Bergvliet High School

GRADE 10

07 NOVEMBER 2024

BUSINESS STUDIES

November P1 Exam

MEMORANDUM

MARKS: **150**

TIME: **2 hours**

EXAMINER: **L KRIEL**

MODERATOR: **T ABRAHAMS, M FORTUNE, M VENTER**

This marking guideline consists of 20 pages

SECTION A: COMPULSORY

QUESTION 1

1.1 MULITPLE CHOICE

1.1.1 B ✓✓

1.1.2 A ✓✓

1.1.3 A ✓✓

1.1.4 C ✓✓

1.1.5 A ✓✓ (5X2)(10)

1.2 ONE WORD ITEMS

1.2.1 legal ✓✓

1.2.2 public relations ✓✓

1.2.3 Intermediaries ✓✓

1.2.4 cash ✓✓

1.2.5 formal ✓✓ (5X2)(10)

1.3 MATCHING ITEMS

1.3.1 E ✓✓

1.3.2 H ✓✓

1.3.3 A ✓✓

1.3.4 B ✓✓

1.3.5 C ✓✓ (5X2)(10)

TOTAL

30

SECTION B

Answer **ANY TWO** questions in this section.

NOTE: Clearly indicate the QUESTION NUMBER of each question that you choose. The answer to EACH question must start on a NEW page, for example QUESTION 2 on a NEW page, QUESTION 3 on a NEW page, et cetera.

QUESTION 2: BUSINESS ENVIRONMENTS

2.1 **Define intermediaries.** (4)

- These are individuals or businesses that distribute ✓and sell the products services of a business. ✓
- Intermediaries bridge the gap ✓ between producers and consumers.
- Intermediaries include: wholesalers, ✓ retailers, agents, brokers, transportation services, etc. ✓
- Some intermediaries assist businesses ✓ with packaging and advertising of their products and services. ✓
- Any other relevant answer.
- **Max (4)**

2.2 **Outline the purpose of trade unions.** (4)

- Unions are established bodies that protect the interest of workers. ✓✓
- They have the right to call for industrial actions such strikes or go-slows if their demands are not met by organisations or the government. ✓✓
- They constantly negotiate for better wages and salaries for their members and also safeguard their members against unfair dismissal. ✓✓
- They also negotiate for better working conditions for their members and may represent them during disciplinary hearings. ✓✓
- Any other relevant answer.
- **Max (4)**

2.3 **Name the THREE business environment AND State the extent of control that businesses have over EACH business environment.** (6)

Use the table below as a GUIDE to answer QUESTION 2.3

BUSINESS ENVIRONMENTS	EXTENT OF CONTROL
Micro ✓	Full control ✓
Market ✓	Limited/some control ✓
Macro ✓	No Control ✓
Sub max (3)	**Sub max (3)**

NOTE: Only accept these answers. Mark first THREE answers only

Answer does not need to be in table format

2.4 **Explain reasons why NGO's and CBO's are part of the market environment.** (4)

- They are part of the market environment because they supply ✓ consumer goods and services. ✓
- They are concerned ✓ about the welfare of others. ✓
- They are local organisations that operate in the community ✓ to provide social services with aim of social upliftment. ✓
- Any other relevant answer.
- **Max(4)**

2.5 **Identify which socio-economic issue is mentioned below:**

2.5.1 **The process of fraudulently manufacturing, altering, or distributing a product that is of lesser value than the original product**. (2)

counterfeiting / imitations ✓✓

2.5.2 **The illegal production of counterfeit goods for sale.** (2)

Bootlegging ✓✓

2.5.3 **The lack of resources to meet basic human needs.** (2)

Poverty ✓✓

2.6 **Analyse how HIV/Aids may impact the business.** (4)

- Trained and experienced employees often die due to complications caused by HIV before they can grow old ✓ This causes an increase in staff turnover for the business. ✓
- This in turn creates additional expenses for businesses ✓ when they need to hire and train new employees. ✓
- Businesses face high levels of nonattendance of employees ✓ who become ill or request to attend funerals. ✓
- Employees may experience low morale ✓because of sick colleagues. ✓
- This could lead to a decrease in productivity ✓ as workloads increase. ✓
- The business will be affected adversely ✓ and this could lead to a decline in profits. ✓
- Any other relevant answer.
- **Max(4)**

2.7 **Discuss the interrelationship between the three business sectors.** (4)

- Changes in the macro environment may affect the micro environment ✓which may then affect the market environment. ✓
- For example; an increase in the interest rate may lead to an increase in the production cost, ✓ hence increase in the prices of goods/services, which will in turn decease consumer spending. ✓
- Businesses (the micro environment) are in constant interaction with components ✓ of the market and macro environment. ✓
- Businesses are challenged by changes in the market ✓ and macro environment which cannot be controlled by the business. ✓
- Changes in the market environment may affect the micro environment. ✓ E.g., new competitors entering the market might force businesses to decrease their prices. ✓

- Businesses must adapt to challenges from the macro-environment ✓by formulating strategies to cope with these challenges. ✓
- Any other relevant answer.
- **Max(4)**

2.8 **Advise businesses on the importance of the informal sector.** (4)

- Encourages entrepreneurship and self-employment. ✓✓
- Provides employment opportunities for communities and contributes to poverty alleviation. ✓✓
- People working in the informal sector gain work experience, which enables them to apply for jobs in the formal sector. ✓✓
- People start informal businesses to supplement their income earned in the formal sector. ✓✓
- It is easy to enter this sector and serves the needs of individuals. ✓✓
- Any other relevant answer.
- **Max(4)**

2.9 **Suggest TWO reasons why the technological component in the macro environment can be challenging for businesses.** (4)

- Businesses may not be able to keep up with/be aware of the latest technology. ✓✓
- Employees may not be skilled to operate/maintain new technology/ equipment. ✓✓
- Staying up to date with the latest and greatest technology can be expensive. ✓✓
- Businesses experiencing systems failure will be rendered paralysed, which will cause businesses to lose capital due to stalling in operations. ✓✓
- Business's IT systems may be hacked by fraudsters, and this could expose its confidential information/be damaging to the business. ✓✓
- Any other relevant answer.
- **Max(4)**

[40]

QUESTION 3: BUSINESS OPERATIONS

3.1 **List any FOUR management tasks.** (4)

- planning ✓
- organising ✓
- leadership ✓
- controlling ✓
- risk management. ✓

NOTE: Mark first four answers only.

3.2 **Outline the purpose of the purchasing function** (6)

- Manage stock to ensure sufficient levels of stock to carry out business operations. ✓✓
- Continuously looking for the best/reputable suppliers. ✓✓

- Regularly contacts other business departments to determine their needs. ✓✓
- Returns damaged goods to suppliers and ensures that it is replaced. ✓✓
- Receives confirmation that all delivered goods were according to specifications, and that the price invoiced is the same as of the quoted price. ✓✓
- Negotiates the best possible terms for payment with suppliers. ✓✓
- Any other relevant answer.
- **Max(6)**

3.3 **Identify the source of funding in every statement below.**

3.3.1 **Money borrowed from the bank.** (2)

- Bank loans ✓✓

3.3.2 **Funding provided by the state for small developing businesses.** (2)

- Grants ✓✓

3.3.3 **An account holder applies for a certain amount to exceed the balance in the current account when making payments.** (2)

- Bank overdraft ✓✓

3.4 **Differentiate the difference between leadership and management**. (4)

Management	**Leaders**
Holds a particular position in an enterprise ✓✓	Does not necessarily hold a particular managerial position ✓✓
A person can only become a manager if there is a managerial vacancy in the business ✓✓	A leader emerges when there is need for leadership in a group ✓✓
Gives instructions and checks to see if they are carried out ✓✓	Part of a team and helps to perform tasks ✓✓
Has authority to tell subordinates what to do ✓✓	Usually inspires team members to perform ✓✓
Submax (2)	**Submax (2)**

NOTE: Answer does not need to be in a table.
If differences are not clear, award a maximum of 2 marks.

3.5 **Read the scenario below and answer the questions that follow.**

DEER CARE FOUNDATION (DCF)
Deer Care Foundation (DCF) has a department that handles the media and press releases. Another department is responsible for fund raising and financial care of the people in need.

Identify the TWO business functions applicable to DCF. Motivate your answer by quoting from the scenario above. (6)

Use the table below as a GUIDE to answer QUESTION 3.5.

BUSINESS FUNCTION	MOTIVATIONS
1. Public Relations ✓✓	Deer Care Foundation (DCF) has a department that handles the media and press releases. ✓
2. Financial ✓✓	Another department is responsible for fund raising and financial care of the people in need. ✓

NOTE:

1. Mark the first TWO (2) only.

2. The answer does not have to be in tabular format.

3. Award marks for the Business Function even if the motivations were incomplete.

4. Do not award marks for the motivations if the Business Function were incorrectly identified

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

ANDERSON BUILDERS LTD. (ABL)

Anderson Builders Ltd. allows their customers to buy their products on credit. The management of ABL does not discriminate against customers. They also ensure that all contracts are written in plain and understandable language. They also give customers reasons why a credit application is refused.

3.6.1 **Name any TWO consumer rights according to the National Credit Act from the scenario above.** (2)

- Protected from unfair discrimination in granting credit ✓
- Receive all information in their official language ✓
- To be given reasons why a credit application was refused ✓

NOTE: Mark first two answers only.

3.6.2 **Outline TWO responsibilities of credit providers.** (4)

- Credit providers should conduct a credit assessment to ensure that consumers can afford the debt. ✓✓
- Check the most recent payslip or bank statement to ensure the consumer has an income. ✓✓
- Check the consumer's monthly debt-repayment obligations in terms of credit agreements. ✓✓
- Consider other expenses of the consumers. ✓✓
- Consider the consumer's debt repayment history. ✓✓
- Any other relevant answer.
- **NOTE: Mark first two answers only.**
- **Max(4)**

3.7 **Discuss THREE reasons why a business may need financing.** (6)

- Money for starting ✓up a business. ✓
- Money to cover the running costs of a business ✓while waiting for outstanding payments✓
- Money to replace ✓machinery, equipment, and computers. ✓

- Money for expansion✓, to grow a business. ✓
- **NOTE: Mark first three answers only.**
- **Max(6)**

3.8 **Suggest ONE advantage of quality control in the business.** (2)

- Dealers and consumers are assured that products are of good quality. ✓✓
- Quality control encourages workers to continue to produce quality products. ✓✓
- Production costs can be reduced through eliminating inferior products. ✓✓
- Quality control leads to improved quality and product design. ✓✓
- Any other relevant answer
- **NOTE: Mark first answer only.**
- **Max(2)**

[40]

QUESTION 4: MISCELLANEOUS

BUSINESS ENVIRONMENTS

4.1 **Define the legal environment.** (2)

- The legal environment refers to the laws passed by the government ✓ which affect businesses. ✓
- Legal elements refer to rules that businesses must adhere to, ✓ and all other legal aspects businesses should consider. ✓
- Any other relevant answer.
- **Max(2)**

4.2 **Outline why socio-economic issues pose a challenge to businesses.** (4)

- Businesses may not be well supported by customers because of their limited disposable income. ✓✓
- Absenteeism of employees affected by HIV/AIDS will result in a decrease in productivity of the business. ✓✓
- Counterfeiting, bootlegging and crime may lead to loss of profit for businesses. ✓✓
- Businesses may feel pressurized to offer corporate social responsibility
- projects in disadvantaged communities. ✓✓
- This in turn could lead to increased business costs and decreased profitability. ✓✓
- Any other relevant answer.
- **Max(4)**

4.3 **Identify the business sector applicable to EACH statement below:**

4.3.1 **Gary bought a truck to start a removal and delivery service.**

- Tertiary Sector ✓✓

4.3.2 **Laura turned her home into a mini factory to manufacture uniforms for** the schools in the area. (4)

- Secondary Sector ✓✓

4.4 **Elaborate on the different types of gambling.** (6)

- Pyramid Schemes ✓refers to businesses that may potentially yield high revenues for people who invest their money in them. ✓
- Illegal gambling✓ is when unlicensed businesses offer gambling to the public ✓
- Money laundering✓ is the process by which unlawful profits from crimes are invested in valid businesses to cover up their wrongdoings. ✓

4.5 **Analyse the impact of inequality and poverty on businesses.** (4)

- Individuals and customers have less or no money ✓to spend to buy basic goods and services. ✓
- Individuals and families within poor communities are dependent on the kindness of businesses✓ and non-profit organisations to assist them to provide for their basic needs. ✓
- Businesses are levied with taxes to provide money for ✓government grants, free housing, education and health care for the poor. ✓
- Poverty results in the continuation of the cycle of unemployment and homelessness✓ which can lead to an increase in crime. ✓
- Poor people cannot afford to educate themselves ✓ and therefore businesses do not have skilled workers that can be employed. ✓
- Some people do not have the financial means to buy goods ✓ as they have little to no disposable income. ✓
- Limited customer spending means✓ that businesses record lower sales figures. ✓
- Businesses may not grow due✓ to reduced sales figures. ✓
- Businesses are pressurized by the media attention✓ to poverty into investing in poor communities. ✓
- Any other relevant answer
- **Max(4)**

BUSINESS OPERATIONS

4.6 List TWO types of organisational structures. (2)

- Functional organisational structure ✓
- Project organisational structure✓
- Matrix organisational structure ✓

NOTE: Mark first two answers only.

4.7 **Differentiate between quality control and quality assurance.** (4)

Quality control	**Quality assurance**
A system to maintain standards in manufacturing ✓by testing the output against the specifications. ✓	The continuous maintaining of the required level of quality✓ in a service / product. ✓
Submax (2)	**Submax (2)**

4.8 **Explain the type of decisions made by each management level below:**

4.8.1 **Top Level Management** (2)

They make long-term ✓strategic decisions✓ to achieve long-term goals.

4.8.2 **Lower Level Management** (2)

The lower-level management make short-term✓ operational decisions.✓

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

PRECISION ENTREPRENEURIAL DEVELOPERS (PED)
Precision Entrepreneurial Developers (PED) have significantly improved the entrepreneurship landscape in South Africa. Information is handled correctly by the administrative staff of PED to prevent incorrect decisions based on incorrect information.

4.9.1 **Define the term public relations.** (2)

- The public relations function is responsible for keeping all stakeholders✓ of the business happy. ✓
- It ensures that there is good communication✓ between the business and all its stakeholders. ✓
- Any other relevant answer.
- **Max(2)**

4.9.2 **Identify the activity of the administration function applied by PED. Motivate your answer by quoting the scenario above**. (3)

- **Activity:** Handling of information ✓✓
- **Motivation:** Information is handled correctly by the administrative staff of PED to prevent incorrect decisions based on incorrect information. ✓

4.9.3 **Suggest other activities of the administration function to PED.** (4)

Collection of information ✓✓

- Information is collected from both inside and outside the business. ✓✓
- Correct and reliable information should be available for meaningful decision making and to run the business successfully. ✓✓
- Any other relevant information

Information technology ✓✓

- IT is the use of electronic equipment to assist with various administrative tasks. ✓✓
- Technology is used to both communicate and handle information and referred to as ICT. ✓✓
- Any other relevant information

Office practice ✓✓

- Office practice refers to how the administrative staff should handle their duties. ✓✓
- It covers matters such as the dress code for employees / proper filing of documents / telephone etiquette / internet usage by staff, etc. ✓✓
- **Max(4)**

[40]

TOTAL SECTION B: **[80]**

SECTION C

Answer ANY ONE questions in this section**.**

NOTE: Clearly indicate the QUESTION NUMBER of the chosen question. The answer to EACH question must start on a NEW page, for example QUESTION 5 on a NEW page, QUESTION 6 on a NEW page, et cetera.

QUESTION 5: BUSINESS ENVIRONMENTS

Businesses should have a sound understanding of the market environment and its components. An interrelation exists between the micro and market environment. Businesses must be aware that competition poses a challenge to businesses.

Give a detailed report on the following:

- Elaborate on the meaning of the market environment.
- Explain FOUR components of the market environment.
- Discuss the interrelation between the micro, market and macro environments
- Advise businesses on reasons why competition poses a challenge to businesses.

[40]

INTRODUCTION

- The market environment is regarded as an important part of the business. ✓
- The components of market environment has an influence on the success or failure of business. ✓
- Businesses do not operate in isolation of the business environment and they are therefore interrelated. ✓
- Business must establish ways of addressing competition that poses challenges to businesses. ✓
- Any other relevant answer.
- Any (2x1 = 2)

MEANING OF THE MARKET ENVIRONMENT

- The market environment is the immediate✓ external environment of the business. ✓
- The business interacts✓ with the various components of this immediate external environment on a daily basis. ✓
- A business has some/limited/partial control ✓over its market environment. ✓
- In order for the business to be successful, it has to be able to influence ✓the components in this environment. ✓
- Some components in the market environment can easily be influenced while others may be difficult to influence. ✓
- Any other relevant answer.
- Max (6)

COMPONENTS OF THE MARKET ENVIRONMENT

Consumers/customers ✓✓

- These refer to individuals or other businesses ✓that purchase products and services from a business. ✓
- Consumers/customers play a key role to the success of a business ✓without them the business will not succeed. ✓
- Businesses get their incomes from the money that they receive ✓when they sell their products or services to their customers. ✓
- Customer's preference and taste do change as they develop/as time goes by✓ and so it is essential for businesses to conduct a market research to find out the needs of their target market. ✓
- If customers are not happy with the products or services of a business✓, they will turn to a competitor. ✓
- Consumers are the final users of the product/service. ✓
- Any other relevant answer.
- Submax 4

Suppliers ✓✓

- These are individuals or other businesses that provide/supply businesses with the inputs/resources ✓that they need in order to produce/manufacture their product or services. ✓

- If suppliers fail to provide businesses with quality resources/inputs or if the suppliers don't deliver these resources/inputs on time or at the right prices, ✓ then the businesses will not be able to meet their goals/objectives. ✓
- Businesses need to ensure that they identify✓ reliable suppliers in the market. ✓
- Without suppliers a business cannot succeed✓ because there would be no goods/services available to sell to customers. ✓
- Businesses can establish a good relationship with their suppliers ✓by signing long-term contract for their raw materials at fixed prices. ✓
- Any other relevant answer.
- Submax 4

Intermediaries✓✓

- These are individuals or businesses that distribute✓ and sell the products/services of a business. ✓
- Some intermediaries assist businesses✓ with packaging and advertising of the business's products and services. ✓
- Intermediaries bridge the gap✓ between producers and consumers. ✓
- Intermediaries include✓ wholesalers, retailers, agents, brokers, transportation services, etc. ✓
- Any other relevant information
- Submax 4

Competitors ✓✓

- These refers to businesses/organisations that provide or sell similar/identical goods/services✓ to that of the business. ✓
- Increased competition in the market✓ has a great benefit to consumers/customers. ✓
- Businesses will be forced to offer quality products/services✓ at the lowest possible prices or else, they will lose their customers to their competitors. ✓
- Businesses should monitor the activities of their competitors✓ so that they could produce goods or services that are of good quality than their competitors. ✓
- Any other relevant information.
- Submax 4

Other organisations/Civil society ✓✓

- These include all the organisations or institutions that have been formed by some individuals/members of the community who have mobilized their resources to provide some essential goods/services to the community without charging for these goods or services.
- These organisations or institutions play a key role in the community especially in areas where the public sector has failed to provide these goods or services.
- Any other relevant information
- Submax 4

Community-based organisations (CBO's) ✓✓

- They have been established to assist the community ✓in job creation, socio-economic development and becoming self sufficient. ✓
- They are local organisations that operate in the community✓ that provide social services with aim of social upliftment. ✓
- They focus on social-economic issues ✓such as HIV/AIDS/Unemployment/Crime/Illiteracy. ✓
- Any other relevant information
- Submax 4

Non-governmental organisations (NGO's) ✓✓

- They are non-profit organisations ✓that do not operate under the control of the government. ✓
- They are established to fulfil important needs in the community✓ by addressing some socio-economic issues. ✓
- Non-governmental organisations (NGO's) are part of the market environment because their activities/decisions ✓may impact positively or negatively on the success or failure of the business. ✓
- Any other relevant information
- Submax 4

Regulators ✓✓

- These are government bodies that make rules and regulations ✓to control the activities of businesses. ✓
- These rules and regulations are put in place to ensure✓ that businesses do not exploit their customers or employees. ✓
- Regulators include bodies/organisations ✓such as SABS/ACSA etc. ✓
- Any other relevant information
- Submax 4

Unions ✓✓

- These are established bodies ✓that protect the interest of workers. ✓
- Unions have the right to call for an industrial action✓ such as a strike or a go slow if their demands are not met by organisations or the government ✓
- They constantly negotiate for better wages/salaries ✓for their members and also safeguard their members against unfair dismissal. ✓
- They also negotiate for better working conditions ✓ for their members and may represent them during disciplinary hearings. ✓
- Any other relevant information
- Submax 4

DISCUSS THE INTERRELATION BETWEEN THE MICRO, MARKET AND MACRO ENVIRONMENTS.

- Changes in the macro environment may affect the micro environment ✓which may then affect the market environment. ✓
- For example; an increase in the interest rate ✓may lead to an increase in the production cost, hence increase in the prices of goods/services, which will in turn decrease consumer spending. ✓
- Businesses (the micro environment) are in constant interaction ✓with

components of the market and macro environment. ✓

- Businesses are challenged by changes in the market and macro environment ✓which cannot be controlled by the business. ✓
- Changes in the market environment may affect the micro environment. ✓ E.g., new competitors entering the market might force businesses to decrease their prices. ✓
- Businesses must adapt to challenges✓ from the macro-environment by formulating strategies to cope with these challenges. ✓
- Any other relevant answer
- Sub max 12

REASONS WHY COMPETITION POSES A CHALLENGE TO BUSINESSES

- Competition as one of the components of the market environment poses a challenge to businesses because it is not within the control of the business. ✓ ✓
- Consumers will buy from the business where they get the most value for money and they could choose the competitor.✓ ✓
- Competitors may charge prices significantly lower than the business, which could drive the business out of the market/industry. ✓
- Business could find that they are unable to make sufficient profit when the demand is not high enough. ✓✓
- Businesses could find it hard to differentiate itself from its competitors, in order to gain a competitive advantage. ✓✓
- New entrants with better products can also enter the market✓ and divide the market even more. ✓✓
- Any other relevant information
- Max 8

CONCLUSION

- Market environment and its components influences the profitability and growth of the business. ✓
- It is important that interrelation between micro and market must be stable. ✓
- Competitor's profile can be used to identify the strength and weakness of competitors which the business can use to improve competitive advantage.. ✓
- Any other relevant answer.
- Any (1x2 = 2)

DETAILS	MAXIMUM	SUBTOTAL	TOTAL
Introduction		2	MAX 32
Meaning of the market environment	8	44	
Components of the market environment	16		
Relationship between micro, market and macro	12		
Reasons why competition poses a challenge to businesses	8		
Conclusion		2	
SUBTOTAL			
INSIGHT			
Layout			2
Analysis, interpretation			2
Synthesis			2
Originality			2
TOTAL			40

QUESTION 6: BUSINESS OPERATIONS

The financial function and purchasing function have specific responsibilities. Cash and credit payments need to be considered by businesses for their purchasing requirements. Businesses should follow the correct steps in the purchasing procedure. There are different sources of financing available for businesses. Businesses must be aware of the purpose of the financial function.

Give a detailed report on the following

- Outline the differences between cash and credit payments.
- Explain the correct purchasing procedure.
- Discuss the following sources of financing:
  - Bank loans
  - Angel funding
  - Venture capital
- Advise businesses on the quality indicators of the financial function.

[40]

INTRODUCTION

- The business does not make all payments as cash payments and often participates in activities that involve credit payments. ✓
- The purchasing procedure should continuously look for suitable, new and better suppliers. ✓
- There are different sources of funding available for the business depending on the needs of the business. ✓

- Financial function is responsible for planning and managing all the funds and assets of the business.
- Any other relevant answer.
- Any (1x2 = 2)

DIFFERENCES BETWEEN CASH AND CREDIT PAYMENTS

CASH PAYMENTS	CREDIT PAYMENTS
All payments made by cash/cheque ✓ or business purchases. ✓	All payments made by means of credit cards/on future date✓ for business purchases. ✓
Enable businesses to budget for stock purchases✓ and avoid unnecessary delays. ✓	Allows businesses to buy stock✓ and pay on a future date. ✓
Cash payers can qualify✓ for cash discounts✓	The credit payer/purchaser can pay more for goods due to interest ✓added on credit purchases. ✓
Any other relevant answer.	Any other relevant answer.
Submax (6)	**Submax (6)**

NOTE: 1. The answer does not have to be in tabular format.
2. The distinction does not have to link but must be clear.
3. Award a maximum of SIX marks if the distinction is not clear. Mark either cash or credit payments only.

STEPS IN THE PURCHASING PROCEDURE

Determine the need for the product/Requisition✓✓

- Liaise with the financial department to establish ✓the budget for the purchasing of goods and services. ✓
- Determine the product/material/resource ✓needs of the businesses. ✓
- Find the right quality/quantity of goods and services✓ at the right price ant the right time. ✓
- Any other relevant information
- Submax 4

Determine the price of the product ✓✓

- Find the best price by obtaining quotes/tenders ✓or making enquiries. ✓
- Any other relevant information
- Submax 4

Select/Choose a suitable supplier✓✓

- The purchasing department should choose reliable suppliers ✓for its raw materials/products. ✓
- Evaluation criteria based on quality of raw material/prices/delivery time ✓needs of the business should be used to select the best suitable supplier.. ✓
- The purchasing department should conduct a thorough investigation✓ about potential suppliers/ their reputation and reliability. ✓
- Any other relevant information
- Submax 4

Place an order✓✓

- The purchasing function should place an order in writing so that goods delivered ✓ can be compared with the order. ✓
- Confirm the prices of the products on order to avoid unexpected surprises ✓ when payments are made. ✓
- Any other relevant information
- Submax 4

Collect or receive the order✓✓

- The purchasing department should ensure ✓that the right orders are received and recorded. ✓
- The quality and quantity of stock received ✓should be checked against the order. ✓
- The purchasing department should keep a copy of a delivery note✓ for record keeping purposes. ✓
- Any other relevant information
- Submax 4

Pay the supplier✓✓

- The purchasing department instructs the financial department ✓to pay the supplier after delivery of the order ✓
- The supplier must provide copies of the requisition ✓form to the purchasing department✓
- The purchasing department must provide a delivery note✓ for final payment after satisfactory delivery.✓
- The supplier sends the invoice to the financial department.✓ for final payment after satisfactory delivery. .✓
- Any other relevant information
  Submax 4

Distribute stock✓✓

- The purchasing department should ensure proper distribution ✓of stock/raw materials to all relevant departments.✓
- Distribution of stock should be in line with pre-requisite orders ✓from each department to avoid stock loss.✓
- Any other relevant information
- Submax 4

Complete the order✓✓

- Ensure that all the correct documentation ✓is in place and filed for future reference.✓
- Any other relevant information
- Submax 4

NOTE: Accept steps in any order.

SOURCES OF FINANCING

Bank loans

- This is money borrowed from the bank ✓and will be repaid over a period of time.✓
- The money is repaid ✓with an interest.✓
- The entrepreneur who borrowed the money will attach their fixed asset ✓ as surety to the value of the loan.✓
- Bank loans are usually.✓ used for long-term financing.✓
- Any other relevant information
- Submax 4

Angel funding

- This is money offered by wealthy entrepreneurs ✓to other businesses for a share in that business. ✓
- This is usually used at the start ✓of a business and carries a high risk for the investor.✓
- Angel funding is a very popular source of financing ✓ in the technology industry.✓
- Any other relevant information
- Submax 4

Venture capital

- This is money offered by individuals/organisations ✓to start up or expand the business. ✓
- This is done in exchange ✓of a share in the business.✓
- The investor usually requires for a management position ✓ or to be a board member in the business.✓
- Any other relevant information
- Submax 4
- Max (12)

QUALITY INDICATORS IF THE FINANCIAL FUNCTION

- The financial function has to obtained capital from the most suitable sources. ✓✓
- They should negotiate a lower/better interest rate to keep financial costs as low as possible. ✓✓
- They should draw a budget to ensure sufficient allocation of cash to prevent wastage. ✓✓
- The financial records should be kept up to date at all times and should be accurate in order for the business to be tax compliant. ✓✓
- Accurate financial statements should be drawn up so that management can see the performance of the business. ✓✓
- Surplus funds should be invested to save for future projects/ expansion/ growth. ✓✓
- Any other relevant information
- Max (10)

CONCLUSION

- The business often purchases goods on credit from creditors while they wait for debtors to repay the debt. ✓✓
- The purchasing procedure provides the appropriate guidance for the purchasing manager/function for the correct procedure that must be followed when making purchases. ✓✓
- Financial institutions often require business plans/financial planning instruments when applying for different sources of financing for the needs of the business. ✓✓
- Purchasing goods on credit allows the business to continue its operations.✓✓
- Any other relevant information
- Max (2)

DETAILS	MAXIMUM	SUBTOTAL	TOTAL
Introduction		2	MAX 32
Differences between cash and credit payments	12	50	
Steps in the purchasing procedure	16		
Sources of financing: Bank loans, angel funding and venture capital	12		
Quality indicators in the financial function	10		
Conclusion		2	
SUBTOTAL			
INSIGHT			
Layout			2
Analysis, interpretation			2
Synthesis			2
Originality			2
TOTAL			40