



Province of the
EASTERN CAPE
EDUCATION

DIRECTORATE SENIOR CURRICULUM MANAGEMENT (SEN-FET)
HOME SCHOOLING SELF-STUDY ANSWER SHEET

SUBJECT	BUSINESS STUDIES	GRADE	12	DATE	28/07/2020
TOPIC	BUSINESS VENTURES	TERM 1 REVISION		TERM 2 CONTENT	

QUESTION 1: BUSINESS VENTURES

1.1 Types of preference shares.

- Participating preference shares✓
- Non-participating preference shares✓
- Ordinary preference shares✓
- Cumulative preference shares✓
- Non-cumulative preference shares✓
- Redeemable preference shares✓
- Non-redeemable preference shares✓
- Convertible preference shares✓
- Non-convertible preference shares✓

(4 x 1) (4)

1.2 Functions of the Johannesburg Securities Exchange Ltd (JSE).

- Gives opportunities to financial institutions such as insurance companies to invest their funds in shares. ✓✓

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

Any other relevant answer related to the functions of the Johannesburg Securities Exchange/JSE. (4)

1.3 Leadership theory.

1.3.1 Situational leadership theory√√ (2)

1.3.2 Situational leadership theory

- Different leadership characteristics√ are needed for different situations. √
- The task/situation dictates the leadership style that should be applied√, so leaders are adaptable/flexible/self-assured. √
- Effective application of this theory may enable leaders√ to accomplish their goals. √
- Relationships between leaders and employees√ are based on mutual trust/respect/loyalty/integrity/honesty. √
- Leaders have the ability to analyse the situation/get the most suitable people in the right positions√ to complete tasks successfully. √
- Leaders analyse group members/objectives/time constraints√, to adopt a suitable/relevant leadership style. √

- May lead to conflict√ when leaders use different leadership styles/when managing employees in different situations. √
 - The success of this theory depends on the kind of relationship that exists√ between the leader and followers/subordinates/employees. √
- Any other relevant answer related to the situational leadership theory.

NOTE: Accept relevant facts if the situational leadership theory was incorrectly identified in QUESTION 1.3.1. (6)

1.4 Leadership and management

LEADERSHIP	MANAGEMENT
Influences√ human behaviour√	Guides√ human behaviour√
Communicates√ by means of interaction / behaviour / vision / values / charisma√	Communicates through management functions√, e.g. line function√
Encourages new ideas√ to increase productivity√	Administers plans / programs / tasks√ to reach targets√
Inspires staff to trust√ and support each other√	Controls systems and procedures√ to get the job done√
Focuses on what√ and why√	Focuses on how√ and when√
Does the right things√	Does things right√
Focuses on the horizon√ to take long term decisions√	Focuses on the bottom line√ to take short / medium / long term decisions√
Leaders are born√ with natural / instinctive leadership skills√	A person becomes a manager√ because he / she is appointed in the position√
Guides / Leads people√ to become active participants√	Manages the process of getting things done√ by exercising authority√
Has power / influence√ because of his / her knowledge / intelligence / skills√	Has power / authority√ because of the position into which they are appointed.√
Always trying to find more efficient ways√ of completing tasks√	Enforce rules on subordinates√ to ensure that tasks are completed√
Motivational / Inspirational√ in their approach√	Instructional√ in their approach√
People orientated√	Task orientated√
Lead by example / trust / respect√	Manage by planning / organising / leading / control√
Any other relevant answer related to leadership	Any other relevant answer related to management
Sub max (4)	Sub max (4)

(8)

1.5 1.5.1 Public company

(2)

1.5.2 Advantages of a public company

- The business has its own legal identity✓ and can own assets/property. ✓
 - Easy to raise large amounts of capital for growth✓ through the issuing of shares to the public. ✓
 - Shareholders have a limited liability✓ for the debt of the company✓/Shareholders may only lose✓ the amount which they invested. ✓
 - Competent and knowledgeable directors✓ may be appointed by shareholders. ✓
 - Attracts small investors✓ as shares can be transferred freely/easily. ✓
 - No limitation on the number of shareholders✓, so growth/expansion is not limited. ✓
 - Additional capital can be raised✓ by issuing debentures to the public. ✓
 - The public has access to the company's financial information✓ as financial reports have to be published annually. ✓
 - The company keeps its shareholders/stakeholders regularly informed✓ about its performance/share values/future plans. ✓
 - The company continues to exist✓, even if shareholders die/retire/sell their shares. ✓
- Any other relevant answer related to the advantages of a public company.

NOTE: Accept relevant facts, if the public company was incorrectly named as an answer in QUESTION 1.5.1.

(8)

1.6 Success and/or failure of a public company.

CRITERIA	SUCCESS	AND/OR	FAILURE
Management	Managed by at least three competent/highly skilled directors.✓✓		Directors may not have a direct interest in the company, which can hamper growth and profit maximisation. ✓✓
	The management of the company can improve since directors are accountable to shareholders. ✓✓		Directors may not be motivated to work very hard because shareholders decide on the directors' remuneration.✓✓
	Directors bring creative ideas which encourage innovation/high productivity/efficiency in the company.✓✓		Large management structure can result in decision making taking time. ✓✓

	<p>Shareholders can vote for/appoint the most capable directors to manage their company. √√</p> <p>Any other relevant answer related to the contribution of management to the success of a public company.</p>	<p>Some shareholders may not exercise their voting rights resulting in choosing the wrong person as a director. √√</p> <p>Management may be open to legal challenges if their reports do not comply with King Code III. √√</p> <p>Directors' fees increase the company's expenses which reduces net profit. √√</p> <p>Any other relevant answer related to the contribution of management to the failure of a public company.</p>
Sub max (3)		

(6)

CRITERIA	SUCCESS	AND/OR	FAILURE
Legislation	<p>- The company and its owners/ shareholders are separate entities, which may encourage more people to join the company. √√</p>	<p>- Formation procedures are time consuming/complicated/ expensive, as many legal documents need to be prepared/submitted. √√</p>	
	<p>Limited liability allows for greater risk taking, which may lead to growth of the business. √√</p>	<p>- High formation/establishment expenses require large start-up capital. √√</p>	
	<p>Auditing of financial statements, gives shareholders the assurance that the business is being properly managed and supports raising additional finance. √√</p>	<p>- Annual audit of financial statements is costly. √√</p>	
		<p>If a public company does not comply with legislation, its licence maybe withdrawn by the Companies and Intellectual Property Commission (CIPC). √√</p>	
		<p>Publishing of financial statements may discourage investors to invest in underperforming companies. √√</p>	

	Any other relevant answer related to the contribution of legislation to the success of a public company.	- Any other relevant answer related to the contribution of legislation to the failure of a public company
Sub max (3)		

NOTE:

- 1. The answer does not have to be in tabular format.**
- 2. Mark either success AND/OR failure of EACH factor.**

TOTAL

[40]