



EXAMINATIONS COUNCIL OF ESWATINI
Eswatini General Certificate of Secondary Education

CANDIDATE
NAME

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CENTRE
NUMBER

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CANDIDATE
NUMBER

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BUSINESS STUDIES

6897/02

Paper 2

October/November 2020

1 hour 30 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your candidate name, Centre number and candidate number in the spaces provided.

Write in dark blue or black pen.

Do **not** use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.

You may use a calculator.

The businesses described in this question paper are fictitious.

The number of marks is given in brackets [] at the end of each question or part question.

For Examiner's Use	
1	
2	
3	
4	
Total	

This document consists of **11** printed pages and **1** blank page.

PD Gardens

PD Gardens is a close corporation owned by five family members in Bethany. The business distributes organic fruits and vegetables to local and international retailers. The products are packaged in different quantities to meet specific customer expectations.

The internal and external stakeholders have complained about poor communication in the close corporation. As a result, the business has invested in modern technology to improve the methods of communication with its stakeholders.

PD Gardens has observed that there is a growing demand for fruits and vegetables in the SADC market. In one of their meetings, the majority of the members felt that expanding the business by offering it as a franchise would benefit the business. Some members of the close corporation think that franchising PD Gardens would only benefit franchisees rather than the franchisor.

Market research is conducted regularly to ensure that decisions are made from an informed basis of what is happening in the market. A recent study recommended that PD Gardens should also add value to its distribution process. In the same report it was recommended that a consideration be made to target the highly competitive South African market. During the discussion of the report there was a suggestion that price skimming should be used for the new targeted market in South African. However, this suggestion was not supported by the majority of members.

Appendix 1

Ministry of Finance: Announcement on new tax policy

The Government of Eswatini is happy to notify all stakeholders about a decrease in corporate tax. The aim of the reduction in the tax rate is to encourage new business ventures and benefit struggling agricultural businesses due to the drought experienced in the past two years.

Appendix 2

Extract of survey results on PD Gardens quality of distribution channels survey

Q1. Are you satisfied with the quality of distribution offered by PD Gardens	Results
(a) Very satisfied	5%
(b) Fairly satisfied	10%
(c) Dissatisfied	35%
(d) Very dissatisfied	50%

Appendix 3

Information on costs and revenue extracted from the PD Gardens' financial statements.

Items	2018 (E000)	2019 (E000)
Gross profit	460	200
Other Income	150	80
Expenses: (fixed & variable costs)	250	180
Current liabilities	30	25
Capital employed	1800	1100

1 PD Gardens intends to improve its internal and external communication methods.

(a) Explain **one** reason for internal communication and **one** reason for external communication at PD Gardens.

Reason for internal communication:

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Explanation:

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Reason for external communication:

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Explanation:

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2 One of PD Gardens' business aims is to expand.

(a) Explain **two** possible reasons why PD Gardens would want to expand its business.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

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3 PD Gardens' profit and loss account show that expenses (fixed and variable) decreased in 2019.

(a) Explain **one** example of a fixed cost and **one** example of a variable cost that might be incurred by PD Gardens.

Fixed cost:

Explanation:

Variable cost:

Explanation:

[8]

4 The government of Eswatini has reduced corporate tax to encourage new business start-ups as well as benefit existing businesses.

(a) Explain **one** positive effect of reduced corporate tax on PD Gardens and **one** positive effect to the government.

Positive effect to PD Gardens:

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Explanation:

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Positive effect to government:

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Explanation:

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[8]

(b) Use information from **Appendix 3** to calculate the business's net profit and return on capital employed for both years, 2018 and 2019 .

Recommend to PD Gardens' managers how they might increase the future profitability of the business. Justify your answer

Net profit 2018

Net profit 2019

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ROCE 2018

ROCE 2019

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Comment:

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Evaluation:

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