



EXAMINATIONS COUNCIL OF ESWATINI

Eswatini General Certificate of Secondary Education

Business Studies (6897)

Examination Report for 2023

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EGCSE BUSINESS STUDIES**Paper 6897/01****General Comments:**

Examiners noted that the responses of the 2023 cohort had slightly declined in quality compared to previous years. A significant number of candidates left certain questions not attempted. Examiners could not immediately ascertain the causes of that trend. A significant number of candidates struggled to define two-word concepts such as 'product-oriented approach' in **2 (a)**, 'social needs' in **3 (a)**, and 'monthly revenue' in **4 (a)**. Examiners agreed that there is a need to guide learners in defining two-word concepts. A useful hint is that both words in the concept need to be defined and must not be repeated in the answer given. Examiners further noted that some candidates struggled to answer part (d) sufficiently. Part **(d)** of each question includes 2 knowledge, 2 applications, and 2 analysis marks. Application primarily means linking each point made to the context outlined within the stem of the question. Thus each point discussed should sufficiently demonstrate these three skills. In most cases, candidates omit the application skill and thus fail to obtain full marks. Examiners noted that in parts **(c)**, **(d)**, and **(e)** candidates often repeat points. A repetition of points in any answer will not gain marks.

Comments on specific questions**Question 1**

- (a)** A significant proportion of candidates could not give a precise definition of this term. A common error was to confuse the sector with an individual business.
- (b)** Candidates were generally unsure of the meaning of this term. The strongest responses often provided the formula; total revenue minus total costs. Common mistakes were to define gross profit or to confuse costs with expenses.
- (c)** Candidates clearly understood this topic. A common error was to identify measures of success, such as profit, rather than size, or to repeat the same measure using slightly different wording. This **part (c)** question did not require application to the business in the stem.
- (d)** This question produced a range of responses. The best answers clearly stated an objective for the stakeholder in the question and then explained how this would impact upon the costs or revenue for this insurance business. Some candidates lost the application marks available by not referring to the business in the stem. These candidates often mentioned the cost of raw materials which would not be a significant consideration for a service business. Weaker responses were often able to identify stakeholder objectives but could not explain the link to profit.

- (e) This was one of the most challenging questions on the paper for many candidates. The strongest answers recognised that lower unit costs gained through economies of scale are one reason for takeovers, but greater market power may provide an alternative motivation. Very few candidates were able to provide effective evaluation for this question. Many candidates showed some understanding of different economies of scale and therefore gained the two knowledge marks available. A small, but significant, number of candidates did not answer this question.

Comments on specific questions

Question 1

Case 1

Ricky owns a small poultry farm which produces eggs. There is a scarcity of eggs in his local community of Malkerns. Ricky is studying Eswatini's economic structure to identify more business opportunities for expansion. He thinks that he will have to operate his business through e-commerce so as to achieve more success. Ricky wants to achieve business growth by supplying eggs country-wide in the next three years. One entrepreneur has advised Ricky to consider introducing technological change in his business operations.

(a) Define 'scarcity'

A significant proportion of candidates could not give a precise definition of 'scarcity'. A common error was a failure to compare supply and demand in the response. For example, weaker responses only gave general answers such as 'difficulty to find eggs in the market'.

Stronger answers were able to obtain full marks as they stated that 'scarcity is the situation where the demand for a product exceeds its supply in the market.'

(b) Identify two sectors of Eswatini's economic structure

Several candidates were generally unsure of the examples to give in this item. Some of the examples given showed that the candidates didn't know what is meant by 'economic structure'.

The strongest responses provided the following correct examples:

- Primary sector
- Secondary sector
- Tertiary sector
- Construction sector

A few candidates also correctly mentioned the *quaternary* and the *quinary* sectors (essential services sector).

(c) Explain two disadvantages to Ricky of operating his business through e-commerce.

Candidates had good knowledge of e-commerce and provided a variety of different correct answers. A common error was to give imprecise explanations on how e-commerce could be a disadvantage to a poultry business.

Precise answers provided the following explanations:

- A high number of conservative customers still exists (k) thus they prefer to buy from physical retail shops (an).
- Lack of internet access (k) hence Ricky might not reach many potential customers (an)
- Occurrence of site crashes (k) might prevent customers from doing business with Ricky on certain days (an)
- Lack of opportunity for customers to ascertain quality of the eggs before they buy (k) thus some customers might refuse to engage in transactions with Ricky (an)
- Shipping times might be lengthy (k) thus the eggs could lose quality before they reach distant customers (an)
- A high number of conservative customers still exists (k) thus they prefer to buy from physical retail shops (an)

(d) Explain two forms of external business growth that Ricky could use to expand his business.

Many candidates found this question challenging. A significant number of candidates confused 'forms of external growth' with 'external sources of finance'. Thus they provided wrong responses such as 'Ricky could borrow a loan from the bank', and/or 'Ricky could sell shares in the stock exchange'. Where relevant points had been raised, some candidates failed to apply their answers to the case thus losing marks allocated for application.

The best responses recognised that Ricky could expand his poultry business through acquiring mergers and acquisitions or takeovers.

Some of the best responses included the following:

- Horizontal merger (k) as Ricky could acquire a competitor or his supplier (app) so as to increase market share for the egg business (an)
- Backward vertical integration (app) as Ricky could acquire a supplier of hens to control the selling price of the eggs (an)
- Forward vertical (k) integration as Ricky could acquire a customer business or retail shop (app) so as to have a ready market for his eggs (an)
- Diversification (k) as Ricky could acquire an unrelated business such as a bakery (app) to reduce the risk of over-investing in one industry(an).

(e) Do you think that technological change could benefit Ricky's poultry business? Justify your answer.

Many candidates proved to be aware of the issues surrounding the use of technology in a business. However, many candidates failed to apply their answers to the business outlined. They failed to demonstrate the meaning of technological change in poultry business. Weaker responses also failed to make effective evaluative comments on the question.

The strongest candidates discussed the benefits and disadvantages of technological change in the poultry business. A significant number were able to make reasoned judgments on whether or not technological change could be beneficial to Ricky's poultry business.

Expected responses could include:

Valid positive points:

- More effective marketing of the eggs (k) as new internet technology enables Ricky's business to reach wider audience within a short period of time (an)
- More efficient production as introduction of automated poultry feeding system (k) could reduce the hens' mortality rate (an)

Valid negative points:

- Reduced market access (k) as some potential customers might not be familiar with e-commerce (an)
- Low security (k) as criminals may hack Ricky's business website and access secret information to commit fraud (an)

Positive Judgment: new technology could help Ricky to reduce number of poultry feeders thus making savings on wages and salaries (2ev)

Or

Negative Judgment: costs of conducting online business could be costly for Ricky thus loss of income (2ev)

Question 2**Case 2**

Palesa is a clothing designer of suits for rich male customers. The business uses a product-oriented approach to produce the expensive clothing. Palesa's revenue generated in the past two years suggests that the business has been affected by product life cycle stages. She has observed that the units sold are below the targeted break-even point. Palesa thinks that she needs to produce different types of products to cater for more market segments. In support of her idea, Palesa's workers have suggested a change from job production towards batch production.

(a) Define 'product-oriented approach'.

This term was not well understood by many candidates. A significant proportion of candidates failed to define both 'product-oriented' and 'approach' in their responses.

Precise responses stated 'product-oriented approach means a marketing method where the business focuses on developing products without considering the views of customers. Equally good responses referred to the 'practice of trying to develop new quality products before conducting market research'.

(b) State two product life cycle stages that Palesa's business might have been affected by

Generally, a well-answered question. Strongest responses correctly stated all the required examples of the stages of the product life cycle, which included the following:

- development
- introduction
- growth
- maturity
- decline
- withdrawal

A small but significant number of candidates confused the product life cycle with the business /economic cycle, thus they gave wrong examples such as the boom and recession.

(c) Explain two uses of the break-even analysis to Palesa.

This question required an understanding of the elements of the breakeven point. Many candidates were unable to show a good understanding of the uses of the breakeven point in a clothing factory. The strongest responses explained how Palesa could use the breakeven point to operate her clothing business efficiently. A common error was the failure of the candidates to explain the points they had stated.

Some of the expected responses included the following:

- To determine a price level that exceeds the average cost of producing each unit clothing (k) to achieve the target profit per unit sold (an)
- To determine the quantity of shirts to be produced (k) thus enabling Palesa to recover the total cost of investing in the clothing business (an)
- To ascertain the level of fixed and variable costs in developing the clothes (k) in order to keep production costs low thus maintaining the profitability of the business (an)
- To decide whether or not to continue offering the clothing design service (k) based on the possibility of making high revenue and profits for the clothing business (an)

(d) Explain two possible clothing products which Palesa might want to develop for her new market segments.

Good knowledge of clothing products was evident in many responses. Most candidates gained at least one application mark for an appropriate reference to relevant clothing products together with suitable market segments. A common mistake was a failure to state the criteria for classifying segments such as gender, occupation, age, lifestyle, industry and geographical location.

Weak responses wrongly focused on clothing material for producing clothing products such as type of fabric, threads, wool, and so forth. Such responses also showed a lack of understanding of the meaning of the term 'market segments'. A small number of candidates did not attempt the question at all. Others repeated the 'rich male segment' mentioned in the case, which was wrong.

Expected responses could include the following:

- Produce uniforms for security forces (k) to ensure availability of a steady market (app) thus diversifying the risk associated with changing demand for fashionable clothes (an)
- Produce clothing brands for retail shops (k) to maximise revenue (an) from the mass market (app)
- Gender-related products (k) to supply small exclusive retailers (app) for men and women (an)
- Age-related products (k) to develop clothing lines for baby shops (app) and adults (an)

(e) Do you think that batch production could improve the performance of Palesa's business? Justify your answer.

Many candidates showed that they understood the batch production method as well as its advantages. There were some excellent answers to this question and the best responses gained both evaluation marks for a fully supported decision.

Weaker answers confused batch production with either job production or flow production. Such responses were also devoid of reasoned judgment as a conclusion.

The expected response could include:

Valid positive points:

- cost per unit is low (k) because batch production leads to the achievement of economies of scale (k)
- flexibility in production (k) as tailors can make changes quickly to adjust to orders demanded by different market segments in turns (an)

Valid negative points:

- material can be wasted (k) as more fabric (app) is used to produce batches of standardized products (an)
- longer lead time (k) as many units are produced (an)

Positive Judgment: batch production does not need highly skilled workers as in job production which might reduce the cost of production (2ev)

Or

Negative Judgment: the lack of uniqueness of a product to a customer may reduce customer satisfaction (2ev)

Question 3

Quench Beverages is a private limited company. It specialises in the production of non-alcoholic drinks, such as yoghurt. The business motivates its workers by focusing on their social needs. Vuli, the CEO, thinks the company should also try to satisfy workers' esteem needs. Vuli needs to think of suitable interview questions for the recruitment of a human resource officer. Recently Quench Beverages joined an employers' association. Some members of the association have suggested to Vuli that a private limited company is not the best form of business organisation for Quench Beverages.

(a) Define 'social needs'

A significant proportion of candidates could not give a precise definition of this term. A common error was to state the needs of the society at large instead of defining the term within the scope of workplace motivation as explained in Maslow's Hierarchy of Needs Theory.

Stronger responses obtained full marks by stating that 'social needs' entail 'desires for a worker to develop healthy relationships with workmates and managers in the organisation'.

(b) State two ways the workers' esteem needs could be satisfied at Quench Beverages.

Most candidates provided clear examples of how a business can satisfy the workers' esteem needs. The correct examples were all related to satisfying the intrinsic needs of the workforce. Thus the required responses included the following:

- Provide certificates and employee-of-the-month rewards to recognise excellent performance
- Offer opportunities for training and professional development.
- Address workers' grievances in a cooperative spirit
- Recognise employee's long tenure of service
- Celebrate workers' birthdays
- Allowing professionals, the freedom to work independently

A common was the misapplication of the Maslow's Hierarchy of Needs. Candidates who were unsure of the meaning of 'esteem needs' listed examples of satisfying physiological needs, social needs and self-actualisation needs.

(c) Explain two interview questions that Vuli could use for the recruitment of the human resource officer.

Candidates clearly understood this topic. A common error among a small significant number of candidates was to identify relevant interview questions for recruiting a suitable human resource officer.

The strongest responses were able to come up with expectations and explanations of why they would be important to be asked. Expected responses included the following:

- **Why should we hire you?** (k) So that the employer would know if the candidate is suitable for the job advertised in terms of his /her track record, experience, qualifications and unique skills he/she has for the job (an)
- **What are your weaknesses?** (k) So that the employer would know what kind of further training or development the candidate would require once employed (an)
- **What salary are you seeking?** (k) So that the employer can determine if the candidate would accept the salary offered for the vacant post (an)
- **Why do you want to work here?** (k) So that the employer can determine if the candidate knows the business and would fit in the organisational culture (an)

(d) Explain two possible objectives of the employers' association that might have influenced Quench Beverages to join it.

This question proved to be a good discriminator. Better answers recognised the exact objectives of the employers' association and explained they might have attracted Quench Beverages to join it.

Most candidates struggled to recall the objectives of an employers' association. Some confused the objectives of an employers' association with the aims of a business entity. Thus they wrongly stated Quench Beverages might have joined the employers' association for increased revenue, profits, survival and to provide products to society.

Expected responses could include:

- Improved collective bargaining power (k) as the employers' association would negotiate with trade unions on behalf of its members (app) thus helping Quench Beverages to reach fair collective agreements (app) with the workers (an)
- Gained professional advice (k) as the employers' association would advise members on the country's labour laws (app) thus assisting Quench Beverages in maintaining peace with the workers (an)
- Increased power to influence the state (k) as the employers' association would use the collective strength of its members (app) to negotiate for a favourable corporate tax with the government (an)

(e) Do you think the private limited company form of business organisation is the best one for Quench Beverages? Justify your answer.

A substantial number of candidates showed an understanding of the advantages and disadvantages of the private limited company. The strongest answers also met the requirement of concluding their arguments with a justified stand.

However, weaker responses confused the private limited company with a public limited company. Thus a common error was the assumption that the private limited company had the advantage of raising funds through selling shares in the stock exchange. Candidates also did not sufficiently develop their points to gain full marks. Where there was an attempt to make an evaluative statement, it was found to be weak due to insufficient explanation or support.

The required response could include:

Valid positive points:

- Limited liability(k) as shareholders of a private limited company are not personally liable for the business's debts (an)
- Fewer formalities compared to a public limited company(k) thus owners can run the business exactly as they want without being restricted by corporate regulations (an)

Valid negative points:

- More leadership responsibility (k) as shareholders can participate in daily operations thus preventing managers from working freely (an)

- Difficulty in raising capital (k) as shares in a private limited company cannot be sold to the public (an)
- More formalities compared to partnership and sole trader

Positive Judgment: More shareholder control as owners who want to leave the private limited company cannot sell shares to outsiders thus preventing a takeover (2ev)

Or

Negative Judgment: Owners can be taxed twice as the entity and shareholders can be taxed separately for income earned (2ev)

Question 4

Zakho Hardware is a small hardware shop located in the rural town of Luve. Zakho Hardware measures the productivity of employees on the basis of monthly revenue generated. As the business is currently small, the budget for fixed costs is low. The owners plan to increase the profits of the business by expanding to other rural locations. Zakho Hardware purchases its stock from large urban hardware retailers which means that contribution margins are low. However, the owners of Zakho Hardware have decided to start buying stock directly from manufacturers in the near future.

(a) Define 'monthly revenue'.

Well answered by many candidates. A common error was to focus on defining 'revenue' and then leave out the meaning of 'monthly' in the response. Candidates who provided such a partial response did not get full marks.

Strong answers indicated that 'monthly revenue' is 'the amount of money generated from sales within 30 days or a period of four weeks'.

(b) State two examples of fixed costs in Zakho Hardware's operations

Generally, a well-answered question. A small but significant number of candidates did not attempt this question. Others simply stated examples of variables, which cost them the available marks.

The expected response entailed stating the following points:

- Rent
- Electricity
- Salaries
- Depreciation
- Interest expenses

(c) Explain two reasons why Zakho Hardware prefers locating its shop in a rural area than a large town.

A significant number of candidates failed to identify the benefits of locating a business in the rural areas. Many answers lacked comparison between locating a business in an urban area and rural areas.

- Examples of correct answers entailed the following: Cheaper rentals in rural areas (k) thus Zakho Hardware could make higher profit (an)
- Availability of market (k) as there is less competition in rural towns (an)
- Plenty of space (k) as rural towns are less congested (an)
- Closer to timber processing factories (k) thus reduced transports costs (an)
- Lower crime rate in rural areas (k) thus stock is secured (an)
- Lower labour costs (k) as rural workers are not likely to demand higher wages due to low cost of living (an)

(d) Explain two advantages to Zakho Hardware of preparing a financial budget.

A substantial number of candidates struggled in this question. Only the stronger candidates were able to explain the advantages of preparing a financial budget.

Weaker responses demonstrated that some candidates did not know what a 'financial budget' was. Where relevant points had been identified it wasn't followed by a relevant explanation. At certain instances analysis wasn't given at all, the space was just left blank.

Expected responses could include:

- Planning ahead (k) thus the business will be able to predict whether it will cover its following year's expenses (app) as the expected income will be matched to expected expenses (an)
- Setting performance targets (k) management will be able to set what it wants to achieve with workers (app) in line with the overall strategic plan of the hardware (an)
- Checking if targets are met (k) as the intended expenses are outlined they indicate if the hardware will achieve its goal (app) if not appropriate action will be taken (an)

(e) Do you think it would benefit Zakho Hardware to buy its stock directly from the manufacturers? Justify your answer.

A significant number of candidates successfully attempted this question. The strongest candidates recognised the advantages and disadvantages of sourcing constructional hardware directly from manufacturers as opposed to wholesalers.

The weakest responses lacked sufficient analysis and application. The essays were also accompanied by weak evaluation. A few candidates confused the word 'stock' for 'shares'.

The expected response could include:

Valid positive points;

- Reduced costs of purchasing material (k) as the middleman service expenses(app) are removed (an)
- Improved business relations with suppliers (k) as Zakho Hardware can negotiate for better deals and support (an)

Valid negative points;

- Increased internal workload (k) as Zakho Hardware would need to hire a procurement specialist (app) to do the services usually done by the middleman (an)
- Increased insurance cost (k) as the risk on goods transported would fall directly on Zakho Hardware (an)

Positive Judgment; Direct purchasing would enable Zakho Hardware to set lower prices thus attracting more customers (2ev)

Negative Judgment; Manufacturers may require Zakho Hardware to purchase more stock to qualify for certain benefits thus creating an urge for unreasonable spend (2ev)

EGCSE BUSINESS STUDIES**Paper 6897/02****General Comments:**

The 2023 examination performance in this component was slightly below that of previous years. There was an increase in the number of candidates who left questions unanswered (blank spaces). It is commendable that candidates now demonstrate a mastery of the answering techniques required in this component; however, there is still lack on content mastery. Most candidates were able to follow command words, analyse, apply to the case as well as evaluate their responses.

Questions which proved to be very challenging for most candidates were **Questions; 1(a), 3(b), and 4(b)**. Most candidates lacked knowledge in these questions and this led to failure to develop their responses to higher level assessment objectives as expected. This eventually led to the loss of marks and overall poor performance as candidates were either scoring very low marks or no marks at all on these questions.

Question 2(a) was generally well answered by a majority of candidates. Most were getting all the marks on this part question. **Question 2(b)** was also answered well by quite a number of candidates as most got above average.

In part **(a)** the marks are awarded in this manner [**Knowledge [2x2], Analysis [2x1], Application [2x1] = 8 marks**].

This translates to:

One knowledge mark is awarded for stating each **correct relevant point**. Another **one knowledge mark** is awarded for **describing** identified point. **One application mark** is awarded for **applying to the case or business context**. **One analysis mark** is awarded for **explaining how or why** the business stakeholder will be affected.

Weak responses in this part question would be one that leaves out the description of the identified point or analysis and without application. The answer would score lower marks since it would not meet the assessment objectives requirements.

In part (b), the essay requires 4 points in total

- **A Level 1 [L1] candidate** is one who will list points without any analysis (explanation) and will only **get 2 marks** for knowledge and a maximum of **1 mark** for limited application if and when it is shown. [**L1 candidates get a maximum of 3 marks (2L1 marks + 1 App mark)**].

- **A Level 2 [L2] candidate** is one who will **state and explain two points** showing an **advantage** and **disadvantage**. This candidate will get a maximum of **6 marks** and **2 marks** for application if and when shown. [**L2 candidates get a maximum of 8 marks (2L1 marks + 4L2 marks+ 2 App mark)**].
- **A Level 3 [L3] candidate** is one who will **state and explain two points (adv. & disdv.)**, apply to the case or context **two** or more times and further evaluate or take a stand showing both the pros and cons of the decision taken, which amounts to **4 marks (for the evaluation)/L3**. The evaluation also has **2 points** (the pros and cons). This candidate will get a maximum of **12 marks**. [**L3 candidates get a maximum of 12 marks (2L1 marks + 4L2 marks + 4L3 marks + 2 App mark)**]

A weak response in this part of the question is one that is a list of advantages/ disadvantages without any explanation, one-side (that only gives advantages/ disadvantages) and evaluation that is also stated or that is not evaluated (evaluation that only shows one side). Candidates tend to give one sided answers instead of balanced argumentative essays yet one can only evaluate when both sides are given and explained.

Quite a number of candidates scored between 33 to 45 out of 80 and there were equally quite a number of very low marks. Raw scores ranged between 80/80 and 0/80 and there were many 0 scores.

Specific comments on individual questions

Question 1

Kasi Swag is a clothing outlet that produces printed t-shirts for different market segments.

(a) Explain two ways in which Kasi Swag can segment its market.

An example of a good response:

Age **(1k)**, the business can produce golf t-shirts **(1app)** for the young and the old **(1k)**. This would enable the clothing business to attract a wide range of customers and increase its sales **(1an)**.

Other possible answers include:

- Culture
- Gender
- Income
- Occupation
- Occasions
- Religion
- Geographic location

Comment: a majority of candidates were unable to answer this question correctly. Quite a number scored low to no marks at all and only a few candidates attempted this part question correctly.

Mark has advised Ken to convert the business into a close corporation.

(b) Do you think operating as a close corporation will be a good business decision? Justify your answer.

An example of a good response:

A close corporation has continuity **(L1)** in case one member dies or leaves, the clothing outlet **(app)** will continue producing t-shirts. It does not need to dissolve like a sole trader business **(L2)**. However, the growth of the business will be limited to the amount that the ten members **(app)** can raise **(L1)** which may not be enough in case a large order of t-shirts is placed for the international market **(L2)**.

That is why I think operating as a close corporation will be a good business decision since the members' liability is limited to what they have invested in the business and not beyond. Such would not be possible if the business was a partnership since the partners would have unlimited liability which does not protect their personal assets from being used to pay the business's outstanding debts.

Possible answers might include:

Advantages of close corporations	Disadvantages of close corporations
<ul style="list-style-type: none"> Members have limited liability 	<ul style="list-style-type: none"> Members limited to ten
<ul style="list-style-type: none"> Mark can keep control of business in the family 	<ul style="list-style-type: none"> Profits are shares
<ul style="list-style-type: none"> Privacy of business information 	<ul style="list-style-type: none"> Decision making could take long
<ul style="list-style-type: none"> Business has continuity 	<ul style="list-style-type: none"> Decisions binding
<ul style="list-style-type: none"> More capital could be raised 	<ul style="list-style-type: none"> Cannot be part of a subsidiary company

Comment: most candidates were unable answer this question correctly. Some candidates were confusing or mixing up advantages and disadvantages of a partnership businesses with those of close corporations.

Question 2

The business uses both financial rewards and non-financial rewards to motivate employees.

- (a) Explain one financial reward and one non-financial reward that could be used by Kasi Swag.

An example of a good response:

Commission **(1k)** the sales staff could be offered a certain percentage of the value of sales on t-shirts **(1app)** sold **(1k)**. This would motivate workers to sell more t-shirts and increase the business profits **(1an.)**

Possible answers might include:

Financial rewards	Non-financial rewards
<ul style="list-style-type: none"> • Wages • Salaries • Bonus • Profit share 	<ul style="list-style-type: none"> • Free/subsidies accommodation • Discount on t-shirts • Paid leave • Medical aid • Pension

Comment: a majority of candidates correctly answered this question and got high marks. Some learners were unable to show the impact of motivated workers to the business (the analysis part).

Ken uses an autocratic leadership style. He believes this is the best leadership style to use when managing the workers.

- (b) Do you think the autocratic leadership style is the best? Justify your answer.

An example of a good response

Decisions are made quickly **(L1)** since the manager does not consult the tailors **(1app)** during decision making hence no delays are experienced in implementing those decisions **(L2)**. On the other hand, this leadership style could demotivate the graphic designers **(1app)** as they may feel less valued, leading to a decrease in their productivity **(L2)**.

In conclusion, I think the autocratic leadership style is the best as it works well with low skilled and inexperienced workers as they are told what to do, this reduces mistakes and help workers gain necessary skills **(2L3)**. However, the leadership style may lead to absenteeism which would in turn affect production targets **2(L3)**.

Possible answers might include:

Advantages of the autocratic leadership style	Disadvantages of the autocratic leadership style
<ul style="list-style-type: none"> • gets work done on time • maintains confidentiality • maintains control • policies and goals adhered to 	<ul style="list-style-type: none"> • separates managers and workers • one way communication • ignores workers ideas • promotes dependency on manager

Comment: most candidates correctly answered his question and were able to attain most marks. This question was also accessible for a number of learners.

Question 3

Ken has decided to open two more branches to allow the business to enjoy economies of scale.

(a) Explain two types of economies of scale that Kasi Swag could benefit from as it expands.

An example of a good response:

Purchasing economies of scale **(1k)** the business could buy fabric and paint **(1app)** in bulk from its suppliers and receive discount **(1k)**. This would reduce its average cost of production and increase profits **(1an)**

Possible answers might include:

- External economies of scale
- Internal economies of scale -
 - Marketing
 - Managerial
 - Financial
 - Technical
 - Risk bearing
 - Research and development

Comment: This part question was not well done. Candidates were either unable to identify economies of scale or could not show how the identified factor led to reduction in the business's average cost of production.

Ken supports the objectives of the Southern African Development Community (SADC) and he wants to take advantage of the existing free trade agreements.

- (b) Do you think the free trade agreements benefit businesses like Kasi Swag? Justify your answer.**

An example of a good response:

Trade agreements may remove trade barriers or limit import and export quotas **(app)/(L1)** which will in turn make it cheaper to import fabric for Kasi Swag **(L2)**. However, trade agreements could be used as trade weapons **(L1)** against member states who fail to adhere to certain agreements, leading to sanctions that could leave businesses like Kasi Swag banned from selling t-shirts **(app)** or trading under free trade markets **(L2)**.

I therefore think trade agreements could benefit businesses as they would gain access to new markets which would encourage expansion **(2L3)**. This may however discourage foreign investment as businesses may have access to cheaper resources leading to slow growth rate for industries **(2L3)**.

Other possible answers might include:

Advantages of free trade agreements	Disadvantages of free trade agreements
<ul style="list-style-type: none"> • Technological transfer • Adoption of new innovations • Cheaper and quality inputs • Knowledge transfer (exchange of ideas) • Free movement of labour 	<ul style="list-style-type: none"> • Unfair international competition • Increase in freight insurance • Transportation costs • Political unrest • Terms and conditions may not suit business

Comment: this question was not well answered by a lot of candidates. They demonstrated less knowledge on content required.

Question 4

The Government is concerned about the external costs and external benefits of the businesses operating in Matsapha.

- (a) Explain one external cost and one external benefit that could result from the operation of Kasi Swag.**

An example of a good response:

Pollution **(1k)** the business may cause air pollution from the paint fumes when printing the t-shirts **(1app)/(1k)**. This may affect the workers negatively as they may get sick **(1an)**.

Possible answers might include

External costs	External benefits
<ul style="list-style-type: none"> • Pollution • Sickness • Exploitation of workers • Relocation • Cost of land 	<ul style="list-style-type: none"> • Employment opportunities • Infrastructure development • Skills • Tax revenue • products

Comment: this question was fairly attempted. Some learners were just identifying business costs and benefits.

Refer to appendix3 that shows Kasi Swag's financial information.

- (b) Calculate the business's break even quantity for 2021 and 2022 and advise Ken if the business will be able to generate enough profit to finance its growth.

An example of a good response

Break-even quantity calculations

BEP - 2021	BEP - 2022
BEP = $\frac{\text{Total fixed costs}}{\text{Contribution margin}}$ <div style="text-align: right;">(L1)</div>	BEP = $\frac{\text{Total fixed costs}}{\text{Contribution margin}}$ <div style="text-align: right;">(L1)</div>
BEP = $\frac{E12\ 000}{E150-E90}$ (1app) = 200 t-shirts (L2)	BEP = $\frac{E18\ 000}{E170-E50}$ (1app) = 150 t-shirts (L2)

Total marks for calculation is 8 – L1=2, app=2, L2=4

Evaluation:

The business breaks even at 200 units and 150 units in 2021 and 2022 respectively. This shows an improvement by 50 units **(2L3)**.

The business will be able to use its retained profits to finance its expansion as it was able to break-even earlier or after producing a fewer unit in 2022 than in 2021. This means the business will start making profit from selling a few t-shirts **(2L3)**.

The evaluation is worth **4** marks.

Comment: generally, this question was poorly done by a majority of candidates. Most did not even know where to start. Some of those who attempted were unable to present the answer properly. They presented the break-even quantity in Emalangeni or just 200. This led to loss of marks. **Answer presentation is important in calculation questions.**