance. ● Receive interim and annual reports. ● Claim on company assets in the event of bankruptcy after all other creditors and preferential shareholders have been paid. 	

	4.2.2	Preference shares	
		<ul style="list-style-type: none"> • Some of these types of shares receive dividends regardless of whether a profit is made. • A fixed rate of return is paid on this type of shares. • Dividends are payable according to the type of preference share. • Voting rights are restricted to particular circumstances/resolutions. 	
		Rights of preference shareholders	
		Shareholders have right to:	
		<ul style="list-style-type: none"> • Receive dividends regardless of how much profits are made. • Receive a fixed rate of return/dividend. • They are paid first/enjoy preferential rights to dividends. • They have a preferred claim on company assets in the event of bankruptcy/ liquidation of the company. • Receive interim and annual reports. 	

4.3		Founder' shares	
		<ul style="list-style-type: none"> • Issued to the founders and incorporators/promoters of the company. • They receive dividends after all other shareholders were paid. 	
4.4		Bonus shares	
		<ul style="list-style-type: none"> • Payment in the form of shares to shareholders. • Issued as compensation for unpaid dividends. • Shareholders will own more shares and collect more dividends in the future. • Shareholders receive these shares without being required to pay for them. 	

4.5		TYPES OF PREFERENCE SHARES	
	4.5.1	Participating Preference Shares	
		Shareholders: <ul style="list-style-type: none"> • Are guaranteed minimum fixed dividends. • Are entitled to share in any surplus company profits. • Receive higher dividends when the company performs well. 	

		<ul style="list-style-type: none"> • Have preferential rights over ordinary shares on repayment when the company closes. 	
	4.5.2	Non-Participating Preference Shares / Ordinary Preference Shares Shareholders:	
		<ul style="list-style-type: none"> • 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. 	
	4.5.3	Cumulative Preference Shares	
		<ul style="list-style-type: none"> • 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. 	
	4.5.4	Non-cumulative preference shares	
		<ul style="list-style-type: none"> • Shareholders are not compensated for past dividends that were not paid out when profits were low. 	
	4.5.5	Redeemable Preference Shares	
		<ul style="list-style-type: none"> • 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. 	
	4.5.6	Non-Redeemable Preference Shares	
		<ul style="list-style-type: none"> • Shares are only bought back when the company closes for reasons other than bankruptcy. 	
	4.5.7	Convertible preference shares	
		<ul style="list-style-type: none"> • Shares can be converted into a predetermined number of ordinary shares on the date specified when the preference shares were issued. 	
	4.5.8	Non-Convertible Preference Shares	
		<ul style="list-style-type: none"> • Shares cannot be converted into ordinary shares. 	

ACTIVITY 4

4.1 Identify the type of preference shares that are represented by each of the statement below.

4.1.1 Shares can be converted into a predetermined number of ordinary shares on the date specified when the preference shares were issued.

4.1.2 Shareholders are not compensated for past dividends that were not paid out when profits were low.

4.1.3 Shareholders are entitled to share in any surplus company profits.

4.1.4 Shares are only bought back when the company closes for reasons other than bankruptcy.

4.1.5 Compensated for past dividends that were not paid out when profits were too low to declare dividends.

(10)

(5 x 2)

4.6	Differences between ordinary and preference shares		
	ORDINARY SHARES	PREFERENCE SHARES	
	<ul style="list-style-type: none"> Ordinary shares only receive dividends when profit is made. 	<ul style="list-style-type: none"> Some of these types of shares receive dividends regardless of profit made. 	
	<ul style="list-style-type: none"> Normally the higher the profit, the higher the dividend. 	<ul style="list-style-type: none"> A fixed rate of return is paid on this type of shares. 	
	<ul style="list-style-type: none"> Shareholders have a right to vote at the Annual General Meeting. 	<ul style="list-style-type: none"> Voting rights are restricted to circumstances/resolutions. 	

5.	Description of investment concepts	
5.1	Debentures	
	<ul style="list-style-type: none"> ● It is issued to raise borrowed capital from the public. ● Debenture holders are creditors, as the company is liable to repay the amount of the debentures. ● Most types of debentures can be traded on the JSE. 	
5.2	Dividends	
	<ul style="list-style-type: none"> ● Return on an investment in shares which is paid regularly by a company to its shareholders. ● Dividends are decided and managed by the company's board of directors and approved by the shareholders through their voting rights. 	
5.3	Capital gain	
	<ul style="list-style-type: none"> ● Return on property/fixed assets/investments. ● Capital gains tax is payable when you sell an asset that has increased in value since you bought it. 	
5.4	Simple interest	
	<ul style="list-style-type: none"> ● Interest is calculated on the original/principal amount invested. ● The principal amount remains the same over the entire period of investment. ● The interest is kept separate unless it is reinvested. ● Yields less return on investment. 	
5.5	Compound interest	
	<ul style="list-style-type: none"> ● Interest is calculated in every period on original/principal amount plus interest. ● Interest is added to the original/principal amount and interest is earned on interest for each defined period. ● As interest is added to the investment, the capital increases. 	

6	Distinction between compound and simple interest	
	COMPOUND INTEREST	SIMPLE INTEREST
	The principal amount grows with the addition of interest to it.	The principal amount remains the same over the entire period of investment.
	Interest is calculated on the higher principal amount and again added to it.	The interest is kept separate unless it is reinvested.
	Yields high return on investment.	Yields less return on investment.
	Total amount of interest earned on investment is high.	Total amount of interest earned on investment is less.

7	Examples of how to calculate the simple and compound interest
	Tom wants to invest R30 000 in a fixed deposit for two years. He approached two banks. Samito Bank offered him 12% simple interest per annum and Dominie Bank 12% compounded interest per annum.
	<ul style="list-style-type: none"> • Calculate the interest amount Tom will receive after two years if she invests with Samito Bank. • Calculate the interest amount Tom will receive after two years if she invests with Dominie Bank. • Recommend the best investment option for Tom. Motivate your answer.

Solution: Calculation of simple interest from the above scenario:

FORMULA: Interest = P x R x T

$$R30\ 000 \times 12\% \times 2\ \text{years} = R7200$$

Solution: Calculation of compound interest from the above scenario:

Option 1

$$\text{Year 1: } R30\ 000 \times 12\% = R3600$$

$$\text{Year 2: } R33\ 600 \times 12\% = R4032$$

$$\text{Total interest} = R7632$$

OR

Option 2

$$\text{FORMULA: } P \times (1 + r)^n$$

$$R30\ 000 \times (1 + 12/100)^2$$

$$R30\ 000 \times (1.12)^2 = R37\ 632$$

$$\begin{aligned} \text{Total interest} &= R37\ 632 - R30\ 000 \\ &= R7632 \end{aligned}$$

8 Recommendation on the best investment option based on the calculations:

Compound interest is the best option based on the calculations above.

Motivation

Compound interest yields a higher interest of R7 632 than the simple interest/Tom earns interest on interest accrued.



INVESTMENT OPPORTUNITIES/SECURITIES: ADDITIONAL REVISION QUESTIONS

SECTION A

1.1. Various options are provided as possible answers to the following questions. Write down the question number (1.1.1–1.1.5)

1.1.1 Senzo invested R8 000 at Burger Bank at 10% simple interest for three years. Burger Bank will pay out ... after three years when the investment matures.

- A R10 400
- B R8 800
- C R10 648
- D R2 400

1.1.2 A minimum of R1 000 must be invested in this form of investment:

- A Unit trusts
- B Shares
- C Fixed deposit
- D RSA Retail Savings Bonds

1.1.3 An investor can only withdraw money from... when he/she reaches a certain age

- A stokvel
- B debentures
- C 32-day notice account
- D retirement annuities

1.1.4 Factors that should be considered when making investment decisions

- A JSE
- B STRATE
- C Taxation
- D Shareholders

**1.1. This type of share is issued as compensation to shareholders
5 for unpaid dividends**

- A Preference shares
- B Bonus shares
- C Founder' shares
- D Ordinary shares

(5 X 2) (10)

ESSAY TYPE QUESTION

Peter & Teko are partners in P&T Consultancy. Yields on simple and compound interests were not favorable to them. They are considering investing their surplus funds in RSA Retail Savings Bonds, in ordinary or preference shares. They must consider some factors when making investment decisions.

Write an essay on investment in which you include the following aspects:

- Outline the rights of ordinary and preference shareholders.
- Explain to P&T on how the following factors should be considered when making investment decision:
 - Return on investment
 - Inflation rate
 - Liquidity
- Distinguish between simple interest and compound interest.
- Evaluate the impact of the RSA Retail Savings Bonds/government retail bonds on investors.

(40)

ACTIVITY 1

1.1 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. ✓✓
- Mobilises the funds of insurance companies and other institutions. ✓✓
- Raises primary capital by encouraging new investments in listed companies. ✓✓
- 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 through tough regulations/ law. ✓✓
- Encourages short-term investment. ✓✓

Max (8)

1.2 Investment term/period

- This refers to the duration of the investment ✓ which may influence the return on investment. ✓

- The longer the investment period ✓ the higher the returns. ✓
- The investment period will depend on ✓ an investor's personal needs. ✓
- Short term investments enable investors to access their money ✓ on a short period if needed ✓
- The investment period can be short, medium and/or long term (4) ✓ depending on investors' needs. ✓

1.3 Taxation

- A good investment ✓ will yield good after-tax returns. ✓
- Income tax implications must be considered ✓ in order to ensure a high net after-tax return. ✓
- Tax rates are not necessarily the same ✓ for different investments. ✓

ACTIVITY 2

VENTURE CAPITAL

INVESTMENT OPPORTUNITIES

- Venture capital is given by an investor/business to start expanding a business ✓ in return to have a share in the new/expanded business. ✓
- Investor(s) should know the type of business/market/economic conditions ✓ before a business is bought/started. ✓

Sub-max (2)

RISK FACTOR

- High risk for the investor(s), ✓ if research is not properly done. ✓
- Inexperienced business owners that make wrong business decisions ✓ may experience big losses/closing of an existing business. ✓

Sub-max (2)

Max (4)

ENDOWMENT/ RETIREMENT ANNUITIES

INVESTMENT OPPORTUNITIES

- A monthly payment is made to an insurance company ✓ with the expectancy of receiving a

RISK FACTOR

- Low risk, as the insured amount will be paid out ✓ regardless of circumstances. ✓

pre-determined amount on a date in the future. ✓

- To provide for a future expenses ✓/give peace of mind to the dependents of the insured. ✓
- Only the closing down/bankruptcy of the insurance company ✓ may result in losing the monthly contributions made up to the close down date. ✓

Sub-max (2)

Sub-max (2)

Max (4)

ACTIVITY 3

3.1 Unit Trusts ✓✓ **(2)**

3.2 **Impact of unit trusts**

Positives / Advantages

- Managed by a fund manager who buys shares ✓ on the stock exchange/JSE. ✓
- Easy to cash in ✓ when an investor needs money. ✓
- A small amount can be invested ✓ per month. ✓
- Generally, beats inflation ✓ on the medium/long term. ✓
- Safe investments ✓, as it is managed according to rules and regulations. ✓
- The investor has a variety to choose from/a wider range of shares ✓ from lower to higher degrees of risk. ✓
- Easy to invest in ✓, as investors simply complete a few relevant forms or invest online. ✓
- Fluctuations in unit trust rates of return are often not so severe ✓ because of diversity of the investment fund. ✓
- Offer competitive returns in the form of capital growth ✓ and dividend distribution. ✓
- Fund managers are knowledgeable/experts/reliable/trustworthy ✓ as they are required to be accredited to sell unit trusts. ✓

OR

Negatives/ Disadvantages

- Share price✓ may fluctuate✓
- Unit Trusts are not allowed to borrow✓, therefore reducing potential returns. ✓
- Not good for people who want to invest✓ for a short period. ✓
- Not good for people who want to avoid risks✓ at all costs.✓
- If blue chip companies do not continue on their growth path✓, the growth of unit trusts will also be affected and will not render the expected returns. ✓
- Bid/Ask prices exist with the price that you can buy a unit for usually higher✓ than the price you can sell it for making investment less liquid.✓

Max (8)

ACTIVITY 4

4.1 Preference shares

- 4.1.1 Convertible preference shares ✓✓
- 4.1.2 Non- cumulative preference shares ✓✓
- 4.1.3 Participating preference shares ✓✓
- 4.1.4 Non-redeemable preference shares ✓✓
- 4.1.5 Cumulative preference shares ✓✓

**Max (10
)**

ADDITIONAL REVISION ANSWERS

SECTION A

1.1.1 A ✓✓

1.1.2 D ✓✓

1.1.3 D ✓✓

1.1.4 C ✓✓

1.1.5 B ✓✓

(10
)

ESSAY

5.1 Introduction

- Return on investment refers to income from the investment, namely interest/dividends/increased capital growth on the original amount invested. ✓
- Preference shares receive dividends regardless of whether a profit is made. ✓
- Simple interest is calculated on the original/principal amount invested. ✓

Any 2 x 1 (2)

5.2 Rights of Ordinary shareholders

5.2.1 Shareholders have a right to:

- vote at the Annual General Meeting. ✓✓
- attend the Annual General Meeting to learn about the company's performance. ✓✓
- receive interim and annual reports. ✓✓
- claim on company assets in the event of bankruptcy after all other creditors and preferential shareholders have been paid. ✓✓

Max (6)

5.2.2 Rights of preference shareholders

Shareholders have right to:

- Receive a fixed rate of return/dividend. ✓✓
- They are paid first/enjoy preferential rights to dividends. ✓✓

- They have a preferred claim on company assets in the event of bankruptcy/ liquidation of the company. ✓✓
- Receive interim and annual reports. ✓✓
- They only have voting rights at the AGM under particular circumstances/for certain resolutions. ✓✓
- Cumulative shareholders must receive outstanding/accrued dividends from previous years. ✓✓
- Participating preference shareholders have the right to share in surplus profits. ✓✓ (6)

5.3

5.3.1 Return on investment

- High risk investments ✓ yield higher returns. ✓
- Generally, there will be a direct link ✓ between risk and return. ✓
- The return should be expressed as net after-tax gains ✓ on the investment. ✓
- Returns can be in the form of capital gains ✓ where the asset appreciates in value over time. ✓

Submax (6)

5.3.2 Inflation rate

- People are affected by a high inflation rate, ✓ because their money/purchasing power decreases. ✓
- The return on investment should be higher ✓ than the inflation rate. ✓
- Inflation has a positive effect on some investments such as property/shares ✓ where the income will increase as inflation increases. ✓

Submax (6)

5.3.3 Liquidity

- An amount could be invested in a type of investment ✓ that can easily be converted to cash. ✓
- It is used to describe the ease and speed ✓ with which investors can convert an investment into cash. ✓

- Example: an investment in a savings account/unit trust will be easier to convert into cash ✓ than an investment in a fixed deposit which is usually deposited for a fixed period. ✓

Submax (6)

5.4 Distinction between compound and simple interest

COMPOUND INTEREST

- Interest earned on original amount invested, ✓ as well as interest earned in previous period(s). ✓
- The principal amount grows with the addition ✓ of interest to it. ✓
- Interest is calculated on the higher principal amount ✓ and again added to it. ✓
- Yields high return ✓ on investment. ✓
- Total amount of interest earned ✓ on investment is high. ✓

Sub max (6)

SIMPLE INTEREST

- Interest earned on the original amount ✓ and not on the interest accrued. ✓
- The principal amount remains the same ✓ over the entire period of investment. ✓
- The interest is kept separate ✓ unless it is reinvested. ✓
- Yields less return ✓ on investment. ✓
- Total amount of interest earned ✓ on investment is less. ✓

Sub max (6)

5.5 Impact of RSA Retail Savings Bonds/Government Retail Bonds

Positives/ 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. ✓
- Interest is usually higher ✓ than on fixed deposits. ✓
- Retail bonds are listed ✓ on the capital bond markets/on the JSE. ✓
- Low risk/Safe investment, ✓ as it is invested with the South African Government which cannot be liquidated. ✓

- No charges/costs/commissions payable✓ on this type of investment. ✓
- Investment may be easily accessible✓, as cash may be withdrawn after the first twelve months.✓
- It is an affordable type of investment for all levels of income earners✓including pensioners.✓
- Investors younger than 18 years/Minors may invest with the help of a legal guardian, ✓ which encourages saving from a young age.✓

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. ✓
- 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. ✓

Max (8)

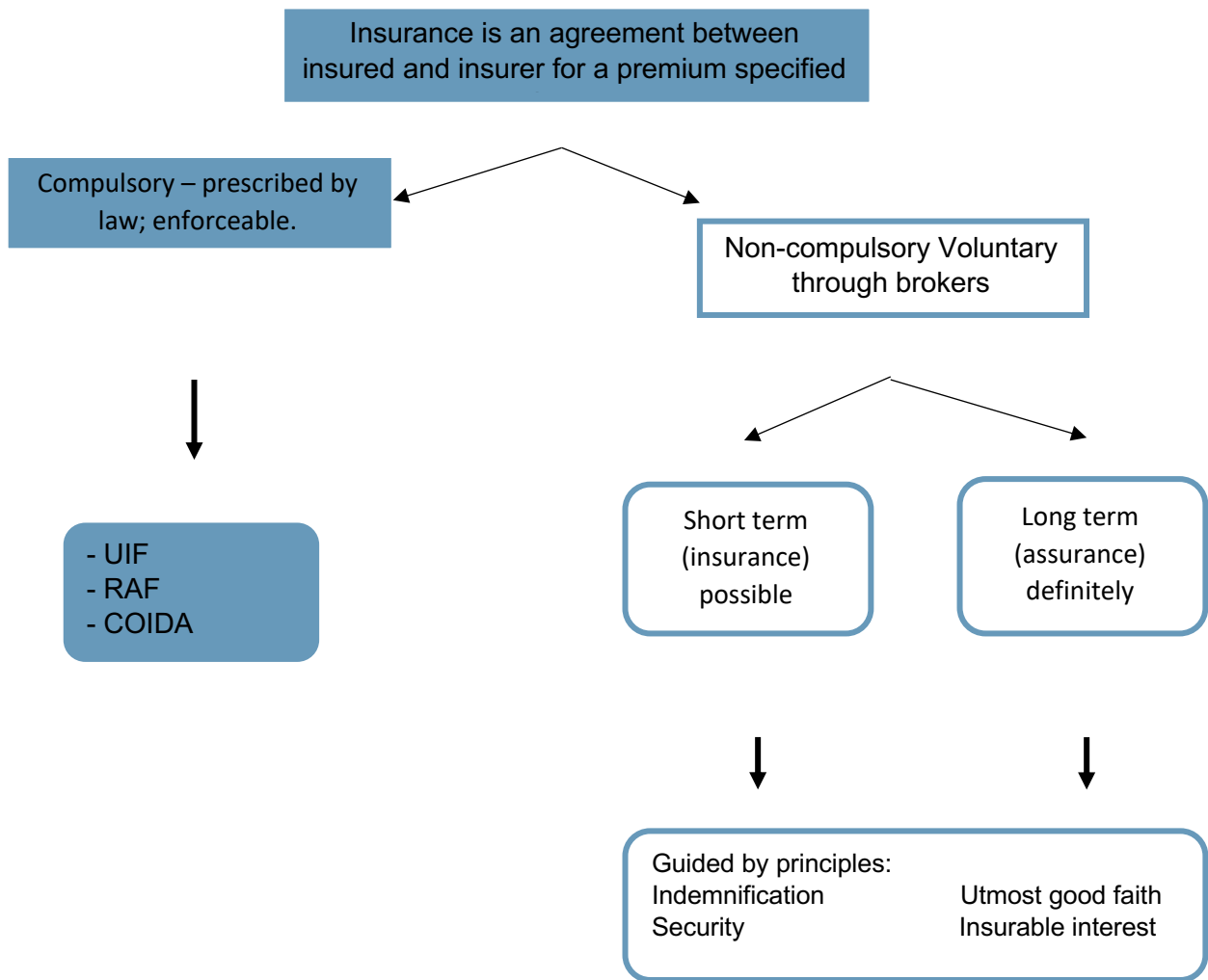
5.6 Conclusion

- Investors can choose between being part of a business and receive good returns on ordinary and preference shares. ✓✓
- Investors should consider the effect interest have on their investment. ✓✓
- Retail bonds are easily/conveniently obtained electronically from any Post Office/directly from National Treasury. ✓✓
- Retail bonds are not freely transferable amongst investors. ✓✓

(1 x 2) (2)



4.2 Investment: Insurance



4.2.1	Overview of the topic	
	<ul style="list-style-type: none"> • Business insurance cover businesses from losses due to events that might occur during the normal course of business. • There are many types of insurance for businesses including cover for property damage, legal liability, and employee-related risks. 	

<ul style="list-style-type: none"> Insurance is extremely beneficial to businesses and individuals as it provides financial relief in times of unforeseen financial losses. Insurance plays a vital role in ensuring that businesses are sustainable.
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4.2.2 Key Concepts

TERMS	DEFINITIONS
Insurance	<ul style="list-style-type: none"> It is a contract between an insurer and the insured requiring an insurance cover and the insurer bearing the financial risk.
Insurance contract	<ul style="list-style-type: none"> An agreement whereby the insurer undertakes to indemnify the insured in the event of a specified loss in exchange for a premium.
Insurer	<ul style="list-style-type: none"> An insurance company that will take over specified risks.
Insured	<ul style="list-style-type: none"> Individuals/businesses that take out an insurance coverage.
Indemnify	<ul style="list-style-type: none"> To compensate, protect or re-pay the insured in the event of a loss or damage.
Risk	<ul style="list-style-type: none"> The potential of losing something of value.
Premium	<ul style="list-style-type: none"> The payment made by insured to be covered in the event of losses/damages.
Life insurance	<ul style="list-style-type: none"> It is a long-term insurance and is taken out on the life of a human being and cover for the loss of life.
Insurable interest	<ul style="list-style-type: none"> Is expressed in financial terms and is the interest that the insured stand to lose if there are losses or damages.

Road Accident Fund (RAF) Road Accident Benefit Scheme (RABS)	<ul style="list-style-type: none"> This fund pays compensation when a person is disabled/injured in a road accident and to dependents of the individual if killed in a road accident.
Unemployment Insurance Fund (UIF)	<ul style="list-style-type: none"> This fund provides benefits to workers who have been working and are now unemployed for reasons such as retrenchment.
Compensation for Occupational Injuries and Diseases (COIDA)	Insurance compensates workers financially for disability that may arise because of accidents while performing duties in the workplace.

4..3	Insurance	
	<ul style="list-style-type: none"> Insurance refers to cover for a possible event that may cause a specified loss/ damage. An agreement whereby the insurer undertakes to indemnify the insured in the event of a specified loss/damage. The insured must pay a premium for specified losses/damages covered. A contract between a person/business/insured requiring insurance cover and the insurance company/insurer bearing the financial risk. 	
4.3.1	Non- Compulsory insurance	
	<ul style="list-style-type: none"> Non-compulsory insurance is voluntary/the insured has a choice whether to enter an insurance contract. It is not required by law, but it can provide protection for businesses and individuals. 	

		<ul style="list-style-type: none"> ● It is taken out to transfer the risk of something happening onto the insurance company. ● These risks include theft, damaged cars, damaged buildings/premises/injuries on premises etc. ● Non-compulsory can be divided into: <ul style="list-style-type: none"> ○ Short-term insurance e.g., fire, theft etc. <p>Long-term insurance e.g., retirement/death etc.</p>	
4.4	Insurable Concepts		
	4.4.1 Over insurance	<ul style="list-style-type: none"> ● Over insurance is when the item is insured for more than the actual market value. ● Businesses will not receive a pay-out larger than the value of the loss at market value. ● This means that the extra money paid for the premiums will not be paid out to the insurer if there is a claim for a loss. 	
	4.4.2 Under insurance	<ul style="list-style-type: none"> ● The property/asset is insured for less than the current/actual value of the property/assets. ● If a business is insured for an amount that is under the actual market value of goods or service, the insured/business will only be paid out for the amount that the goods/assets are insured for. ● The insurer usually applies the average clause to calculate the amount of money that must be compensated to the insured if the goods/assets are under insured. 	

	4.4.3 Average clause	
	<ul style="list-style-type: none"> ● A stipulation set by the insurer which is applicable when property/goods is under insured/insured for less than its market value. ● The insurer will pay for insured loss/damages in proportion to the insured value. ● This means that the insured is responsible for a part of the risk that is not insured. <p>NOTE: The average clause applies when goods/assets are under insured.</p>	
Calculation of under insurance		
	Insurance companies apply the average clause in times of under insurance by using the following formula	
	<p>FORMULA: (Amount insured ÷ Market value) x damages</p> $\frac{\text{Amount insured}}{\text{Market Value of insured item}} \times \text{Amount of damages/loss}$	

Example of calculating under insurance applying the average clause	
Meno owns a thatched house valued at R2 000 000. He insured his house with Paloma Insurers for R1 600 000. A fire in the kitchen caused damages of R60 000.	
1	Calculate the amount Paloma Insurers will pay Meno to cover damages. Show ALL calculations.
2	Explain to Meno the reason why he did not qualify for the full amount of damages sustained.
	<p>FORMULA: (Amount insured ÷ Market value) x damages</p> $\frac{\text{Amount insured}}{\text{Value of insured item}} \times \text{Amount of damages/loss}$ $= \frac{\text{R1600000}}{\text{R2000000}} \times \text{R60 000}$ $= \text{R48 000}$
	<p>Reasons for not qualifying for the full amount of damages</p> <ul style="list-style-type: none"> • Meno insured his house for less (R1600 000) than the market value (R2 000 000). • He was underinsured so the average clause had to be activated. • He will only receive R48 000 for damages, and not the full amount of the claim (R60 000).
4.4.4	Reinstatement

	<ul style="list-style-type: none"> • It is a stipulation whereby the insurer may replace lost/damaged property/goods instead of reimbursing the insured. • This stipulation is applicable when property/goods are over insured. • The re-insatement value will not be higher than the market value of the loss. • Insured is returned to almost the same financial position as before the loss occurred. <p>Example: A business property that has been insured for R300 000 but the market value for the property is R200 000. If it is destroyed by fire/storm etc, the insurer will rebuild the property instead of paying cash.</p> <p>NOTE: 1 Reinstatement applies when goods/assets are over-insured.</p> <p>There is no formula for calculating over insurance</p>	
4.4.5	Excess	
	<ul style="list-style-type: none"> • A clause which states that the insured is responsible for a fixed amount of the loss or damages when submitting a claim. i.e., certain portion of the claim is not covered by the insurer. • An amount that the insured agrees to pay in the event of a claim. 	

5	Difference between over-insurance and under-insurance		
	OVER-INSURANCE	UNDER-INSURANCE	
	<ul style="list-style-type: none"> • Property/Assets that are insured for more than their value. 	<ul style="list-style-type: none"> • Property/Assets that are not insured for their full market value. 	

<ul style="list-style-type: none"> • The insurer can choose to reinstate the insured. 	<ul style="list-style-type: none"> • The insurer will implement the average clause to determine the amount that will be paid.
<ul style="list-style-type: none"> • Businesses will not receive a pay-out larger than the value of the loss at market value 	<ul style="list-style-type: none"> • Businesses will only be paid out for the amount that the goods/assets are insured for.

6	Difference between the insurance and assurance	
	INSURANCE	ASSURANCE
	<ul style="list-style-type: none"> • Based on the principle of indemnity 	<ul style="list-style-type: none"> • Based on the principle of security/certainty
	<ul style="list-style-type: none"> • The insured transfers the cost of potential loss to the insurer at a premium 	<ul style="list-style-type: none"> • The insurer undertakes to pay an agreed sum of money after a certain period has expired/on the death of the insured person, whichever occurred first
	<ul style="list-style-type: none"> • It covers a specified event that may occur 	<ul style="list-style-type: none"> • Specified event is certain, but the time of the event is uncertain
	<ul style="list-style-type: none"> • Applicable to short term insurance 	<ul style="list-style-type: none"> • Applicable to long term insurance
	Examples	Examples
	<ul style="list-style-type: none"> • Property insurance/money in transit/theft/burglary/fire 	<ul style="list-style-type: none"> • Life insurance/endowment policies/ retirement annuities,
6	Examples of short-term insurance and long term insurance	
	SHORT TERM INSURANCE	LONG TERM INSURANCE
	<ul style="list-style-type: none"> • Property insurance 	<ul style="list-style-type: none"> • Endowment policy

<ul style="list-style-type: none"> ● Money in transit ● Theft ● Burglary ● Fire 	<ul style="list-style-type: none"> ● Life cover policy/Life insurance ● Retirement annuity/Pension fund/Provident fund ● Disability policy ● Trauma insurance ● Funeral insurance ● Health insurance/Medical aid
---	--

7	Principles of insurance	
	7.1 Indemnification/Indemnity	
	<ul style="list-style-type: none"> ● Usually applies to short term insurance, as the insured is compensated for specified/proven harm/loss. ● Insurer agrees to compensate the insured for damages/losses specified in the insurance contract, in return for premiums paid by the insured to the insurer. ● Protects the insured against the specified event that may occur. ● Pay-outs from insurance companies/insurer will only be made; if there is proof that the specified event took place/if the insured can prove the amount of the loss/ damage. ● The amount of indemnification/compensation is limited to the amount of provable loss/damage, even if the amount in the policy/insurance contract is higher. ● The insured must be placed in the same financial position as before the occurrence of the loss/damage/The insured may not profit from insurance. 	
	7.2 Security	
	<ul style="list-style-type: none"> ● Applies to long-term insurance where the insurer undertakes to pay out an agreed upon amount in the event of loss of life. 	

	<ul style="list-style-type: none"> ● A predetermined amount will be paid out when the insured reaches a pre-determined age/or gets injured due to a predetermined event. ● Aims to provide financial security to the insured at retirement/the dependents of the deceased. 	
7.3	Utmost good faith	
	<ul style="list-style-type: none"> ● Insured must be honest in supplying details when entering in an insurance contract. ● Both parties/insurer and insured must disclose all relevant facts. ● Insured must disclose everything that may affect the extent of the risk. ● Details/Information supplied when claiming should be accurate/true. 	
7.4	Insurable interest	
	<ul style="list-style-type: none"> ● Insured must prove that he/she will suffer a financial loss if the insured object is damaged/lost/ceases to exist. ● An insurable interest must be expressed in financial terms. ● Insured must have a legal relationship with the insured object in the contract. 	

ACTIVITY 1

1.1 Elaborate on the meaning of insurance. (4)

1.2 Read the statement below and answer the questions that follow.

Insuring assets against theft, damage, fire, and burglary is essential for every business. Businesses should also plan carefully for risks which are not insurable.

1.2.1 Quote THREE examples of insurable risks from the scenario above. (3)

1.2.2 Explain the meaning of non-insurable risks and give ONE example of such a risk. (2)

1.3 Explain the meaning of the following insurance concepts:

1.3.1 Underinsurance

1.3.2 Average clause

1.3.3 Reinstatement

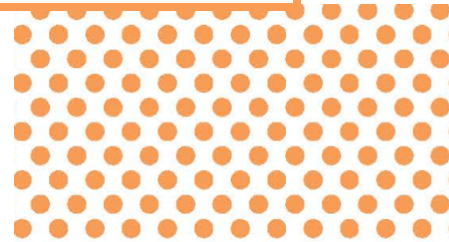
1.3.4 Excess (8)

ACTIVITY 2

2.1 Identify the principle of insurance in the statement below:

2.1.1 The insured must prove that he/she stands to lose financially should his/her possessions be destroyed. (2)

- 2.1.2 The insurer has guaranteed to pay the insured a large sum of money for an insured eventuality (2)
- 2.1.3 The insured and the insurer are both required to disclose all information that may affect the requirements of the insurance company (2)
- 2.1.4 The insured will be compensated for damages/losses specified in the insurance contract (2)



ACTIVITY 3

3.1 Read the scenario below and answer the questions that follow.

TAU TRADERS (TT)

Tau Traders bought stock worth R400 000 but insured it for R300 000. A fire in the warehouse destroyed stock to the value of R60 000.

3.1.1 Name the insurance clause that is applicable to the scenario above. (2)

3.1.2 Calculate the amount that TT Traders will receive as compensation from the insurer. Show ALL calculations. (4)

8 ADVANTAGES/IMPORTANCE OF INSURANCE FOR BUSINESSES

- Transfers the risk from the business/insured to an insurance company/insurer.
- Protects businesses against dishonest employees.
- Protects businesses against losses due to death of a debtor.
- Protects the business against theft/loss of stock and/or damages caused by natural disasters such as floods, storm damage, etc.
- Protects businesses from claims made by members of the public for damages that the business is responsible for.
- Businesses will be compensated for insurable losses, e.g. destruction of property through fire.

9	MEANING OF INSURABLE AND NON-INSURABLE RISKS		
9.1	Meaning of insurable risks		
	<ul style="list-style-type: none"> • These risks are insured by insurance companies. • Insurance companies decide on the likelihood of an event and then decide if they want to insure the risk. 		
9.2	Meaning of non-insurable risks		
	<ul style="list-style-type: none"> • These risks are not insured by insurance companies as insurance cost/risks are too high/remains the responsibility of the business. • The insurance company cannot calculate the profitability of the risk and therefore they cannot work out a premium that the business must pay. 		
9.3	Examples of insurable and non- insurable risks		
	INSURABLE RISKS	NON-INSURABLE RISKS	
	Examples <ul style="list-style-type: none"> • Theft • Fidelity insurance • Burglary • Money in transit • Fire • Natural disaster/Storms/Wind/Rain/Hail 	Examples <ul style="list-style-type: none"> • Nuclear weapons/war • Changes in fashion • Improvement/changes in technology • Irrecoverable debts • Financial loss due to bad management • Possible failure of a business • Shoplifting during business hours 	



10	COMPULSORY INSURANCE										
	10.1	Meaning									
		<ul style="list-style-type: none"> • Compulsory insurance is insurance that is required by law before /businesses/individuals may engage in certain activities. • Compulsory insurance is intended to safeguard the welfare of everyone concerned. • It is regulated by Government and does not require insurance contracts/brokers. • Payment is in the form of a levy/contribution paid into a common fund from which benefits may be claimed under certain conditions. 									
10.2	Difference between Compulsory insurance and Non-compulsory insurance										
		<table border="1"> <thead> <tr> <th>Compulsory insurance</th> <th>Non-compulsory insurance</th> </tr> </thead> <tbody> <tr> <td>Required by Law/there are legal obligations for it to be taken out and paid for.</td> <td>Is voluntary/the insured having a choice whether to enter into an insurance contract.</td> </tr> <tr> <td>It is regulated by Government and does not require insurance contracts/brokers</td> <td>Insured will enter a legal insurance contract with the insurer, who may be represented by an insurance broker.</td> </tr> <tr> <td>Payment is in the form of a levy/contribution paid into a common fund from which benefits may be claimed under certain conditions.</td> <td>Monthly/Annual payments/premiums that must be paid to enjoy cover for a nominated risk.</td> </tr> </tbody> </table>	Compulsory insurance	Non-compulsory insurance	Required by Law/there are legal obligations for it to be taken out and paid for.	Is voluntary/the insured having a choice whether to enter into an insurance contract.	It is regulated by Government and does not require insurance contracts/brokers	Insured will enter a legal insurance contract with the insurer, who may be represented by an insurance broker.	Payment is in the form of a levy/contribution paid into a common fund from which benefits may be claimed under certain conditions.	Monthly/Annual payments/premiums that must be paid to enjoy cover for a nominated risk.	
Compulsory insurance	Non-compulsory insurance										
Required by Law/there are legal obligations for it to be taken out and paid for.	Is voluntary/the insured having a choice whether to enter into an insurance contract.										
It is regulated by Government and does not require insurance contracts/brokers	Insured will enter a legal insurance contract with the insurer, who may be represented by an insurance broker.										
Payment is in the form of a levy/contribution paid into a common fund from which benefits may be claimed under certain conditions.	Monthly/Annual payments/premiums that must be paid to enjoy cover for a nominated risk.										

		Examples UIF, RAF and Compensation Fund/COIDA	Examples Short term insurance, Multi-peril insurance (theft, fire, etc.),	
10.3	Types of Compulsory Insurance			
	10.3.1	Unemployment Insurance Fund (UIF)		
		<ul style="list-style-type: none"> • The UIF provides benefits to workers who have been working and become unemployed for various reasons. • Employees contribute 1% of their basic wage to UIF. • Businesses contribute 1% of basic wages towards UIF, therefore, reducing the expense of providing UIF benefits themselves. • The contribution of businesses towards UIF increases the amount paid out to employees that become unemployed. • All employees who work at least 24 hours per month are required to be registered for UIF/contribute to the UIF. • It is an affordable contribution that makes it possible for businesses to appoint substitute workers in some instances • The business cannot be held responsible for unemployment cover as the UIF pays out to contributors directly/dependant of deceased contributors. • Businesses are compelled to register their employees with the fund and to pay contributions to the fund. 		
		Types of UIF benefits		
		Unemployment benefits		
		<ul style="list-style-type: none"> • Employees, who become unemployed/retrenched due to restructuring/an expired contract, may claim within six months after becoming unemployed. 		

	<ul style="list-style-type: none"> ● Unemployed employees may only claim if they contributed to UIF. ● Unemployed employees enjoy these benefits until the allocated funds are exhausted. ● If a worker voluntarily terminates his/her contract, he/she may not claim. ● No tax is payable on unemployment benefits. 	
	Illness benefits/ Sickness/ Disability	
	<ul style="list-style-type: none"> ● Employees may receive these benefits if they are unable to work for more than 14 days without receiving a salary/part of the salary. ● Employees may not claim these benefits if they refuse medical treatment. 	
	Maternity benefits	
	<ul style="list-style-type: none"> ● Pregnant employees receive these benefits for up to 4 consecutive months. ● If an employee had a miscarriage, she could claim for up to six weeks/42 days. 	
	Adoption benefits	
	<ul style="list-style-type: none"> ● Employees may receive these benefits if they adopt a child younger than two years. ● Employees who take unpaid leave/may receive part of their salary while caring for the child at home. ● Only one parent/partner may claim. 	
	Dependants' benefits	

		<ul style="list-style-type: none"> • Dependants may apply for these benefits if the breadwinner, who has contributed to UIF dies. • The spouse of the deceased may claim, whether he/she is employed or not. 	
	10.3.2	Road Accident Fund (RAF)/Road Accident Benefit Scheme (RABS)	
		<ul style="list-style-type: none"> • RAF/RABS insures road-users against the negligence of other road users. • The RAF/RABS provides compulsory cover for all road users in South Africa, which include South African businesses. • Drivers of business vehicles are indemnified against claims by persons injured in vehicle accidents. • RAF/RABS is funded by a levy on the sale of fuel/diesel/petrol. • The amount that can be claimed for loss of income is limited by legislation. • The next of kin of workers/ breadwinners who are injured/killed in road accidents, may claim directly from RAF/RABS. • Injured parties and negligent drivers are both covered by RAF/RABS. • The injured party will be compensated, irrespective of whether the negligent driver is rich/poor/insured/uninsured. • RABS aims to provide a benefit scheme that is reasonable/equitable/affordable/ sustainable, etc. • RABS aims to simplify/speed up the claims process as victims of road accidents no longer must prove who caused the accident. 	

		<ul style="list-style-type: none"> ● RABS enables road accident victims' speedy access to medical care as delays due to the investigation into accidents has been minimised. 	
	10.3.3	Compensation Fund/Compensation for Occupational Injuries and Diseases/COIDA	
		<ul style="list-style-type: none"> ● The fund covers occupational diseases and workplace injuries. ● Compensates employees for injuries and diseases incurred at work. ● Compensation paid is determined by the degree of disablement. ● The contribution payable is reviewed every few years according to the risk associated with that type of work. ● All employers are obliged to register with the compensation fund so that employees may be compensated for accidents and diseases sustained in the workplace. ● The fund covers employers for any legal claim that workers may bring against them. ● Employers are required to report all accidents within 7 days and occupational diseases within 14 days to the Compensation Commissioner. ● Employers are responsible for contributing towards the fund and may not claim money back from employees/deduct contributions from wages. ● In the event of the death of an employee because of a work-related accident/ disease, his/her dependant(s) will receive financial support. ● Employees do not have to contribute towards this fund. 	

		<ul style="list-style-type: none">• Employees receive medical assistance provided there is no other party/medical fund involved.	

ADDITIONAL REVISION QUESTION

SECTION A

QUESTION 1

- 1.1** Various options are provided as possible answers to the following questions. Write down the question number (1.1.1–1.1.5)
- 1.1.1 The ... clause is applied to determine the amount that the insurer will pay out, especially when goods are underinsured.
- A excess
 - B reinstatement
 - C average
 - D indemnity
- 1.1.2 Thrums Traders insured their building for R80 000. The actual value of the building is R100 000. Damages caused by fire amounted to R50 000. What will be the compensation for the loss?
- A R100 000
 - B R80 000
 - C R62 500
 - D R40 000
- 1.1.3 An over-insured warehouse implies that it is insured for ...
- A less than its replacement value.
 - B less than its actual value.
 - C more than its market value.

D equal to its book value.

1.1.4 The insured will receive a lump sum upon reaching a specific age. This refers to the insurance principle of ...

- A indemnification.
- B security
- C insurable interest
- D good faith.

1.1.5 This insurable risk is insured by insurance companies

- A Loss of assets
- B Losses caused by marketing
- C Losses caused by war
- D Changes in fashion

ESSAY TYPE QUESTION ON INVESTMENT INSURANCE

Businesses take out insurance policies as they operate in high-risk environments. They also realise that some risks cannot be insured. Businesses must be well informed of the principles of insurance before signing an insurance contract. They benefit from compulsory insurance as they do not have to pay out certain claims.

Write an essay on insurance in which you include the following:

- Outline the differences between insurable and non-insurable risks. Give TWO examples of each.
- Explain the following principles of insurance:
 - Indemnity/Indemnification

○ Security/Certainty

- Discuss THREE types of compulsory insurance.
- Advise businesses on the advantages of insurance for businesses.

(40)

SUGGESTED ANSWERS ON INVESTMENT-INSURANCE

ACTIVITY 1

1.1. Meaning of Insurance

- Insurance refers to cover for a possible event✓ that may cause a specified loss/ damage.✓
- An agreement whereby the insurer undertakes to indemnify✓ the insured in the event of a specified loss/damage.✓
- The insured must pay a premium ✓for specified losses/damages covered.✓
- A contract between a person/business/insured requiring insurance cover✓ and the insurance company/insurer bearing the financial risk.✓

Max (4)

1.2

- 1.2.1 Theft ✓
Fire ✓
Burglary ✓

Max (3)

1.2.2 Non-insurable risks

- These risks are not insured by insurance companies as insurance cost/risks are too high✓/remains the responsibility of the business.✓
- The insurance company cannot calculate the profitability of the risk✓and therefore they cannot work out a premium that the business must pay.✓
- **Examples of non-insurance risks**
 - Nuclear weapons/war ✓
 - Changes in fashion ✓
 - Improvement/changes in technology ✓
 - Irrecoverable debts ✓
 - Financial loss due to bad management ✓
 - Possible failure of a business ✓
 - Shoplifting during business hours ✓

Max (3)

1.3

1.3.1 Under-insurance

- Occurs when property or assets are insured✓ for their full market value.✓
- The property is insured for less✓ than the actual value of the property.✓

Sub-max (2)

1.3.2 Average clause

- A stipulation set by the insurer which is applicable when property is under insured ✓for less than its full market value.✓
- The insurer will pay for insured damages in proportion✓ to the insured value.✓

Sub-max (2)

1.3.3 Reinstatement

- It is a stipulation whereby the insurer may replace damaged property✓ instead of reimbursing the insured. ✓
- This stipulation is applicable when property✓ is over insured.✓
- The re-statement value will not be higher than the market value✓ of the loss.✓

Sub-max (2)

1.3.4 Excess

- A clause which states that the insured is responsible for a fixed amount of the claim✓, when submitting a claim. ✓

Sub-max (2)

Max (8)

Activity 2

2.1

- 2.1.1 Insurable interest ✓✓
- 2.1.2 Security ✓✓
- 2.1.3 Utmost good faith ✓✓
- 2.1.4 Indemnification/Indemnity ✓✓

Max (8)

Activity 3

3.1

3.1.1 Average clause ✓✓ (2)

3.1.2 Amount insured x Amount of damages/loss ✓

Market value

= 300 000 x 60 000 ✓

400 000

= R45 000 ✓✓

(4)

SUGGESTED ANSWERS OF INSURANCE

QUESTION 1

1.1

1.1.1 C ✓✓

1.1.2 D ✓✓

1.1.3 C ✓✓

1.1.4 B ✓✓

1.1.5 A ✓✓

QUESTION 2 (Essay on Insurance)

2.1 Introduction

- Insurance is a contract between a person/business/insured requiring insurance cover and the insurance company/insurer bearing the financial risk.✓
- Business needs to know which risks are insurable/non-insurable in order to make the right decision.✓
- The principle of insurance provides a framework for a good insurance contract.✓
- The law requires businesses to contribute to compulsory insurance on behalf of employees.✓
- Insurance can be beneficial to businesses when an unexpected event occurs.✓
- Any other relevant introduction related to insurable and non-insurable risks/principles of insurance/compulsory insurance and advantages of insurance.

(2 x 1) (2)

2.2 Differences between insurable and non-insurable risks

INSURABLE RISKS

- Risks that insurance companies would insure depending on the likelihood of an event.✓✓
- Any other relevant answer related to the meaning of insurable risks.

Examples

NON-INSURABLE RISKS

- Risks that insurance companies would not insure due to high cost/risks./Risks remain the responsibility of the business.✓✓
- Any other relevant answer related to the meaning of non-insurable risks.

Examples

- Theft ✓
- Fidelity insurance ✓
- Burglary ✓
- Money in transit ✓
- Fire ✓
- Natural disaster/Storms/Wind/
Rain/Hail ✓
- Damage to/Loss of
assets/vehicles/
equipment/buildings/premises ✓
- Injuries on premises ✓

Any other relevant example of insurable risks.

Submax (4)

- Losses caused by war. ✓
- Most risks occurring between
placing orders and receiving
goods. ✓
- Changes in fashion. ✓
- Possible failure of a business ✓
- Losses caused by marketing
malpractices by the business. ✓
- Advancement in technology/new
machinery invention. ✓
- Irrecoverable debts ✓
- Shoplifting during business hours
✓

Any other relevant example of non-insurable risks.

Submax (4)

Max (8)

2.3 Principles of insurance

Indemnification/Indemnity

- Applicable to ✓ short term insurance. ✓
- Insured is restored to almost the same financial position ✓ as before the loss occurred. ✓
- Neither the insurer nor the insured may profit ✓ from insurance. ✓
- Principle of re-instatement may be applied ✓ if the item was over-insured. ✓

Sub-max (6)

Security/Certainty

- Insurer undertakes to pay out a pre-determined amount✓ in the event of the death/reaching a certain age/personal injury of the insured. ✓
- Aim is to provide financial security to the insured✓ at retirement/the dependents of the deceased. ✓
- Aims to provide financial security✓ to the insured at retirement/dependents of the deceased.✓
- Any other relevant answer related to security/certainty as a principle of insurance.

Sub-max (6)

Max (12)

2.4 Types of compulsory insurance

Unemployment Insurance Fund/UIF ✓✓

- The UIF provides benefits to workers who have been working✓ and become unemployed for various reasons.✓
- Businesses contribute 1% of basic wages towards the UIF✓, therefore reducing the expense of providing UIF benefits themselves.✓
- Employees contribute 1%✓ of their basic wage to UIF.✓
- The contribution of businesses towards UIF✓ increases the amount paid out to employees that become unemployed.✓
- All employees who work 24 hours or more per month✓ are required to be registered for UIF/contribute to the UIF.✓
- It is an affordable contribution that makes it possible for businesses✓ to appoint substitute workers in some instances.✓
- The business cannot be held responsible for unemployment cover✓ as the UIF pays out to contributors directly/dependants of deceased contributors.✓
- Businesses are compelled to register their employees with the fund✓ and to pay contributions to the fund.✓

- Any other relevant answer related to UIF as a type of compulsory insurance.

Identification (2)

Discussion (4)

Submax (6)

Road Accident Fund (RAF)/Road Accident Benefit Scheme (RABS)

✓✓

- RAF insures road-users against the negligence✓ of other road users.✓
- The RAF/RABS provides compulsory cover for all road users in South Africa✓, which include South African businesses.✓
- Drivers of business vehicles are indemnified✓ against claims by persons injured in vehicle accidents.✓
- RAF/RABS is funded by a levy✓ on the sale of fuel/diesel/petrol.✓
- The amount that can be claimed for loss of income✓ is limited by legislation.✓
- The next of kin of workers/breadwinners who are injured/killed in road accidents✓, may claim directly from the RAF/RABS.✓
- Injured parties and negligent drivers✓ are both covered by RAF.✓
- The injured party will be compensated✓, irrespective of whether the negligent driver is rich/poor/insured/uninsured.✓
- RABS aims to provide a benefit scheme✓ that is reasonable / equitable / affordable/ sustainable✓, etc.
- RABS aims to simplify/speed up the claims process✓ as victims of road accidents no longer have to prove who caused the accident.✓
- RABS enables road accident victims speedy access to medical care✓ as delays due to the investigation into accidents has been minimised.✓

- Any other relevant answer related to RAF/RABS as a type of compulsory insurance.

Identification (2)

Discussion (4)

Submax (6)

Compensation for Occupational Injuries and Diseases/COIDA/Compensation Fund ✓✓

- The fund covers occupational diseases✓ and workplace injuries.✓
- Compensates employees for injuries and diseases✓ incurred at work.✓
- Compensation paid is determined✓ by the degree of disablement.✓
- The contribution payable is reviewed every few years✓ according to the risk associated with that type of work.✓
- All employers are obliged to register with the compensation fund✓ so that employees may be compensated for accidents and diseases sustained in the workplace.✓
- The fund covers employers for any legal claim✓ that workers may bring against them.✓
- Employers are required to report all accidents within 7 days✓ and occupational diseases within 14 days to the Compensation Commissioner.✓
- Employers are responsible for contributing towards the fund✓ and may not claim money back from employees/deduct contributions from wages.✓
- In the event of the death of an employee as a result of a work related accident/ disease✓, his/her dependant(s) will receive financial support.✓
- Employees do not have to contribute✓ towards this fund.✓
- Employees receive medical assistance✓ provided there is no other party/medical fund involved.✓
- Any other relevant answer related to COIDA/compensation fund as a type of compulsory insurance.

Identification (2)

Discussion (4)

Submax (6)

Max (18)

2.5 Advantages of insurance to businesses

- Transfers the risk from the business/insured to an insurance company/ insurer. ✓✓
- The transfer of the risk is subject to the terms and conditions of the insurance contract. ✓✓
- The business will be compensated for insurable losses, e.g. destruction of property through fire. ✓✓
- Business assets, e.g. vehicles/equipment/buildings need to be insured against damage and/or theft. ✓✓
- Business is protected against the loss of earnings e.g. strikes by employees result in losses worth millions of rand. ✓✓
- Protects the business against deeds of dishonesty by employees. ✓✓
- Replacement costs for damaged machinery and equipment are very high, therefore, insurance can reduce/cover these costs. ✓✓

Max (8)

2.6 Conclusion

- The insurance agreement should take into consideration the risks applicable to each situation. ✓✓
- Compulsory insurance reduces the financial risk of businesses when they comply with the requirements. ✓✓
- Businesses that are well conversant with the principles of insurance are able to renew their insurance contracts. ✓✓
- Any other relevant conclusion related to insurable and non-insurable risks/principles of insurance/compulsory insurance and advantages of insurance.

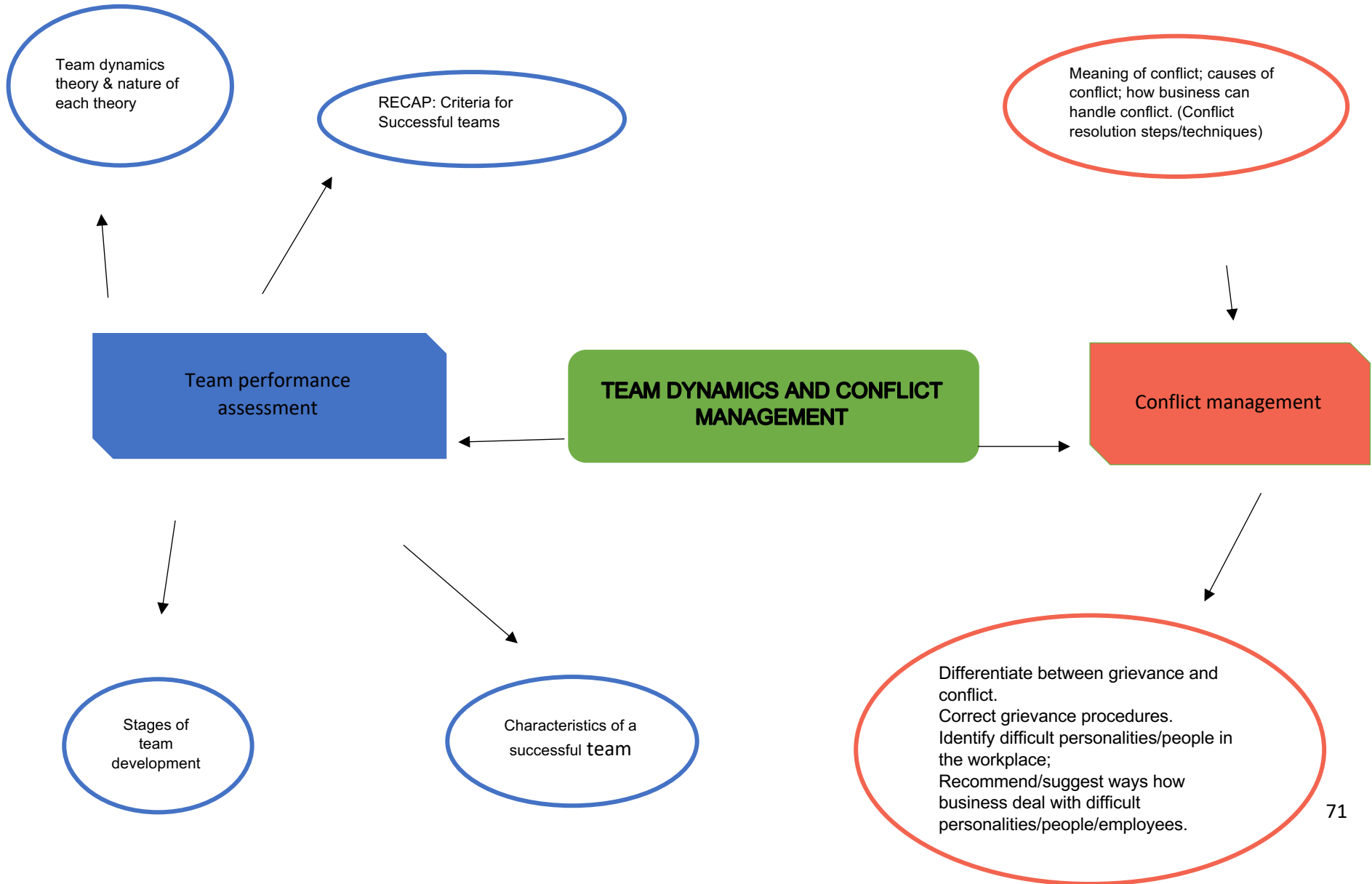
Any (1 x 2) (2)

[40]

5.1 TEAM PERFORMANCE AND CONFLICT MANAGEMENT

OVERVIEW OF THE TOPIC

- It is expected of you to be able to make recommendations from given scenarios on how teams can work collaboratively with others.
- You should be able to assess yourself and others using the criteria for successful team, identify and explain the different stages of team development from given scenarios.
- You should also be able to explain the nature of each team dynamic theory and allocate tasks according to the roles of team members, therefore describing the importance of team performance. When people work in teams, conflict is likely to occur.
- It is important that management should have skills on how to deal with conflict and grievances.
- You are expected to identify and discuss the causes of conflict from given scenarios and apply conflict resolution steps. It is also required that businesses should also know how to deal with difficult people and personalities



KEY CONCEPTS		
	TERMS	DEFINITIONS
	Team	Group of people who work together to achieve a common goal.
	Conflict	A disagreement/a clash of opinions in the workplace.
	Task/Work	Activity/function performed by an individual or team members.
	Teamwork	Interactions with team members to achieve a common goal.
	Team dynamics	A way in which team members work together in a group.
	Forming	Team members get to know each other and accept their roles in the team.
	Storming	Team members confront each other with their different ideas.
	Norming	Team members accept each other and set common goals and values for the team.
	Performing	An accomplished task measured against pre-set standards.
	Adjourning	Team members must leave a team after completion of the tasks.
	Team dynamic theories	Assist to allocate tasks according to the roles of individual members.
	Grievance	A formal complaint laid by an employee when he/she feels that he/she has been ill-treated by the employer.
	Co-operation/ Collaboration	Willingness to co-operate in the team to achieve objectives.
	Mutual	Two people share the same feeling.
	Commitment	Keeping to a promise/arrangement/cause.
	Accountability	When someone is held responsible for his/her actions.
	Interpersonal	The personality that a person continuously develops.

	attitudes		
	Interpersonal behaviour	How two or more people interact with one another.	
	Shared values	A group of people with the same set of standards and beliefs.	
	Assess	Check how well something has been done.	

TEAM PERFORMANCE ASSESSMENT			
1.	Criteria for successful team performance		
1.1	Interpersonal attitudes and behaviour		
		<ul style="list-style-type: none"> • Members have a positive attitude of support and motivation towards each other. • Good/Sound interpersonal relationships will ensure job satisfaction/increase productivity of the team. • Members are committed/passionate towards achieving a common goal/ objective. • Team leader acknowledges/gives credit to members for positive contributions. 	
1.2	Shared values/ Mutual trust and support		
		<ul style="list-style-type: none"> • Shows loyalty/respect/trust towards team members despite differences. • Shows respect for the knowledge/skills of other members. • Perform team tasks with integrity /meeting team deadlines with necessary commitment to team goals. 	
1.3	Communication		
		<ul style="list-style-type: none"> • A clear set of procedures for teamwork ensures that every team member understands his/her role. • Good communication between team members may result in quick decisions. 	

		<ul style="list-style-type: none"> • Quality feedback improves the morale of the team. • Honest discussions lead to effective solutions of problems. • Continuous review of team progress ensures that team members can rectify mistakes to ensure that goals are reached. 	
	1.4	Co-operation/ Collaboration	
		<ul style="list-style-type: none"> • Clearly defined realistic goals are set, so that all members know exactly what is to be accomplished. • All members take part in decision making. • Willingness to co-operate as a unit to achieve team objectives. • Co-operate with management to achieve team/business objectives. • Agree on methods to get the job done effectively without wasting time on conflict resolution. 	
2		Characteristics of successful team performance	
		<ul style="list-style-type: none"> • Successful teams share a common goal as team members are part of the process of setting goals for the group. • There is a climate of respect/trust and honesty. • Share a set of team values and implement group decisions. • Successful teams have sound intra-team relations. • Team members enjoy open communication and deal with items of conflict immediately. 	

ACTIVITY 1

1. Read the scenario below and answer the questions that follow.

ACE LOGISTICS (AL)

Ace Logistics provides affordable transport between Johannesburg and Kimberley daily. A clear set of procedures are in place which ensure that every employee understand his / her role in achieving the goals of the business.

- 1.1 Identify the criteria for successful team performance implied in the scenario. Motivate your answer by quoting from the scenario above (3)
- 1.2 Explain any other TWO criteria for successful team performance not mentioned in the scenario above. (6)

3.	STAGE OF TEAM DEVELOPMENT	
3.1	Forming stage	
	<ul style="list-style-type: none"> • Individuals gather information and impressions about each other and the scope of the task and how to approach it. • Teams are comfortable and polite with each other during this stage. • People focus on being busy with routines, such as team organisation e.g. who does what, when to meet each other, etc. 	
3.2	Storming	
	<ul style="list-style-type: none"> • Teams go through a period of unease after formation. • Different ideas from team members will compete for consideration. • Team members open to each other and confront each other's ideas. • Arguments occur and upset the team members for the position of team leader. • In some instances, storming, can be resolved quickly; in others, the team never leaves this stage. 	
3.3	Norming/Settling/Reconciliation	
	<ul style="list-style-type: none"> • Team members come to an agreement and reach consensus. • Roles and responsibilities are clear and accepted. • Working style and respect develop amongst members. • Team members have the ambition to work for the success of the team. • Conflict may occur, but commitment and unity are strong. 	
3.4	Performing stage/Working as a team towards a goal	
	<ul style="list-style-type: none"> • Team members are aware of strategies and aims of the team. 	

	<ul style="list-style-type: none"> • They have direction without interference from the leader. • Processes and structures are set. • Leader's delegate and oversee the processes and procedures. • All members are now competent, autonomous, and able to handle the decision-making process without supervision. 	
3.5	Adjourning/Mourning stage	
	<ul style="list-style-type: none"> • The focus is on the completion of the task/ending the project. • Breaking up the team may be traumatic as team members may find it difficult to perform as individuals once again. • All tasks need to be completed before the team finally dissolves. 	

Activity 2

2. Read the scenario below and answer the questions that follow.

DREAM TEAM (DT)

Dream Team is a group of computer science graduates who want to undertake a research project. They were comfortable with each other during their first meeting.

2.1 Identify the stage of team development that is applicable to the scenario above. Motivate your answer by quoting from the scenario. (3)

2.2 Discuss TWO other stages of team development. (6)

4.	Importance of team dynamic theories in improving team performance	
	<ul style="list-style-type: none"> • Team dynamic theories explain how effective teams operate. • Businesses can allocate tasks according to the roles of team members. • Team members can maximise performance as tasks are allocated according to their abilities. • Team members with similar strengths may compete for team tasks that best suit their competencies. • Conflict may be minimised when team members perform different roles. 	

5.	CONFLICT RESOLUTION	
	5.1 Causes of conflict in the workplace	
	<ul style="list-style-type: none"> • Differences in backgrounds/cultures/values/beliefs/language • Limited business resources • Different goals/objectives for group/individuals 	

		<ul style="list-style-type: none"> • Personality differences between group/individuals • Different opinions • Unfair workload 	

	5.2	Conflict resolution steps/techniques	
		<ul style="list-style-type: none"> • Acknowledge that there is conflict in the workplace. • Identify the cause of the conflict. • Arrange pre-negotiations where workers will be allowed to state their views separately. • Arrange time and place for negotiations where all employees involved are present. • Arrange a meeting between conflicting employees. 	

6.	DEALING WITH GRIEVANCES AND DIFFICULT PEOPLE/PERSONALITIES		
6.1	Differences between grievance and conflict		
	GRIEVANCE	CONFLICT	
	<ul style="list-style-type: none"> When an employee is unhappy/ has a problem/complaint in the workplace. 	<ul style="list-style-type: none"> Clash of opinions/ideas/viewpoints in the workplace. 	
	<ul style="list-style-type: none"> It is when an individual/group has a work-related issue. 	<ul style="list-style-type: none"> Disagreement between two or more parties in the workplace. 	
	Examples that can cause a grievance: Discrimination, unfair treatment, poor working conditions.	Examples that can cause conflict: A lack of trust/miscommunication/ personality clashes/different values.	
6.2	Correct procedures to deal with grievances		
	<ul style="list-style-type: none"> An aggrieved employee must verbally report the grievance to his/her supervisor, who needs to resolve the issue within 3 to 5 working days. Should the employee and supervisor not be able to resolve the grievance, the employee may take it to the next level of management. The employee may move to a more formal process where the grievance must be lodged in writing on a grievance form. The employee must receive a written reply in response to the written grievance. A grievance hearing/meeting must be held with all relevant parties present. Minutes of the meeting must be recorded and any resolution passed must be recorded on the formal grievance form. 		

Activity 3

3. Read the scenario below and answer the questions that follow.

MBALI MOTOR TRADERS (MMT)

Franklin is allowing male workers to take more breaks than female workers. The management of MMT refuses to address this matter. They refuse to give daily instructions and updates. Workers want to lodge a grievance.

- 3.1 Quote TWO causes of conflict from the scenario above. (2)
- 3.2 Explain the conflict resolution techniques that MMT can use to handle conflict in the business. (6)
- 3.3 Differentiate between grievance and conflict. (4)

6.3	Types of difficult personalities		
	<ul style="list-style-type: none"> • Complainer • Indecisive • Over-agree • Aggressive • Negativity • Expert • Quiet 		

6.4	Ways in which businesses can deal with difficult personalities		
	TYPE OF PERSONALITY	STRATEGY TO DEAL WITH A PERSONALITY	
	Complainer	<ul style="list-style-type: none"> • Listen to the complaints but do not acknowledge them 	

Indecisiveness	<ul style="list-style-type: none"> • Guide them through alternatives. • Stay in control and emphasise the importance of deciding.
Aggressive	<ul style="list-style-type: none"> • Allow them time speak and blow-off. • Be firm, but do not attack them
Over-agree	<ul style="list-style-type: none"> • Be firm and do not let them make promises that they cannot keep. • Follow up on their actions
Negativity	<ul style="list-style-type: none"> • Be firm with them and do not let them draw the supervisor into their negativity. • Listen to them but do not agree with them
Expert	<ul style="list-style-type: none"> • Be firm and assertive. • Know your facts.
Quiet	<ul style="list-style-type: none"> • Do not fill their silence with words. • Wait for their response. • Restrict the time of the discussion

6.5	Ways in which businesses can deal with difficult people/employees in the workplace
	<ul style="list-style-type: none"> • Get perspective from others who have experienced the same kind of situation to be able to understand difficult employees. • Act pro-actively if possible, as a personnel problem is part of a manager's responsibilities. • Regular meetings with supervisors should help to identify difficult behaviour. • Identify the type of personality which is creating the problem. • Meet privately with difficult employees, so that there are no distractions from other employees. • A deadline should be set for improving difficult behaviour.

Exemplar essay Type Question

Business encourages employees to work in teams, which may lead to conflict sometimes. For this reason, it is important for businesses to familiarise themselves with the stages of team development. They should also find ways to deal with the conflict and difficult people in the workplace.

Write an essay on team performance and conflict management in which you include the following aspects:

- Explain any THREE criteria for successful team performance.
- Discuss the different stages of team development.
- Describe the causes of conflict that may arise in the workplace.
- Suggests the ways in which businesses could deal with difficult people in the workplace.

[40]

SUGGESTED ANSWERS

ACTIVITY 1:

1.1 Communication ✓✓

Motivation:

A clear set of procedures are in place which ensure that every employee understand his / her role in achieving the goals of the business” ✓ (3)

1.2 **Interpersonal attitudes and behaviour** ✓✓

- Members have a positive attitude of support and motivation✓ towards each other.✓
- Sound interpersonal relationships✓ will ensure job satisfaction of the team.✓
- Members are committed ✓towards achieving a common goal.✓
- Team leader gives credit to members✓ for positive contributions.✓ (4)

Shared values/ Mutual trust and support ✓✓

- Shows respect towards team members✓ despite differences.✓
- Shows respect for the knowledge/skills of other members.
- Perform team tasks with integrity,✓ meeting team deadlines with necessary commitment to team goals.✓

(4)

Co-operation/ Collaboration ✓✓

- Clearly defined realistic goals are set, ✓ so that all members know exactly what is to be accomplished.✓
- All members take part✓ in decision making.✓
- Willingness to co-operate as a unit✓ to achieve team objectives.✓
- Co-operate with management✓ to achieve business objectives.✓
- Agree on methods to get the job done effectively ✓ without wasting time on conflict resolution.✓

(4)

ACTIVITY 2

2.1 Forming ✓✓

Motivation:

They were comfortable with each other during their first meeting. ✓

(3)

2.2

2.2.1 Storming ✓✓

- Teams go through a period ✓ of unease after formation.✓
- Different ideas from team members✓ will compete for consideration.✓
- Team members open up to each other✓ and confront each other's ideas.✓
- Arguments occur and upset the team members✓ for the position of team leader.✓

(4)

- In some instances, storming can be resolved quickly;✓ In others, the team never leaves this stage.✓

2.2.2. **Norming/Settling/reconciliation** ✓✓

- Team members come to an agreement and reach consensus.✓
- Roles and responsibilities are clear and accepted.✓
- Working style and respect develop amongst members.✓
- Team members have the ambition to work for the success of the team✓.
- Conflict may occur, but commitment and unity are strong.✓

(4)

2.2.3 **Performing stage/Working as a team towards a goal** ✓✓

- Team members are aware of strategies and aims of the team.✓
- They have direction without interference from the leader.✓
- Processes and structures are set.✓
- Leaders delegate and oversee the processes and procedures.✓
- All members are now competent, autonomous, and able to handle the decision-making process without supervision.✓

(4)

2.2.4 **Adjourning/Mourning stage** ✓✓

- The focus is on the completion of the task/ending the project.✓
- Breaking up the team may be traumatic as team members may find it difficult to perform as individuals once again.✓
- All tasks need to be completed before the team finally dissolves.✓

(4)

ACTIVITY 3

- 3.1**
- Franklin is allowing male workers to take more breaks than female workers. ✓
 - The management of MMH refuses to address this matter. ✓ (2)
 - They refuse to give daily instructions and updates. ✓

- 3.2**
- Acknowledge ✓ that there is conflict in the workplace. ✓
 - Identify ✓ the cause of the conflict. ✓
 - Arrange pre-negotiations where workers will be allowed ✓ to state their views separately. ✓
 - Arrange time and place for negotiations ✓ where all employees involved are present. ✓
 - Arrange a meeting ✓ between conflicting employees. ✓
 - Make intentions for intervention clear ✓ so that parties involved may feel at ease. ✓
 - Each party has the opportunity ✓ to express his/her own opinions. ✓
 - Conflicting parties may recognise that their views ✓ are different during the meeting. ✓
 - Evaluate the cause (s) of conflict ✓ by breaking it down into different parts. ✓ (6)
 - Blame shifting should be avoided ✓ and a joint effort should be made. ✓.

3.3 Differences between grievance and conflict

GRIEVANCE

When an employee is unhappy ✓ / has a problem/complaint in the workplace. ✓

It is when an individual/group ✓ has a work-related issue. ✓

Examples that can cause a grievance: Discrimination, unfair

CONFLICT

Clash of opinions/ideas/viewpoints ✓ in the workplace. ✓

Disagreement between two or more parties ✓ in the workplace. ✓

Examples that can cause conflict:

treatment, poor working conditions. ✓

A lack of trust/miscommunication/personality clashes/different values. ✓

Sub mark (2)

Sub mark (2)

Max (4)

3.3 ADDITIONAL REVISION QUESTIONS

QUESTION 1

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A-D) next to the question number, (1.1.1-1.1.5). For example, 1.1.6. B

1.1.1 An employee's complaint relating to poor working conditions is known as ...

- A well-being
- B grievance
- C problem
- D conflict

1.1.2 The best way to solve conflict in the workplace is to . . .

- A transfer the affected worker
- B address the causes of conflict and solve them.
- C ignore the affected worker
- D retrenches the affected worker.

1.1.3 Business use team dynamics theories to ...

- A promote total satisfaction.
- B allocate tasks according to the roles for team members.

- C allocate tasks to team members or similar personalities
- D encourage competition within teams.

(2×3) (6)

SUGGESTED ANSWERS FOR ADDITIONAL REVISION QUESTIONS

1.1

1.1.1 B ✓✓


1.1.2 B ✓✓

1.1.3 B ✓✓

3 x 2 (6)



5.2 SOCIAL RESPONSIBILITY, CSR, AND CSI

4.3	SOCIAL RESPONSIBILITY, CSR, AND CSI		
			
	4.3.1	Overview	
		<ul style="list-style-type: none"> • This topic gives clarity on what social responsibility, corporate social responsibility and corporate social investment are. • Businesses need to take care of the well-being of employees and communities with no direct impact on profit margins. • Businesses also need to donate money to non-profit organisations and implement environmentally friendly policies in the workplace. • These CSR programmes can be implemented through CSI projects. • These projects are aimed at addressing some socio-economic issues e.g., HIV/AIDS, poverty, and unemployment 	

4.3.1 Key Concepts				
		TERMS	DEFINITIONS	
		Social responsibility	An ethical viewpoint that says every individual / organisation has an obligation to benefit society.	
		Corporate Social responsibility	The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the local community and society at large.	
		Corporate Social investment (CSI)	The investment of corporate funds/other assets for the primary purpose of achieving social outcomes.	
		Contemporary Socio - economic issues	Current societal and economic factors that impact on the business e.g., HIV, poverty and unemployment.	
		Triple bottom Line	Refers to the 3Ps that businesses should always consider in their operations, namely, PROFIT, PEOPLE and PLANET.	
		Sustainability	Using the resources in such a manner that future generations will be able to use them.	
		Well being	Caring for the needs of employees and the communities.	
		Demographics	Caring for the needs of employees and the communities. Statistical data of the population in term of race, age and income.	

5	Social Responsibility	
5.1	Definition	
	<ul style="list-style-type: none"> • It is the responsibility of an individual to contribute to the well-being of the community in which they operate. • It is the duty of all businesses to maintain a balance between the economy and the environment. • The ethical viewpoint that says every individual/organisation has an obligation to benefit the society as a whole 	
5.2	Meaning of Triple Bottom Line	
	<p>Profit/Economic</p> <ul style="list-style-type: none"> • Triple Bottom line means that businesses should not only focus on profit/charge high prices but should also invest in CSI projects. • Businesses should not make a profit at the expense of its community. <p>People/Social</p> <ul style="list-style-type: none"> • Business operations should not have a negative impact on/exploit people/ employees/customers/community. • Businesses should engage/invest in sustainable community programmes/ projects that will benefit/uplift communities. • Improve the lifestyle/quality of life of their human resources/employees. <p>Planet/Environment</p> <ul style="list-style-type: none"> • Businesses should not exhaust resources/harm the environment for production/profit purposes. 	

	<ul style="list-style-type: none"> • They may support energy-efficient/eco-friendly products/production methods. • Recycle/Re-use waste, e.g., packaging from recycled material. 	

ACTIVITY 1

- | | | |
|------------|--|-----|
| 1.1 | Elaborate on the meaning of social responsibility. | (4) |
| 1.2 | Explain the relationship between triple bottom line and social responsibility. | (6) |

5.4	Ways in which a business project can contribute towards the community	
	<p>Business projects aimed at social responsibility can contribute towards the community in the following ways:</p> <ul style="list-style-type: none"> • Charitable contributions to NGOs focused on the needs of the community. • Employee volunteer programmes where employees contribute to the community without getting paid e.g., visiting elderly people at an old age home/renovating classrooms at a local disadvantaged school etc. • Involvement in the community education/homeless/health and other programmes. • Train people within the community, especially the unemployed. • Management could mentor new business owners to improve their efficiency and increase their profits. 	

5.5	Ways in which businesses deal with the following socio-economic issues	
	5.5.1 HIV/Aids	
	<ul style="list-style-type: none"> • Counselling programmes/train counsellors to provide infected and affected employees. • Develop counselling programmes for infected/affected employees. • Conduct workshops on HIV/Aids programmes/campaigns. • Roll out anti-retroviral (ARV) treatment programmes (ART) for the infected employees. • Encourage employees to join HIV/Aids support groups. • Develop strategies to deal with stigma and discrimination. 	

	5.5.2	Unemployment	
		<ul style="list-style-type: none"> • Provide skills development programmes through learnerships. • Offer bursaries to the community to improve the level of education. • Create jobs for members of the community. • Provide entrepreneurial programmes that can promote self-employment. • Support existing small businesses to create more employment opportunities. 	
	5.5.3	Poverty	
		<ul style="list-style-type: none"> • Invest in a young starting SME that can be a business competitor, buyer, or supplier. • Attract the best employees by being socially responsible and offering the best volunteering programmes. • Support poverty alleviation programmes that are offered by the government. • Donate money/food parcels to local NGOs. 	

ACTIVITY 2

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

GRACE EVENTS (GE)

Grace Events is a popular business that caters for different social events. The management of GE uses some of their profits to buy Antiretroviral treatment for their infected employees. They also use offer entrepreneurial programmes for people who are not economically activity in the community.

2.1.1 Identify TWO socio-economic issues that GE has addressed.

Motivate your answer by quoting from the scenario.

(3)

Use the table below as a guide to answer QUESTION 2.1

	SOCIO-ECONOMIC ISSUES	MOTIVATIONS	
	2.1.2	Recommend TWO other strategies that GE can use to deal with EACH socio-economic issue identified in QUESTION 2.	(8)
5.6	Ways in which businesses can contribute time and effort in improving the well-being of employees.		
	<ul style="list-style-type: none"> • Provide recreational facilities for employees. • Allow flexible working hours to enhance productivity. • Provide transport for employees who work unusually long hours. • Provide for employees' participation in decision making that affects them. • Conduct team-building sessions to improve employees' morale. • Offer annual medical assessments to workers. 		
5.7	Ways in which businesses can contribute time and effort in improving the well-being of communities		
	<ul style="list-style-type: none"> • Business should improve the general quality of life of their community, e.g. invest in education, etc. • Ensure that the products they supply do not harm consumers/the environment. • Make ethically correct business decisions, e.g. not engage in unfair/misleading advertising, etc. 		

	<ul style="list-style-type: none"> • Donate money to a community project/run a project to uplift the community. • Provide recreational/sport facilities to promote social cohesion/healthy activities. • Participate in community projects involving HIV/AIDS/education/counselling/ other meaningful causes. 	
--	--	--

ACTIVITY 3

3.1 Read the scenario below and answer the questions that follow

LEROLE BUILDERS (LB)

LB provide subsidized housing and accommodation for their employees. They encourage employees to stay fit and healthy by involving them in stress-reduction activities. The management of LB also wants to improve the wellbeing of communities.

- 3.1.1 Quote TWO ways in which LB contributes time and effort in improving the well-being of their employees. (2)
- 3.1.2 Explain other ways in which LB could contribute time and effort in improving the well-being of their employees. (4)
- 3.1.3 Advise the management of LB on ways in which they could contribute time and effort in improving the well-being of communities. (8)

6	COOPERATE SOCIAL RESPONSIBILITY/ CSR	
6.1	Meaning of CSR	
	<ul style="list-style-type: none"> • Corporate Social Responsibility/CSR is the way a business conducts its operations ethically and morally regarding the use of human, physical and their funds. • A business voluntarily takes steps to improve the quality of life for employees and their families and communities. • Corporate Social Responsibility is an obligation required by law and benefits both business and society. 	



6.2	Purpose of CSR	
	<ul style="list-style-type: none"> • CSR aims at creating a safe working environment for employees. • CSR programmes are internal programmes that businesses use to comply with laws and ethics. • Business operations address Triple bottom line through CSR programmes by considering its impact on people, profit and planet • Key areas of concern are protecting the environment, the wellbeing of employees from the community and civil society in general. • CSR programmes and activities the business undertakes to contribute positively to the community in which it operates. 	

6.3	Components of CSR	
	<ul style="list-style-type: none"> • Environment • Ethical corporate social investment • Health and safety • Corporate governance • Business ethics • Employment equity • Employees and customers • Community 	

6.4	Impact of CSR on business	
	Positives / Advantages	
	<ul style="list-style-type: none"> • Promotes customer loyalty resulting in more sales. 	

	<ul style="list-style-type: none"> • CSI projects promote teamwork within businesses. • The business enjoys the goodwill/support of communities. • CSI helps to attract investors because of increased profits/income. • Improves the health of its employees through focused CSI projects. 	
AND / OR		
Negatives / Disadvantages		
	<ul style="list-style-type: none"> • It is difficult to accurately measure the effectiveness of social investment. • Most managers are not trained to handle social programmes. • Businesses find it difficult to adhere to legislation governing CSI. • Detailed reports must be drawn up, which can be time consuming. • CSI activities distract business focus from its core business functions. • Small and medium enterprises find it difficult to implement CSI programmes. 	

6.5	Impact of CSR on communities	
Positives/ Advantages of CSR on communities		
	<ul style="list-style-type: none"> • Provision of bursaries encourages communities to improve their skills. • Better educational facilities are established in poor communities. • The standard of living of the community is uplifted thus quality of life of communities is improved. 	

		<ul style="list-style-type: none"> • The provision of medical infrastructure improves the health of communities. • Socio-economic issues are attended to which will improve the welfare of the community. 	
AND / OR			
Negatives/ Disadvantages OF CSR on communities			
		<ul style="list-style-type: none"> • Businesses are not always equipped to address social problems. • Communities tend to be dependent on CSR programmes and struggle to take their own initiatives. • Businesses tend to focus on CSR programmes that does not directly benefit the community. • Some businesses only participate in CSR initiatives to raise profit and do not really care for the community in which they operate. • Business cannot deliver sustainable CSR programmes. • Distribution of scarce resources to selected beneficiaries in the community may cause problems such as discrimination. • Less money is available for community projects during unfavourable economic conditions. 	

ACTIVITY 4

- | | | |
|------------|--|-----|
| 4.1 | Name FOUR components of corporate social responsibility (CSR) | (4) |
| 4.2 | Define the meaning of <i>Corporate Social Responsibility/CSR</i> . | (4) |
| 4.3 | Explain the purpose of CSR. | (4) |

7	COPERATE SOCIAL INVESTMENT	
7.1	Meaning of CSI	
	<ul style="list-style-type: none"> • It is when a business commits money, resources and time to a specific project that will improve the lives of people. • The projects are not directly for purposes of increasing company profits. • It is the money that the business spends on the community to improve the standard of living of the community. 	

7.2	Purpose of CSI	
	<ul style="list-style-type: none"> • CSI aims at contributing towards sustainable development of its immediate communities. • CSI is enforceable by law and government requires business to make CSI contributions. • CSI projects play a positive role in the development of communities. • CSI reveals a business's attitude towards the community in which it operates. • CSI projects are long-term investment 	

7.3	CSI focus areas	
	<ul style="list-style-type: none"> • Community • Rural development • Employees • Environment 	

7.4	Differences between Corporate Social Responsibility (CSR) and Corporate Social Investment (CSI)		
	Corporate Social Responsibility	Corporate Social Investment	
<ul style="list-style-type: none"> • The intention is to change business practices. 	<ul style="list-style-type: none"> • Actively committing money and resources to uplift the community. 		
<ul style="list-style-type: none"> • Focus is on increasing image and profits. 	<ul style="list-style-type: none"> • Focus is on the upliftment of community without return on investment. 		
<ul style="list-style-type: none"> • Ensure that all internal CSI policies/ practices include stakeholders' interests/environmental issues. 	<ul style="list-style-type: none"> • Ensure that CSI projects are relevant to the needs of communities. 		
<ul style="list-style-type: none"> • Often intended as a marketing initiative. 	<ul style="list-style-type: none"> • Intended to benefit and uplift communities through social development. 		
<ul style="list-style-type: none"> • Projects are usually linked to the business, e.g. a manufacturing business offering to train the unemployed. 	<ul style="list-style-type: none"> • Projects are external to the business and have a strong developmental approach. 		
<ul style="list-style-type: none"> • The intention is to change business practices. 	<ul style="list-style-type: none"> • Actively committing money and resources to uplift the community. 		
<ul style="list-style-type: none"> • Focus is on increasing image and profits. 	<ul style="list-style-type: none"> • Focus is on the upliftment of community without return on investment. 		

7.5	Impact of CSI on business and communities	
	NB: Same as impact of CSR on Business and communities above.	

PAST EXAMINATION ESSAY QUESTION (EXAMPLE)

Businesses are required to contribute towards the wellbeing of the communities in which they operate. HIV/Aids and unemployment have been identified as major socio-economic issues impacting on businesses. Businesses are expected to address these issues through corporate social responsibility (CSR) and corporate social investment (CSI) initiatives.

Write an essay on CSR and CSI in which you address the following aspects:

- Differentiate between CSR and CSI.
- Explain the impact of CSR on communities.
- Recommend strategies on how businesses could deal with HIV/Aids and unemployment as socio-economic issues.
- Suggest FIVE ways in which businesses could contribute time and effort to improve the well-being of the community, excluding HIV/Aids and unemployment strategies.

NB Responses are in the notes above.

SUGGESTED RESPONSES

ACTIVITY 1

1.1 Meaning of Social Responsibility:

- It is an obligation to work towards improving the welfare of society. ✓✓
- An ethical viewpoint that says every individual/organisation has an obligation to benefit society. ✓✓
- The responsibility of every citizen individual/organisation to contribute towards the well-being of the community and the environment in which they live. ✓✓

- This responsibility can take the form of avoiding any actions that could harm the environment and the society✓✓.
- Acting in ways that improve other people's quality of life ✓✓
- It is the duty of all businesses to maintain a balance between the economy and the environment.✓✓
- Any other relevant answer related to the meaning of social responsibility.

Max (4)

1.2 Profit/Economic ✓✓

- Triple Bottom line means that businesses should not only focus on profit/charge high prices but should also invest in CSI projects. ✓
- Businesses should not make a profit at the expense of its community and employees. ✓
- Any other relevant answer related to the relationship between profit/economic and social responsibility.

Sub max (3)

People/Social ✓✓

- Business operations should not have a negative impact on/exploit people/employees/ customer. ✓
- Businesses should engage/invest in sustainable community programmes/projects that will benefit/uplift communities. ✓
- Improve the lifestyle/quality of life of their human resources/employees. ✓
- Any other relevant answer related to the relationship between people/social and social responsibility.

Sub max (3)

Planet/Environment ✓✓

- **Businesses should not exhaust resources/harm the environment for production purposes. ✓**
- **They may support energy-efficient/eco-friendly products/programmes. ✓**
- **Recycle/Re-use waste e.g. packaging from recycled material. ✓**
- **Any other relevant answer related to the relationship between planet/environment and social responsibility**

Sub max (3)

Max (6)



ACTIVITY 2

2. Socio economic issues from the scenario:

2.1. Socio- Economic Issue	Motivation	
HIV/Aids ✓✓	The management of GE uses some of their profits to buy Antiretroviral treatment for their infected employees ✓	
Unemployment ✓✓	They also use offer entrepreneurial programmes for people who are not economically activity in the community ✓	
Sub Max (4)		Sub Max (2)
		Max (6)

2.1 Other strategies to deal with HIV / Aids and unemployment

Socio-economic issues	Strategies
HIV/Aids	<ul style="list-style-type: none"> • Counselling programmes for persons/employees. ✓✓ • Develop counselling programmes for infected/affected persons/employees. ✓✓ • Conduct workshops on HIV/Aids programmes/campaigns. ✓✓

- Encourage employees to join HIV/Aids support groups. ✓✓
- Develop strategies to deal with stigma and discrimination. ✓✓
- Participate in the HIV/Aids prevention programmes implemented in the community. ✓✓
- Support non-governmental organisational/community based organisation/NPC HIV/Aids initiatives. ✓✓

Submax (4)

Unemployment

- Provide skills development programmes through learner ships. ✓✓
- Offer bursaries to the community to improve the level of education. ✓✓
- Create jobs for members of the community. ✓✓
- Support existing small businesses to create more employment opportunities. ✓✓

Submax (4)

Max (8)

ACTIVITY 3

Employee wellbeing

3 Wellbeing of employee from the scenario

- 3.1
- LB provide subsidised housing and accommodation for their employees. ✓
 - They encourage employees to stay fit and healthy by involving them in stress-reduction activities. ✓
 - **NOTE: Only award marks for responses that are quoted from the scenario.**

Max (2)

3.2 **Other ways businesses could contribute time and effort in improving the well-being of their employees**

- Pay fair wages/salaries to the workers ✓ based on the nature of their work/the prevailing economic conditions in the market. ✓
- Working conditions should include safety/medical/canteen facilities ✓ benefits like housing/leave/retirement, etc. ✓
- Pay fair bonuses, based on business earnings ✓, as acknowledgement for hard work and commitment. ✓
- Provide for employees' participation in decision making ✓ that affects them. ✓
- Offer annual physical/medical assessments ✓ to workers. ✓
- Make trauma debriefing/counselling/assistance available to any employee ✓ who requires these services. ✓
- Offer financial assistance in the case of any hardship ✓ caused by unexpected medical costs. ✓
- Allow flexible working hours ✓ to enhance productivity. ✓
- Offer support programmes for employees infected ✓ and affected by HIV/Aids. ✓
- Make childcare facilities available ✓ on the premises for working mothers in the business. ✓

- Start a nutritional programme so that employees can enjoy one meal per day ✓ to keep them in a healthy condition. ✓
- Give time to staff ✓ to get involved in projects they choose ✓ / Allow staff to use some of the working hours ✓ to participate in the projects of their choice. ✓
- Provide transport ✓ for employees who work unusually long hours. ✓
- Establish coaching ✓ and mentoring programmes for junior employees. ✓
- Conduct team-building sessions ✓ to improve employees' morale. ✓
- Encourage employees to attend ✓ capacity-building workshops/training programmes/ staff-development programmes /team-development programmes. ✓

Max (4)

3.3 **Other ways businesses could contribute time and effort in improving the well-being of their communities**

- Business should improve the general quality of life of their community, e.g. invest in education, etc. ✓✓
- Ensure that the product they supply do not harm consumers/the environment. ✓✓
- Refrain from engaging in illegal/harmful practices such as employing children under the legal age/selling illegal substances, etc. ✓✓
- Make ethically correct business decisions, e.g. not engage in unfair/misleading advertising, etc. ✓✓
- Donate money to a community project/run a project to uplift the community. ✓✓
- Provide recreational/sport facilities to promote social cohesion/healthy activities. ✓✓

- Any other relevant answer related to ways in which business could contribute time and effort in improving the well-being of communities

Max (8)

ACTIVITY 4

4.1 Components of CSR

- Environment ✓
- Ethical corporate social investment ✓
- Health and safety ✓
- Corporate governance ✓

Max (4)

4.2 Meaning of Corporate Social Responsibility

- The way businesses manage their process ✓ in a positive way. ✓
- The continuing commitment by business to behave ethically ✓ and contribute to economic development. ✓
- The way a business conducts its operations ethically/ morally ✓ regarding the use of human/physical/funds. ✓
- A business voluntarily takes steps to improve the quality of life for employees ✓ and their families and communities. ✓
- Corporate Social Responsibility is an obligation required by law ✓ and benefits both business and society. ✓

Max (4)

4.3 Purpose of CSR

- CSR aims at creating a safe working environment ✓ for employees. ✓

- CSR programmes are internal programmes✓ that businesses use to comply with laws and ethics. ✓
- Business operations address Triple bottom line through CSR programmes✓ by considering its impact on people, profit, and planet.✓
- Key areas of concern are protecting the environment, ✓the wellbeing of employees from the community and civil society in general.✓

Max (4)

Acknowledgements

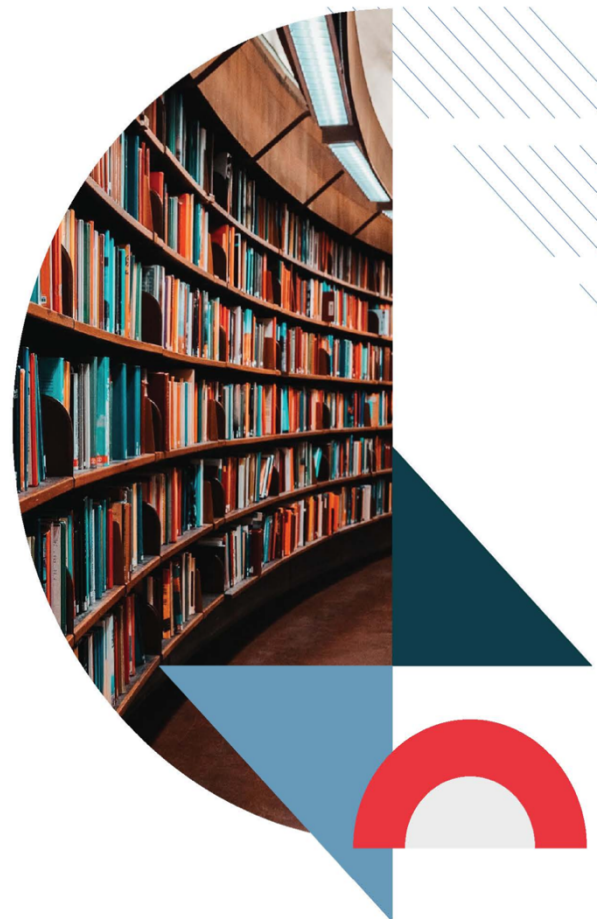
The Department of Basic Education (DBE) gratefully acknowledges the following officials for giving up their valuable time and families, and for contributing their knowledge and expertise to develop this this study guide for the children of our country, under very stringent conditions of COVID-19.

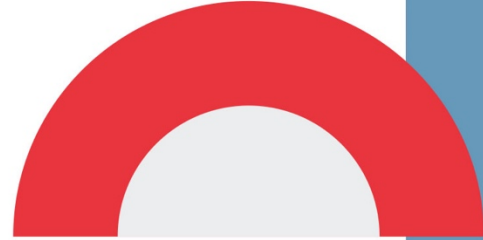
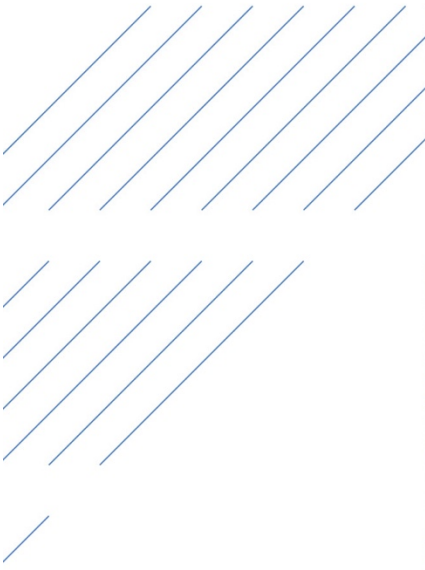
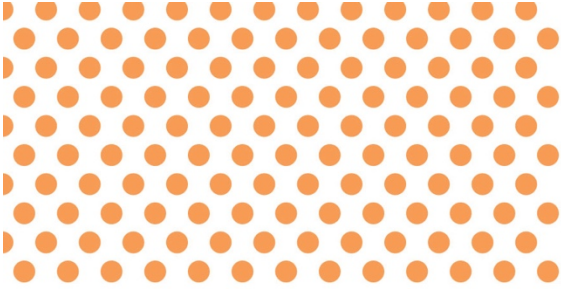
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