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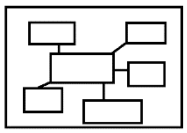
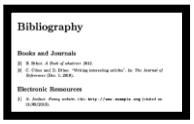
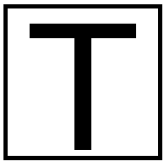
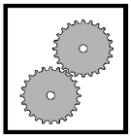
BUSINESS STUDIES

GRADE 12

SPRING CLASSES 2026

TEACHER AND LEARNER CONTENT MANUAL

ICON DESCRIPTION

 MIND MAP	 EXAMINATION GUIDELINE	 CONTENTS	 ACTIVITIES
 BIBLIOGRAPHY	 TERMINOLOGY	 WORKED EXAMPLES	 STEPS



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TERMS AND DEFINITIONS

TERM	DEFINITION
Compensation for Occupational Injuries and Diseases Act/COIDA	The Act gives employees who are injured or contract diseases while on duty the right to claim compensation.
National Credit Act	This Act was introduced to protect consumers against unfair and reckless credit granting by businesses.
Credit providers	All businesses that offer goods and services on credit
National credit Regulator/NCR	The NCR is responsible for the *regulation* of the South African *credit* industry. This means that all businesses that offer good and services on credit must be registered with the NCR.
Debt review/Debt counselling	This is a debt solution targeted at South African consumers who are over indebted and struggling to manage their finances.
Consumer Protection Act	The main aim of this Act is to promote/protect the economic interests of consumers by providing them information so that they make informed choices.
Compliance	Acting according to a set of rules
Penalties	Punishment for doing something that is against a law.
Discriminatory actions	Treating a person/people differently, from the way in which you treat other people.

COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES AMENDMENT ACT (COIDA)
(NO. 61 OF 1997)

INTRODUCTION

COIDA was promulgated/established to promote and protect the health and safety of employees in the workplace. COIDA provides guidelines for the compensation of employees who sustain on-the-job injuries and contract diseases. It also provides guidelines when employees die because of work- related injuries. The type of injuries and diseases for which claims can be made are specified in COIDA. Significant progress has been made in the implementation of COIDA, as more businesses are now more socially responsible for workers and their dependents.

Purpose of COIDA

- Provides a comprehensive protection to employees who injured in the course of performing their duties.
- COIDA applies to all casual and full-time workers who become ill/injured/ disabled/killed due to a workplace accident/disease.
- It excludes workers who are guilty of wilful misconduct/workers working outside South Africa for at least twelve months/members of the SA Defence Force/Police services.
- It provides for the establishment of a Compensation Board whose function is to advise the Minister of Labour on the application/provisions of COIDA.

Impact of the COIDA on businesses

Positives/Advantages

- Promotes safety in the workplace.
- Employees do not contribute towards this fund.
- Claiming processes are relatively simple.
- Eliminates time and costs spent on lengthy civil court proceedings.
- Any compensation to an employee/the family is exempt from income tax.
- Employers are protected from financial burden should an accident occur in the workplace provided that the employer was not negligent.
- Makes businesses more socially responsible as they cannot just employ workers at random in dangerous working conditions.
- Workers are treated with dignity and respect as businesses view them as valuable assets and not just as workers.
- Covers all employees at the workplace if both parties meet all the necessary safety provisions in the Act.
- Creates a framework for acceptable employment practices and safety regulations.
- Supply administrative guidelines/mechanisms for dealing with/processing claims.
- Employees are compensated financially for any injury/disability resulting from performing their duties at their workplace.
- In the event of the death of an employee as a result of a work-related accident/ disease, his/her dependent(s) will receive financial support.

- Employees receive medical assistance provided there is no other medical assistance option./Cannot claim medical assistance from the fund and medical aid.
- Medical expenses/Other types of compensation are paid to employees and/or their families depending on the type/severity of the injuries.
- Employers have to pay a monthly amount to the Compensation Fund depending on the number of employees/the level of risk they are exposed to.

AND/OR

Negative/Disadvantages

- Claiming processes can be time consuming.
- Domestic/Military workers are not covered.
- Workers who are temporarily/permanently employed in foreign countries are not covered.
- Employers may be forced to pay heavy penalties if they are found guilty of negligence/not enforcing safety measures.
- Implementation processes/procedures required by the Act may be expensive.
- Procedures required by this Act may be costly as paperwork places an extra administrative burden on businesses.
- Employers must register all their workers/make annual contributions to COIDA, which may result in cash flow problems.

Actions regarded as non-compliance by the COIDA

- Employers who bribe/prevent employees from reporting the accident/injury.
- Providing false information about previous, serious accidents/occupational diseases.
- Employers who do not contribute to the Compensation fund.
- Employers who do not allow claims for injuries, discriminates against injured employees.
- Employers that take too long to process claims/delay the claiming process.
- Compensation that is set off against any debt of the person entitled to the compensation.

Penalties for non-compliance with COIDA

- Businesses can be fined for refusing to lodge the claim/contravening the Act.
- Businesses can be forced to make large payments if it did not take the necessary precautions according to the Act.
- They may be forced to pay any recovery costs required by the Compensation Fund.
- Employees may take businesses to court for not registering them with the Commissioner of the Compensation Fund.
- If businesses are found guilty of any misconduct, they will have to pay large penalties/face imprisonment.

Ways in which businesses can comply with the COIDA

- Businesses should provide a healthy/safe working environment
- Ensure that the premises/equipment/machinery is in good working condition.

- Register with the Compensation Commissioner and provide the particulars of the business.
- Report all incidents causing death/injury/illness of employees.
- Levies must be paid to the Compensation Fund.
- Keep records of employees' income and details of work for four years.
- Submit returns of earnings by no later than 1 March annually.
- Allow regular assessment of the workplace by inspectors in order to determine the level of risk their employees are exposed to.
- Employers may not make deductions for COIDA from employees' remuneration packages.

SECTION 1: COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES ACT



ACTIVITY 1.1.

1.1.1. Outline the purpose of Compensation for Occupational Injuries and Diseases Act (6)

1.1.2 Explain the impact of the Compensation for Occupational Injuries and Diseases Act (6)

11.3 Discuss actions regarded as non-compliance by Compensation for Occupational Injuries and Diseases Act (6)

[18]



ACTIVITY 1.2.

1,2.1 Outline penalties/consequences of non-compliance to Compensation for Occupational Injuries and Diseases Act (6)

1.2.2 Recommend ways in which businesses can comply with the Compensation for Occupational Injuries and Diseases Act (6)

[12]

NATIONAL CREDIT ACT (NCA) (NO. 34 OF 2005)

INTRODUCTION

The NCA governs the assessment, application and maintenance of credit granted by a credit provider to a consumer within the Republic of South Africa. It was promulgated/established to curb high levels of consumer debt, and to promote responsibility in making informed decisions before buying on credit. It also prevents the reckless granting of credit to consumers. The NCA put measures in place to ensure that consumers do not become over-indebted. Furthermore, it has resulted in the establishment of the National Credit Regulator **(NCR-the regulatory body that applies the NCA, educates consumers about their rights, and monitors, administers and ensures adherence of the NCA and the credit industry)**

Purpose of the NCA

- Promote a fair but competitive credit market.
- Makes provision for the establishment of the National Credit Regulator/NCR
- Promotes the social and financial interest of consumers.
- Ensure that consumers know what is included in their credit contracts.
- Ensure registrations of credit bureau and debt counselling services.
- Prevent discrimination and ensure credit is available to all consumers.

Consumer rights in term of the NCA

Consumers have a right to:

- Apply for credit and to be free from discrimination.
- Receive Information in plain and understandable language.
- Receive documents as required by the Act.
- Receive pre-agreement documentation before concluding any credit transaction
- Obtain reasons for credit being refused.
- Fair and responsible marketing.
- Access and challenge credit records and information.
- Choose which goods they will buy and return such goods if they are not satisfied.
- Surrender/Return goods to the credit provider in order to settle the outstanding amount/debt.
- Apply for debt review/counselling if the consumers cannot afford to repay their debts.
- Receive protection of their personal information.
- Receive protection from being held accountable for the use of their credit facility after they reported the loss/theft.
- Refuse a credit limit increase.

Impact of the NCA on businesses

Positives/Advantages

- Lower bad debts resulting in better cash flow.
- Protects businesses against non-paying consumers.
- Authorised credit providers may attract more customers.
- Leads to more customers through credit sales as they are now protected from abuse.
- Prevents reckless lending and prevents businesses from bankruptcy.
- Increases cash sales as credit can only be granted to qualifying customer.
- The whole credit process is transparent e.g. both businesses and customers know their responsibilities.
- Businesses do thorough credit checks and receive up-to-date documentation from the consumer as proof that they can afford the repayment.
- Credit bureau information is made available to businesses so that they can check the credit worthiness of consumers before granting credit.

AND/OR

Negative/Disadvantages

- Businesses can no longer carry out credit marketing.
- Businesses struggle to get credit such as bank loans/overdrafts
- Businesses that do not comply with the NCA may face legal action.
- Debt collection procedures are more complex and expensive.
- Fewer customers buy on credit as it is more difficult to obtain credit.
- Increases the administration burden on credit providers/The paperwork and administrative process required by the act are costly and time consuming.
- Leads to loss of sales as many consumers may no longer qualify to buy on credit.
- The business needs to appoint additional staff to deal with the extra administration.
- Should the credit agreement be declared reckless the business can forfeit the outstanding debt and the goods.
- Businesses that are official credit providers, must submit a compliance report every year.
- A business must make sure that all attempts have been made to recover the debt before blacklisting the customer.
- Credit providers cannot collect from consumers who are under debt reviews.
- More working capital is needed as businesses cannot sell many goods on credit due to stricter credit application processes.

Actions regarded as non-compliance by the NCA •

Refusing credit to customers based on gender/race.

- Charging different interest rates to customers based on gender/race
- Blacklisting customers without making efforts to recover the debt

Penalties/consequences for non-compliance with the NCA

- The business may not demand payment, sue or attach the clients/consumers salaries/assets.

- The business may not charge any fee/interest/other charges under that specific credit agreement.
- The court may declare the granting of credit by the business reckless and may order consumers not to repay the credit/or part thereof to the business
- The National Credit Regulator may impose a fine/penalty on the business for noncompliance.
- The business will bear all costs of removing the negative information of clients/ consumers who were blacklisted as a result of reckless lending.

Ways in which businesses can comply with the NCA

- Offer applicants pre-agreement statements.
- Disclose all costs of loan/No hidden costs should be charged/added
- Obtain credit records/checks of clients before granting loans.
- Businesses should be registered with the National Credit Regulator.
- Submit an annual compliance report to the National Credit Regulator.
- Conduct affordability assessment to ensure the consumer has the ability to meet his/her obligation.
- Conduct credit check with a registered credit bureau and consult with National Credit Register.
- Businesses must have procedures in place to comply with the provision of the Financial Intelligence Centre Act (FICA).
- Credit providers must have procedures in place to comply with the provision of the Financial Intelligence Centre Act (FICA).
- Verify the identity of clients, report suspicious transactions/train staff on their obligations in terms of FICA.

SECTION 2: NATIONAL CREDIT ACT



ACTIVITY 2.1.

2.1.1. Outline the purpose of National Credit Act (6)

2.1.2 Explain the impact of the National Credit Act on businesses. (6)

2.1.3 Discuss actions regarded as non-compliance by the National Credit Act (6)

[18]



ACTIVITY 2.2.

2.2.1 Outline penalties/consequences of non-compliance to National Credit Act (6)

2.2.2 Discuss the rights of consumers in terms of the NCA (6)

2.2.3 Suggest ways in which businesses can comply with National Credit Act (6)

[18]

CONSUMER PROTECTION ACT (CPA) (NO. 68 OF 2008)



INTRODUCTION

The CPA was promulgated/established to redress economic inequalities of the past and to promote equality in the consumer market for all consumers of goods and services. The CPA promotes and advances the social and economic welfare of consumers in South Africa. The CPA compels both businesses and consumers to act responsibly when conducting business activities.

Purpose of the Consumer Protection Act

- Promotes responsible consumer behaviour.
- Establishes national standards to protect consumers.
- Establishes a National Consumer Commission (NCC)
- Establishes national standards to protect consumers.
- Promotes and protects the economic interests of consumers by providing access to information.

Consumer rights of the Consumer Protection Act

Right to choose

Consumers have the right to**:**

- choose suppliers and/or goods.
- shop around for the best prices.

Right to privacy and confidentiality

- Consumers have the right to stop/restrict unwanted direct marketing.
- They can object to unwanted promotional e-mails/telesales.
- They have the right to stop/lodge complaints about the sharing of their personal details.

Right to fair and honest dealings

- Suppliers may not use physical force or harass customers.
- Suppliers may not give misleading/false information.

Right to disclosure and information

- Contracts and agreements should be in plain language and easy to understand.
- Businesses should display prices which are fully inclusive disclosing all costs.
- Businesses should label products and trade descriptions correctly

Right to fair/responsible marketing/promotion/ fair and honest dealing

- Businesses should not mislead consumers on pricing, benefits/uses of goods.
- Consumers may cancel purchases made through direct marketing within five working days/cooling off-period.
- All information related to the country of origin/expiry dates/ingredients of the products should be disclosed/clearly labelled.

Right to accountability from suppliers

- Consumers have the right to be protected in lay-bye agreements.
- Businesses should honour credit vouchers and prepaid services.

Right to fair/just/reasonable terms and conditions

- Businesses should provide consumers with written notices of clauses that may limit consumer rights.
- Businesses may not market/sell goods at unfair prices.

Right to equality in the consumer marketplace

- Businesses should not limit access to goods and services.
- Businesses may not vary the quality of their goods to different consumers.

Right to return goods/have goods replaced/claim a refund

- Goods that are unsafe/ defective may be replaced by the supplier.
- Faulty items may be returned for a full refund.

Right to complain

- Consumers may use various methods/channels to complain about poor quality goods/services.
  - They can complain via customer care desks/consumer hotlines/ombudsman etc.

Impact of the CPA on businesses

Positives/Advantages	Negatives/Disadvantages
• Businesses may be safeguarded from dishonest competitors.	• Penalties for non-compliance may be very high
• Businesses may be protected if they are regarded as consumers.	• Businesses may feel unnecessarily burdened by legal processes.
• Prevents larger businesses from undermining smaller ones.	• Confidential business information may become available to competitors..
• May gain consumer loyalty, if they comply with CPA.	• They have to disclose more information about their products and processes/services

Actions regarded as non-compliance by the CPA

- Denying customers proper information about the product/services.
- Treating customers differently based on gender/age/race.
- Charging unfair prices for the same goods and services.
- Varying the quality of goods when selling in different areas.

Penalties for non-compliance with the NCA

- A contract may be rendered void or a fine or term of direct imprisonment may be imposed.
- Businesses may face fines or imprisonment for a period not exceeding 10 years.
- Government agencies may conduct audits, enact fines or even dissolve your business entirely.
- Businesses will be forced to compensate consumers in line with the extent to which their rights have been violated.

Ways in which businesses can comply with the CPA

- Disclose prices of all products on sale.
- Provide adequate training to staff on the CPA.
- All agreements must provide for a five-day cooling off period.
- Ensure that goods/services offered are standardised/of the same quality.

SECTION 3: CONSUMER PROTECTION ACT



ACTIVITY 3.1.

3.1.1. Outline the purpose of Consumer Protection Act (6)

3.1.2 Explain the impact of the Consumer Protection Act on businesses. (6)

3.1.3 Discuss actions regarded as non-compliance by Consumer Protection Act (6)

[18]



ACTIVITY 3.2.

LONG QUESTION

The introduction of the Consumer Protection Act (CPA), 2008 (Act 68 of 2008) forced businesses to change the way they had conducting business. This Act has a farreaching impact on how businesses treat consumers when selling their products. The rights of the consumer must be protected.

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

- Outline the purpose of the Consumer Protection Act.
- Discuss FOUR consumer rights, as specified in the CPA.
- Evaluate the impact of the CPA on businesses.
- Suggest practical ways in which a business can comply with this Act.

[40]

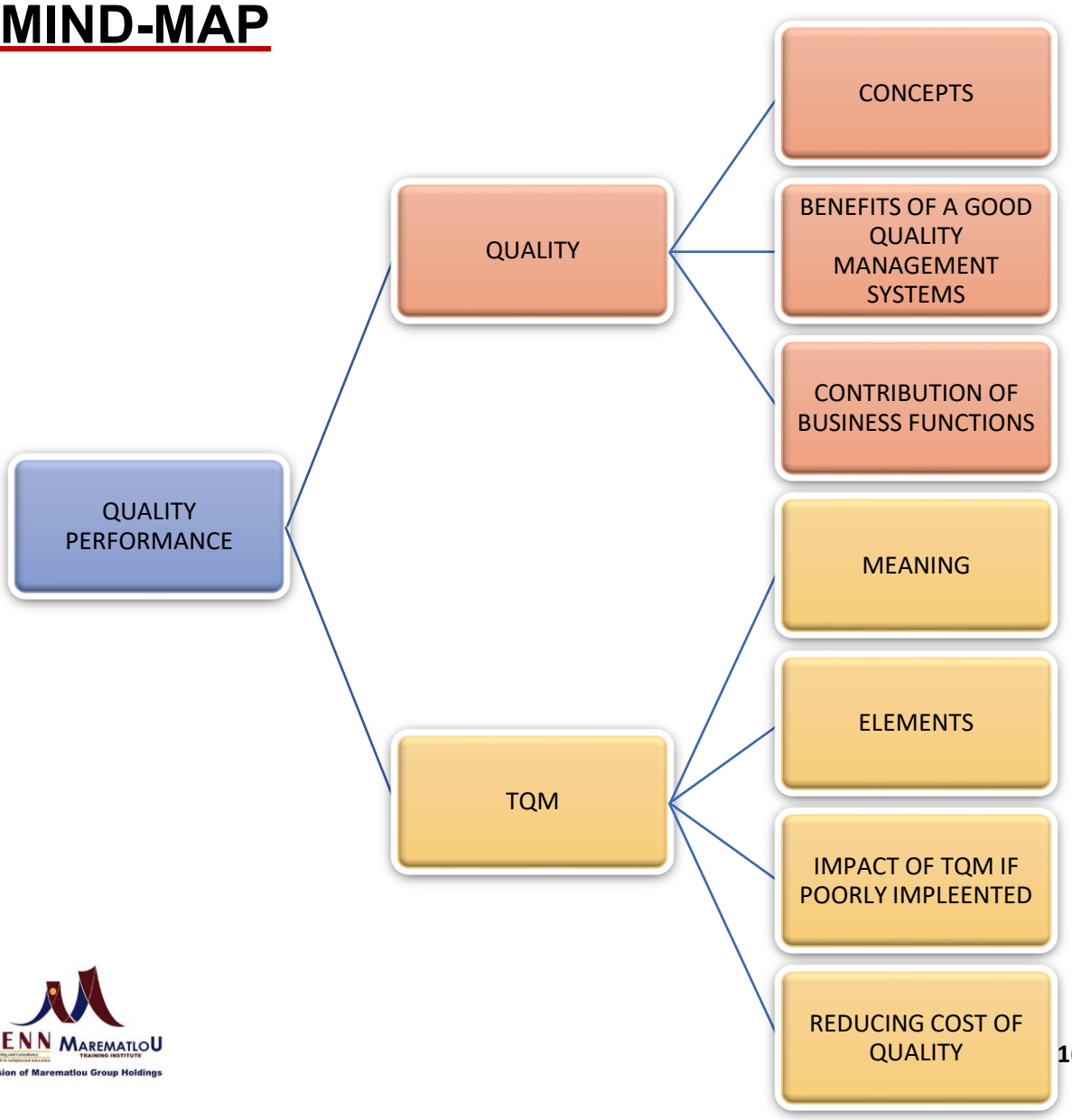
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2	**2025 IM Report**
3	**2026 ATP**
4	**2021 Examination guideline**
5	**DBE Cir E17 of 2025 Extension of the validity period of the 2021 NSC Guidelines**

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MIND-MAP



LEARNERS SHOULD BE ABLE TO:

- Define the following concepts:
  - Quality
  - Quality control
  - Quality assurance
  - Quality management
  - Quality performance
  - Quality management systems
- Explain/Differentiate/Distinguish between quality control and quality assurance.
- Explain/Differentiate/Distinguish between quality management and quality performance.
- Explain/Discuss the advantages/benefits of a good quality management system.
- Explain/Discuss how quality of performance can contribute to the success and/or failure of each business function.
- Outline the quality indicators for each business function.

- **TOTAL QUALITY MANAGEMENT (TQM)**
- Elaborate on the meaning of TQM.
- Define/Identify the following TQM elements from given scenarios/statements:
  - Continuous skills development/Education and training
  - Total client/customer satisfaction
  - Continuous improvement of processes and system
  - Adequate financing and capacity
  - Monitoring and evaluation of quality processes
- Explain/Discuss/Analyse/Evaluate the impact of the above stated TQM elements on large businesses
- Explain how businesses can apply the PDCA model/steps to improve the quality of products
- Explain the role/importance of quality circles as part of continuous improvement to processes and systems.
- Explain/Discuss the impact of TQM if poorly implemented by businesses.
- Explain/Recommend/Suggest ways in which TQM can reduce the cost of quality.

TERMINOLOGY

TERM	DEFINITION
Quality	Products and services ability to satisfy customers specific needs.
Quality control	system that ensures the desired quality is met by inspecting the final product to ensure that it meets the required standards.
Quality assurance	Processes put in place to ensure that the quality of products adhere to pre-set standards with minimal defects.
Quality management	Techniques/tools used to design/ improve the quality of a product.
Quality performance	Can be obtained if all departments work together√ towards the same quality standards.
Total Quality management	It is a management approach/system that focuses on continuous quality improvement throughout the business.
Quality circles	A group of workers who do the same or similar work, who meet regularly to identify, analyse and solve work-related problems.
Business functions	The various aspects of the business that perform different roles
Total client satisfaction	It is a measure of how products and services supplied by a company
Continuous skills development/ Education and Training	Developing employees' skills that will add value for the organisation and career development.
Continuous improvement to processes and systems	Processes and systems are the flow of activities implemented to create or deliver products and services to customers.
Monitoring and evaluation of quality processes	A process that helps to improve performance and achieve results. Its goal is to improve current and future management of outputs, outcomes and impact.

Concepts



NOTE: You must be able to identify the above-mentioned quality concepts from given scenarios/statements

QUALITY INTRODUCTION

The main aim of businesses is to maximise profits through the provision of high-quality products and services. It is important that businesses analyse and implement various quality processes in order to retain customers, increase profitability and remain sustainable.

Definition of quality concepts

Quality

- Quality refers to a good/service's ability to satisfy a specific need.
- The efficiency of services and the ability to provide an effective outcome without too many delays.
- It is measured against specific criteria such as physical appearance /reliability/durability/sustainability/after-sales services.

Quality control

- A system that ensures the desired quality is met by inspecting the final product to ensure that it meets the required standards.
- Checking raw materials/employees/machinery/workmanship/production to ensure that high quality standards are maintained.
- Includes setting targets/measuring performance and taking corrective measures.

Quality assurance

- Checks carried out during and after the production process.
- Ensures that required standards have been met at every stage of the process.
- Processes put in place to ensure that the quality of products/services/ systems adhere to pre-set standards with minimal defects/delays/short- comings.
- Ensuring that every process is aimed to get the product 'right the first time' and prevent mistakes from happening.

Quality management

- Refer to techniques/tools used to design/ improve the quality of a product.
- Can be used for accountability within each of the business functions.
- Aims to ensure that the quality of goods/services is consistent/Focuses on the means to achieve consistency.

Quality performance

- Total performance of each department measured against the specified standards.
- Can be obtained if all departments work together√ towards the same quality standards.
- Quality is measured√ through physical product/statistical output of processes/surveys of the users and/or buyers of goods/services.

Quality Management Systems

- Refers to the framework that a business uses to manage key processes to ensure that they meet the correct standards.

NOTE: You must be able to identify the above-mentioned quality concepts from given scenarios/statements.

Difference between quality control and Quality assurance

Quality control	Quality assurance
• Inspection of the final product to ensure that it meets the required standards.	• Carried out during and after the production process to ensure that required standards have been met at every stage of the process.
• Includes setting targets/measuring performance and taking corrective measures	• Ensuring that every process is aimed to get the product 'right the first time' and prevent mistakes from happening again.
• Checking raw materials to ensure that high standards are maintained.	• The 'building in' of quality as opposed to 'checking for' quality.

Note the content can be used to explain/differentiate between quality management and quality performance

Difference between quality management and quality performance

Quality management	Quality performance
• Techniques/tools used to design/ improve the quality of a product.	• Total performance of each department measured against the specified standards.
• Can be used for accountability within each of the business functions.	• Can be obtained if all departments work together towards the same quality standards
• Aims to ensure that the quality of goods/services is consistent/Focuses on the means to achieve consistency	• Quality is measured through physical product/statistical output of processes/surveys of the users and/or buyers of goods/services.

Note the content can be used to explain/differentiate between quality management and quality performance

TQM ELEMENTS

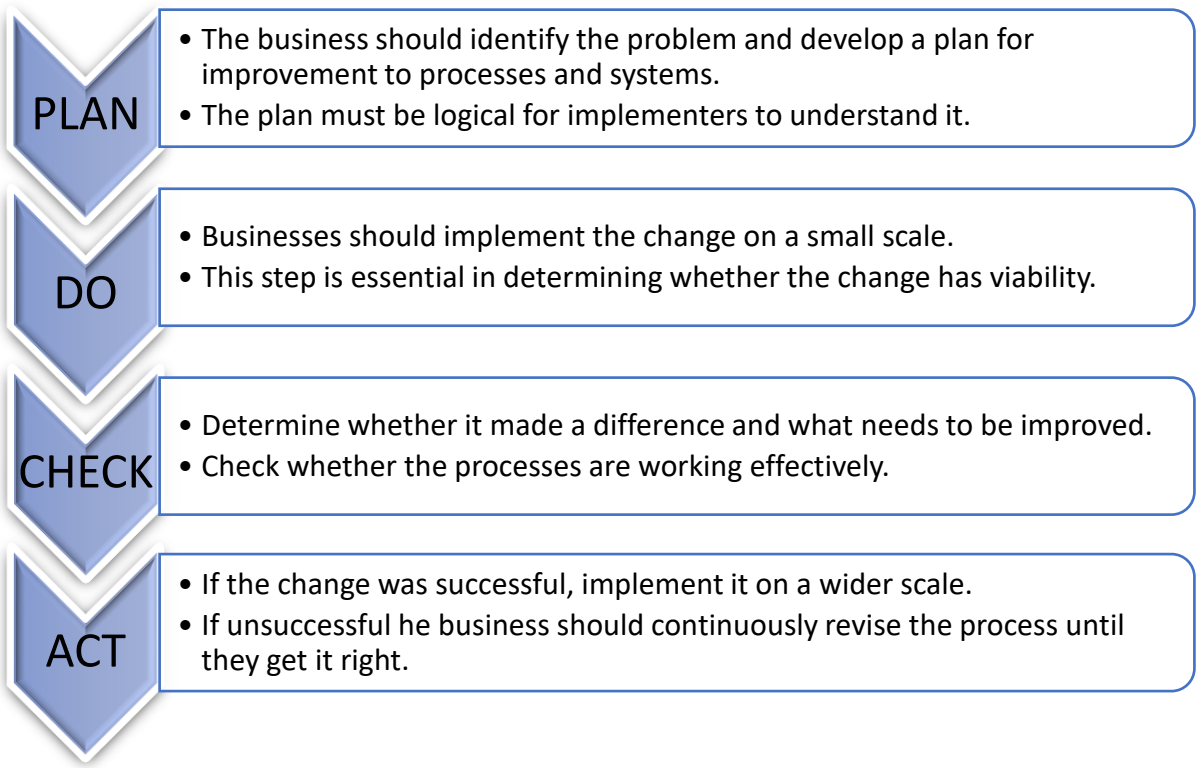


NOTE: TQM ELEMENT must be written as they are.

Impact of TQM elements on large business		
TOTAL CLIENT SATISTFACTION		
Positive Large businesses use market customer surveys to measure customer satisfaction. Continuously promote a positive company image. May lead to increased profitability.	***And/Or***	Negative Employees who seldom meet customers often do not have a clear idea of what will satisfy their needs. Monopolistic companies have an increased bargaining power, so they do not necessarily have to please customers. Not all employees may be involved to total client satisfaction.
ADEQUATE FINANCING AND CAPACITY		
Large businesses have sufficient financing to test everything before implementing. Able to afford market researchers to gather information. Can afford to purchase quality raw materials and equipment.	***And/Or***	If the demand for company's product increases, orders begin coming in faster than expected, and the company lacks the capacity required to fund the production of the stock to fill the orders. These rapidly growing companies can consume large amounts of capital as they try to balance normal operations and expansion.

CONTINUOUS SKILLS DEVELOPMENT		
Large businesses have a human resources department dedicated to skills training and development. Human resources experts ensure that training programmes are relevant to increased customer satisfaction. May be able to hire qualified trainers to train employees on a regular basis.	***And/ Or***	Poor communication systems in large businesses may prevent effective training from taking place. Trained employees may leave for better jobs after they gained more skills. De-motivates employees, if they do not receive recognition for training.
MONITORING AND EVALUATION OF QUALITY PROCESS		
Prevents product defects and minimises wastage/customer complaints. Improve performance and maintain high quality standards. Improve current and future management of quality output. Allows for quality control checks and procedures at key points.	***And/ Or***	Large businesses are often divided, and the departments work in silos. It is difficult to get everyone to communicate. It often takes longer to detect problems or respond to weaknesses. It is not viable to check quality of all the products.
CONTINUOUS IMPROVEMENT TO PROCESSES AND SYSTEMS		
Large businesses have more resources to check on quality performance in each unit. Enough capital resources are available for new equipment required for processes and systems. They can afford to use the services of the quality circles to stay ahead of their competitors.	***And/ Or***	Large scale manufacturing can complicate quality control. Systems and processes take time and effort to implement in large businesses as communication may delay the process. Not all negative feedback from employees and customers is going to be accurate, which may result in unnecessary changes to systems and processes.

Application of the PDCA Model in improving the quality of product



NOTE: The PDCA model forms part of the TQM element continuous improvement to processes and systems

Role/Importance of quality circles as part of continuous improvement to processes and system
• Solve problems related to quality and implement improvements. • Investigate problems and suggest solutions to management. • Ensure that there is no duplication of activities/tasks in the workplace. • Make for improving processes and systems in the workplace. • Increase employees' morale/motivation to boost the team spirit in achieving organisational goals. • Reduce costs of redundancy and wasteful efforts in the long run. • Improve the quality of products/services/productivity through regular reviews of quality processes. • Monitor/Reinforce strategies to improve the smooth running of business operations. • Increase employees' morale/motivation to boost the team spirit in achieving organisational goals. • Contribute towards the improvement and development of the organisation. • Increase the demand for products/services of the business. • Create harmony and high performance in the workplace. • Build a healthy workplace relationship between the employer and employee.

- Improve employees' loyalty/commitment to the organisational goals.
- Improve employees' communication at all levels of the business.

Criterion	Benefits/Advantages of a good quality management system	TQM if poorly implemented by businesses.
Productivity	Productivity increases through proper time management	Decline in productivity, because of stoppages.
Goal	Business goals may be achieved.	Setting unrealistic deadlines that may not be achieved.
Image	Improves business image as there are less defects	Business image may suffer because of defective goods.
profit	more customers improve profitability.	Investors might withdraw investment, if there is a decline in profits.
Customer satisfaction	Products/Services are constantly improved resulting in increased levels of customer satisfaction.	Decline in sales as more goods are returned by unhappy customers.

Note: criterions are developed for study purpose none-examinable
Benefits and poorly implemented can never be asked in tabular format

Ways in which TQM can reduce the cost of quality

- Introduce quality circles to discuss ways of improving the quality of work/ workmanship.
- Schedule activities to eliminate duplication of tasks.
- Share responsibility for quality output amongst management and workers.
- Train employees at all levels, so that everyone understands their role in quality management.
- Develop work systems that empower employees to find new ways of improving quality.
- Work closely with suppliers to improve the quality of raw materials/inputs.
- Improve communication about quality challenges/deviations, so that everyone can learn from experience.
- Reduce investment on expensive, but ineffective inspection procedures in the production process.
- Implement pro-active maintenance programmes for equipment/machinery to reduce/eliminate breakdowns

SECTION 4: QUALITY OF PERFORMANCE



ACTIVITY 4

4.1. Elaborate on the meaning of TQM (4)

4.2 Identify TQM elements on Keyoh Ltd from given statements below:

4.2.1 Keyoh Ltd regularly use market surveys to measure their client satisfaction

4.2.2. They are able to afford market research to gather information.

4.2.3 Faith, one of the recently trained employed found a better position at KT Ltd

Max(3x2) (6)

4.3 Discuss the impact of the following TQM elements

4.3.1 Monitoring and evaluation of quality process (6)

4.3.2 Continuous improvement to processes and systems (6)

[22]



ACTIVITY 5

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

KIMOL MANUFACTURER (KM)

Kimol Manufacturer implements total quality management (TQM) to reduce the cost of quality. The production manager works closely with suppliers to improve the standards of raw materials. KM monitors their maintenance programmes on a regular basis to prevent the breakdown of equipment. They also provide annual bonuses to employees who meet their sales targets.

5.1.1 Quote TWO ways in which total quality management (TQM) reduces the cost of quality at KM from the scenario above. (4)

5.1. 2 Discuss other ways in which total quality management (TQM) can reduce the cost of quality. (4)

5.2 . Explain how businesses can apply the act step of the PDCA model to improve the quality of products. (4)

[12]

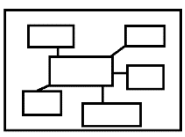
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2	**2025 IM Report**
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MIND MAP





EXMINATION GUIDELINE

LEARNERS SHOULD BE ABLE TO:

- Outline/Explain/Discuss the functions of the JSE.
- Outline/State/Describe/Explain/Discuss the following factors that should be considered when making investment decisions:
  - Return of investment (ROI)
  - Risk
  - Investment term/period
  - Inflation rate
  - Taxation
  - Liquidity

- Explain/Discuss the various types of investment opportunities and their risk factors:
  - Mutual funds/Stokvel
  - Managed portfolio
  - Venture capital
  - 32-day notice account
  - Debentures
  - Endowment/Retirement annuities

- Explain/Discuss/Analyse/Evaluate (positives/advantages and/or negatives/disadvantages) of the following forms of investment:
  - Government/RSA retail savings bonds
  - Unit trusts
  - Shares
  - Fixed deposit

- Identify the following types of shares from given scenarios/statements:
  - Ordinary shares
  - Preference shares
  - Bonus shares
  - Founders' shares

- Name/Outline/Explain/Discuss types of preference shares.
- Outline the rights of ordinary and preference shareholders.
- Identify types of preference shares from given scenarios/statements.

- Differentiate/Distinguish between ordinary and preference shares.
- Define/Explain the meaning of debentures, dividends, capital gain, simple interest and compound interest.
- Differentiate/Distinguish between simple interest and compound interest.
- Calculate simple and compound interest from given scenarios.
- Recommend the best investment option based on the calculations.

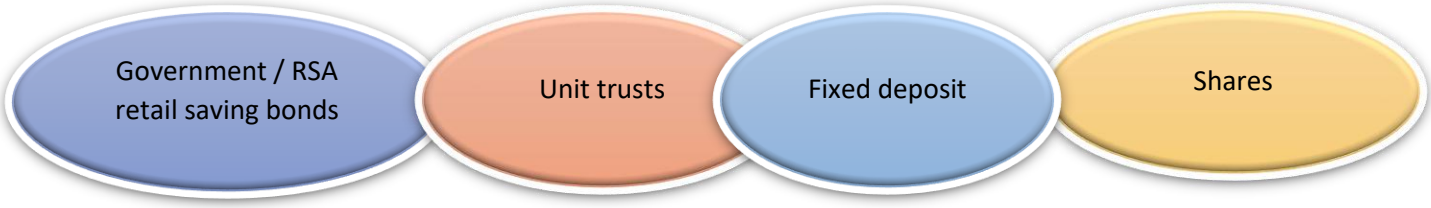
TERMINOLOGY

TERM	DEFINITION
Investment	Investing/Saving money to yield better returns.
JSE/Johannesburg Security Exchange	Is a formal market, trading in shares, comprising of all the public companies that have been listed.
Share	It gives investors the opportunity to obtain a part ownership of a company.
Fixed rate	The rate of return stays the same for the period of time.
Simple interest	Calculated on the original/principal amount invested.
Compound interest	Calculated each period on the original/principal amount including all interest accumulated during past periods.
Risk	Refers to the chance that the invested amount may reduce in value/lost in total over a period of time, due to unforeseen circumstances.
Investment	Investing/Saving money to yield better returns.
Debentures	It is issued to raise borrowed capital from the public.
Dividends	The return on an investment in shares which is paid regularly by a company to its shareholders.

FUNCTIONS OF THE JSE

- Serves as a barometer/indicator of economic conditions in South Africa.
- Acts as a link between investors and public companies.
- Regulates the market for trading in shares.
- Keeps investors informed by publishing share prices daily.
- Shares are valued and assessed by experts. .
- Raises primary capital by encouraging new investments in listed companies.
- Small investors are invited to take part in the economy of the country through
- the buying/selling of shares.
- Venture capital market is made possible on the open market.
- Strict investment rules ensure a disciplined/orderly market for securities.
- Raises primary capital by encouraging new investments in listed companies.
- Mobilises the funds of insurance companies and other institutions.
- Regulates the market for trading in shares.
- Plans, researches and advises on investment possibilities.
- Ensures that the market operates in a transparent manner.
- Provides protection for investors through strict rules/legislation.
- Encourages short-term investment as shares can be sold at any time.
- Facilitates electronic trading of shares/STRATE/Channels financial
- resources into productive economic activities.
- Enhances job creation and increases economic growth/development.

FORMS OF INVESTMENTS



RSA Retail Savings Bonds	
A form of investment with the government of South Africa which earns a fixed or inflation linked interest for the term of investment.	
Advantages	**Disadvantages**
• 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 making it a viable investment option. • Investment may be easily accessible, as cash may withdrawn after the first twelve months. • Low risk/Safe investment, as it is invested with the South African Government which cannot be liquidated. • It is affordable type of investment for all levels of income earners including pensioners.	• Retail bonds cannot be ceded to banks/financial institutions as security for obtaining loans. • A minimum of R500 must be invested, which may be difficult for some small investors to accumulate. • Retail bonds are not freely transferable amongst investors. • Investors need to have a 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.

Unit trusts	
A type of investment where money from many investors (called “unit holders) is managed by a fund manager to achieve a specific return.	
Advantages	**Disadvantages**
• 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 investment, 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.	• Share price may fluctuate. • Unit trusts are not suitable for people who want to invest for a short period. • It is not a good option for people who want to avoid risks at all costs. • Units Trusts are not allowed to borrow, therefore reducing potential returns. • If blue chip companies do not continue their growth path, the growth of unit trusts will also be affected/it will not render the expected returns. • Bid prices that are usually higher than the ask price, makes the investment less liquid.

Fixed deposit

It involves depositing a specific sum of money with a bank for a predetermined period, usually ranging from a few months to several years.

Advantages	Disadvantages
• 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. • Investors earn a better return on investment than on an ordinary savings account. • The higher the principal amount/the longer the investment period, the higher the interest rate offered by a financial institution. • It has a low risk as investors are guaranteed of the final payment	• The investor cannot withdraw their funds before the maturity date. • May not outperform the effect of inflation over long term. • Low returns compared to other investments.

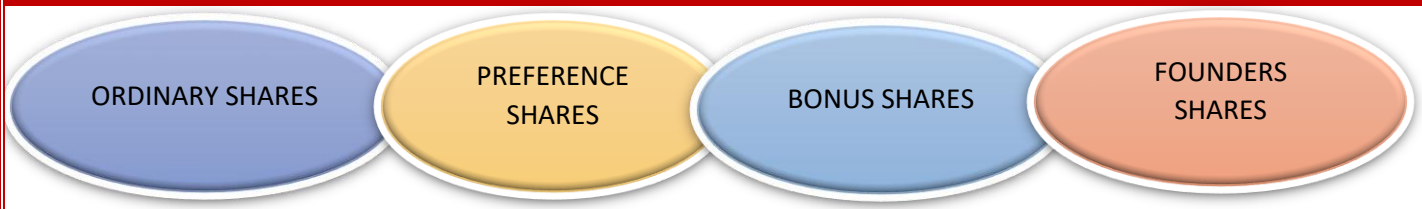
Shares

Shares represent units of ownership in a corporation or financial assets owned by investors who exchange capital in return for these units.

Advantages	Disadvantages
• Holding a higher number of shares may result in higher proportional dividend pay-outs. • Can be freely transferred/traded on the JSE. • Shareholders' liability to the debt of the company is limited to what was invested/Shareholders have limited liability for company debts. • Shareholders have voting rights at the annual general meeting (AGM). • Rate of return on investment (ROI) is linked to the performance of the company.	• 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.

• Investing in shares provides protection against inflation. • Investing in shares can provide solid returns at retirement age. • Ordinary shares are usually cheaper than preference shares on the open market.	

TYPES OF SHARES



NOTE: You must be able to identify the above-mentioned types of shares from given scenarios/statements

Founders' shares	Bonus shares
• Issued to the founders and incorporators/promoters of the company. • They receive dividends after all other shareholders were paid.	• Issued as compensation for unpaid dividends • Payment in the form of shares to shareholders. • Shareholders will own more shares and collect more dividends in the future. • Shareholders receive these shares without being required to pay for them.

Differences between ordinary and preference shares

ORDINARY SHARES	PREFERENCE SHARES
• Ordinary shares only receive dividends when profit is made. • Normally the higher the profit, the higher the dividend. • Shareholders are the last to be paid, if the company is declared bankrupt/liquidated. • Ordinary shares are standard shares with no special rights or restriction. • Dividends vary from year to year according to profits made as determined by the company.	• Some of these types of shares receive dividends regardless of profit made. • A fixed rate of return is paid on this type of shares • Shareholders have a preferred claim on company assets in the event of bankruptcy/liquidation. • These shares enjoy preferential rights to dividends/repayment over ordinary shares. • Dividends are payable according to the type of preference share.

TYPES OF PREFERENCE SHARES

Participating preference shares

- are guaranteed minimum fixed dividends.
- are entitled to share in any surplus company profits.
- receive higher dividends when the company performs well.
- have preferential rights over ordinary shares on repayment when the company closes.

Non-participating preference shares/Ordinary preference shares

- 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.

Cumulative preference shares

- 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.

Non-cumulative preference shares

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

Redeemable preference shares

- Shares can be redeemed/bought back at the option of the issuing company, at a fixed price on a specified date/over a certain period.

Non-redeemable preference shares

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

Convertible preference shares

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

Non-convertible preference shares

- Shares cannot be converted into ordinary shares



INVESTMENT CONCEPTS



DESCRIPTION OF CONCEPTS

Debentures

- It is issued to raise borrowed capital from the public.
- The lender/debenture holder agrees to lend money to the company on certain conditions for a certain period.
- 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.
- Debenture holders receive annual interest payments based on the terms/amount of debentures held.

Dividends

- The 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.

Capital gain

- The 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.

Simple interest

- The 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.

Compound interest

- 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

Distinction between compound and simple interest

COMPOUND INTEREST	SIMPLE INTEREST
• The principal amount grows with the addition of interest to it. • Interest earned on the original amount invested, as well as interest earned in previous period(s). • Yields high return on investment • Interest is calculated on the higher principal amount and again added to it. • Total amount of interest earned on investment is high.	• The principal amount remains the same over the entire period of investment. • Interest earned on the original amount and not on the interest accrued. • Yields less return on investment. • The interest is kept separate unless it is reinvested. • Total amount of interest earned on investment is less.

CALCULATING SIMPLE AND COMPOUND INTEREST

Calculating simple interest

The following formula is used to calculate simple interest:

Interest = P x *r* x *t* , where;

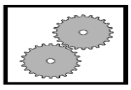
- P is the principal/original amount of the investment
- *r* is the interest rate
- *t* is the period of the investment

Calculating the compound interest

The following fomula is used to calculate compound interest:

Interest = P x (1+i)^{N}-P, where;

- P is the principal/original amount of the investment
- *r* is the interest rate
- *t* is the period of the investment periods



WORKED EXAMPLES

Calculation of simple and compound interest

Read the scenario below and answer the questions that follow:

Ronnete wants to invest R30 000 in a fixed deposit for two years. She approached two banks. Saints Bank offered her 12% simple interest per annum and Caprica Bank 12% compounded interest per annum.

a. Calculate the interest amount Ronnete will receive after two years if she invests with Saints Bank.
b. Calculate the interest amount Ronnete will receive after two years if she invests with Caprica Bank.
c. Recommend the best investment option for Ronnete. Motivate your answer.

POSSIBLE SOLUTION

a. Calculation of Simple interest of the above scenario

FORMULA: Interest = P x R x T√
R30 000 x 12%√ x 2 years√ = R7200 √√√√

b. Calculation of Compound interest of the above scenario

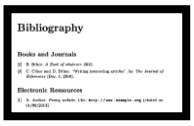
Option 1	**OR**	**Option 2**
Year 1: R30 000 x 12% = R3600 √ Year 2: R33 600 √ x 12% = R4032√ Total interest = R7632 √√√√		**FORMULA**: P x (1 + r)n √ R30 000 x (1+12/100)2√ R30 000 x (1.12)2 =R37 632 √ Total interest = R37 632- R30 000 √ = R7632 √√√√

c. Best investment option

Compound interest. √√

Motivation

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



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SECTION 5: INVESTMENT SECURITIES

ACTIVITY 6

6.1. Outline THREE functions of JSE (6)

6.2 Discuss the following factors to consider when making an investment decision.

6.2.1. Return of investment (4)
6.2.2. Inflation (4)

[14]

ACTIVITY 7

7.1 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 numbers (6.1.1 to 6.1.3) in the ANSWER BOOK, e.g. 6.1.4 D.

7.1.1 … is the return on an investment in shares which is paid regularly by a company to its shareholders.

A Compound interest

B Simple interest

C Dividends

D Ownership

7.1.2 Debenture is issued to raise … capital from the public

A own

B borrowed

C gained

D equity

7.1.3 … refers to the return on property.

A Dividends

B Debenture

C Capital gain

D Borrowed

(3x2) (6)

7.2. Outline the distinction between compound interest and simple interest (8)

7.3 Read the scenario below and answer the question that follows

Inzalo Enterprise invested amount of R15 000 over a period of two years at 8% compound interest per year in a fixed deposit

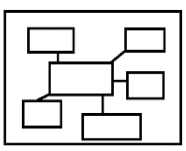
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Calculate the interest amount that Inzalo Enterprise will receive after TWO years. Show ALL calculations (4)

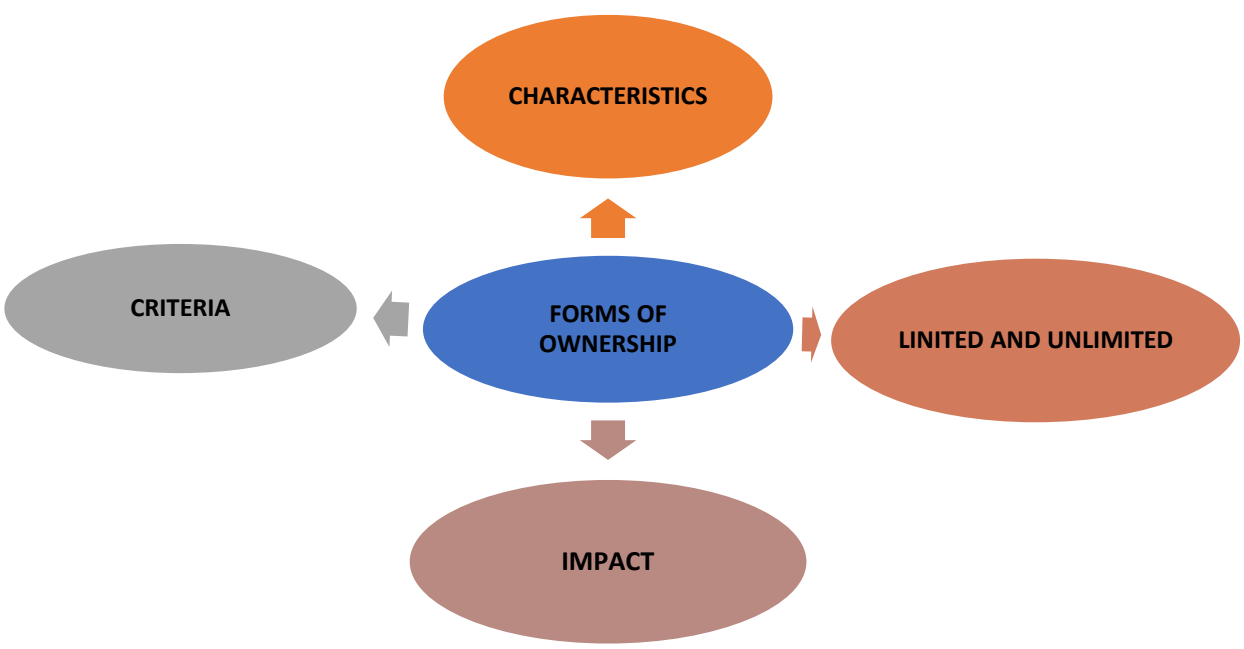
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MIND-MAP



EXAMINATION GUIDELINE

LEARNERS SHOULD BE ABLE TO:

- **Learners should be able to:**
- Explain/Discuss the characteristics of each form of ownership.
- Explain the meaning of limited liability and unlimited liability.
- **Recap**: Discuss/Explain/Evaluate the impact (positives/advantages and/or negatives/ disadvantages) of the different forms of ownership.
- Explain/Discuss how the following criteria could contribute to the success and/or failure of each form of ownership:
    - **Taxation:** The tax requirements of each form of ownership determine the impact of taxation on business success/failure.
    - **Management:** Ownership impacts on management functions which determine the success/failure of the business.
    - **Capital:** refers to the ability to obtain capital from various sources (e.g., own/borrowed capital). The amount of capital that can be sourced will also impact on business success/failure.
    - **Division of profits** refers to how profit is divided between owner(s)/shareholders/ investors.
    - **Legislation/Legal requirements** for establishment/starting a business impact on the establishment costs and time before a business can legally do business.

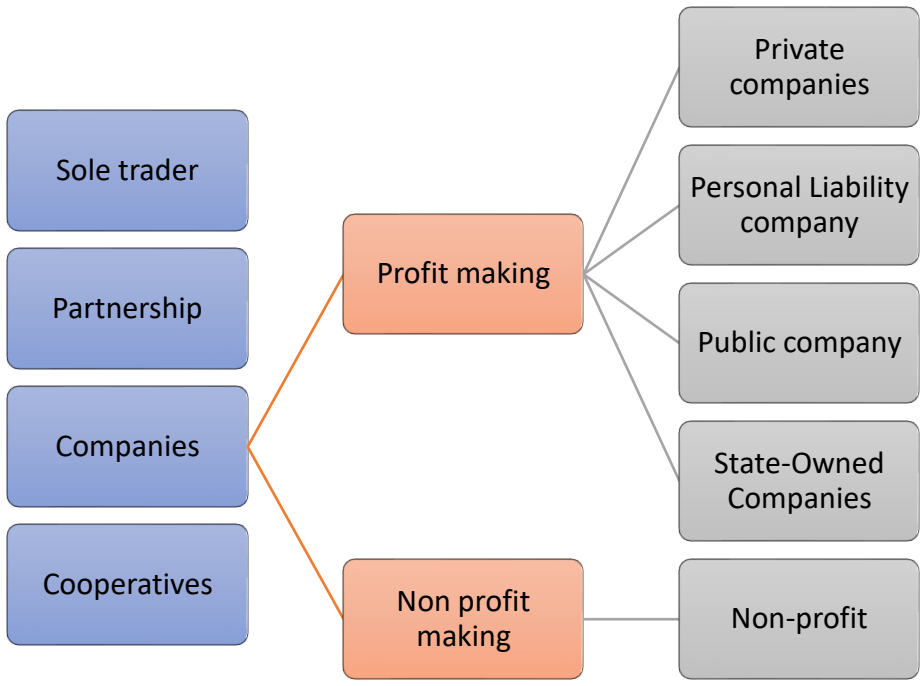
TERMINOLOGY

TERM	DEFINITION
Form of ownership	The legal position of the business and the way it is owned.
Continuity	Continue to exist even if a change of ownership takes place, e.g a member or shareholder dies or retires.
Company	A company is a legal person who has capacity and powers to act on its own.
Profit Companies	A company incorporated for the purpose of financial gain for its shareholders.
Non-profit company	A non-profit company is an association incorporated not for gain.
Tax Implications	The rate at which the form of ownership s taxed, the frequency of tax payments and its influence on the success/failure of the business.

Management	The way in which decisions are made and how many persons are part of management.
Capital	How easy/difficult it is for a form of ownership to acquire capital
Division of profit	It refers to amongst how many people profits are to be divided and its influence on the success/failure of the business.
Legislation/Legal requirements	Are subjected to, requirements before a business can start and whether the business is a legal entity or not.
Limited liability	Losses are limited to the amount that the owner invested in the business.
Unlimited liability	The owner's personal assets may be seized to pay for the debts of the business.

UNIT 1: FORMS OF OWNERSHIP

1.1 SUMMARY OF VARIOUS FORMS OF OWNERSHIP



1.2 DIFFERENTIATE BETWEEN LIMITED AND UNLIMITED LIABILITY

LIMITED LIABILITY	UNLIMITED LIABILITY
The owners' personal assets are protected against the debt of the business	The owners' personal assets may be seized to pay the debt of the business
Losses are limited to the amount that the owner invested in the business	The liability of the owners to pay debts is not limited to the business only
Applicable to companies that have a separate legal entity	Applicable to a sole trader and partnership as they do not have separate legal entity.



UNIT 2: SOLE TRADER

2.1. DEFINITION

- Sole trader is a business that is owned and managed by one person.
- The business owner handles everything, including the activities of the business, its processes and decisions.

2.2. CHARACTERISTICS OF A SOLE PROPRIETOR

- The business is owned and managed by one person only.
- There are no legal requirements regarding the name of the business
- It is easy to establish as there are no legal formalities in forming the business.
- The owner has a personal interest in the management and the services that is rendered.
- The owner has unlimited liability/The owner is personally liable for the debt of the business.
- A sole trader has limited company for expansion and lacks continiuity of existence
- The necessary capital to run the business is provided by the owner

2.3. IMPACT OF A SOLE TRADER [Positives/Advantages and/ Negatives/disadvantages]

Positives/Advantages	Negatives/Disadvantages
• Owner has the freedom to make all decisions • Requires little capital to start. • Requires capital to start • The assets of the business belong to the owner personally. • Simple management structure	• Has unlimited liability which means that the owner is personally liable for all the debts of the business • Cash flow is often a problem • The owner is responsible for providing all the capital needed. • If the owner does not have enough knowledge the business may fail. • Not a legal entity and no continuity

2.4. CRITERIA THAT CONTRIBUTE TO THE SUCCESS AND/OR FAILURE OF SOLE TRADER:

Criteria	Success	Failure
Taxation	• The owner is only taxed on profits in a personal capacity.	• If profits get too big may end up paying high tax in personal capacity.
Management	• The owner may be applying their own creativity when making important decisions	• The owner has to do all the administration management and decision-making in the business.
Capital	• Capital can be carefully spent and managed	• Profit may not be large enough for expansion
Legislation	• Unlimited liability may encourage the owner to work harder to ensure the business success.	• Personal debts and business debts are not separated.
Division of profits	• The owner may use the profit to expand the business	• Profits may not cover all business debts/Owner may decide not to expand.

UNIT 3: PARTNERSHIP

3.1 DEFINITION

- A partnership is when two or more co-owners run a business together.
- Partners pool their money towards a common goal, share specialised skills and resources and share in the ups and downs of business success.
- Partners share the responsibility of the business, and they share the financial and management decision of the business.

3.2 CHARACTERISTICS OF A PARTNERSHIP

- Partners combine capital and may also borrow capital from financial institutions.
- Profit is shared according to the partnership agreement.
- Partners share responsibilities and they are all involved in decision making
- No legal requirements regarding the name of the business.
- No legal formalities to start, only a written partnership agreement is required.
- Partnership has no legal personality and therefore has no continuity.
- An agreement between two or more people who combine labour, capital and resources towards a common goal
- Auditing of financial statements is optional
- Partners does not pay tax, partners pay personal income tax

3.3 IMPACT OF A PARTNERSHIP

Positives/Advantages and/or Negatives/disadvantages

Positives/Advantages	Negatives/Disadvantages

• The partners able to put their knowledge and skills together to collectively make the best decisions.	• Partnership has unlimited liability which • means that partners risk losing their personal possessions.
• The workload and responsibility are shared between partners.	• Each business partner is legally responsible for the joint liability of the partnership.
• Each partner can focus on their own individual strengths when sharing the workload.	• In large partnership, the partners may struggle to agree on business issues.

3.4. CRITERIA THAT CONTRIBUTE TO THE SUCCESS AND/OR FAILURE OF PARTNERSHIP

Criteria	Success	Failure
Taxation	The partnership does not pay income tax, only the partners in their personal capacities	Partners may withdraw more cash to reduce their tax burden which may cause cash flow problems for the partnership
Management	Partners are actively involved in management and may use the ideas of other partners.	Partners may disagree on how to run the business, which may lead to tension between them
Capital	Capital can be carefully spent and managed. More than one partner contributing to capital.	Partners may not all have capital to put into business when needed.
Legislation	Easy and cheap to establish, as partners must draw up partnership agreement.	Unlimited liability/ partners are jointly and severally liable for the debts of the business.
Division of profits	Partners share profits according to their contributions.	Amount of work done may not be equal to the amount of profit that each partner receives.



UNIT 4: PRIVATE COMPANY

4.1. DEFINITION

A private company can be formed by an owner called a shareholder
It can be a small or large company and has one or more directors.
Private companies can be formed according to the Companies Act, no 71 of 2008, and can be big or small. A key characteristic is that it has limited liability but cannot sell shares to the public and cannot list its shares at the JSE.

4.2. CHARACTERISTICS OF A PRIVATE COMPANY

- It needs a minimum of one shareholder, and there is no limit on the number of

shareholders

- Requires one or more directors and one or more shareholders.
- Raises capital by issuing shares to its shareholders.
- The company name ends with the letters (Pty) Ltd.
- Investors put capital in to earn profit from shares.
- The company has a legal personality as well as unlimited continuity.

4.3. IMPACT OF A PRIVATE COMPANY
Positives/Advantages and/or Negatives/ Disadvantages

Positives/Advantages	Negatives/Disadvantages
• Shareholders can vote for/ appoint the most capable directors to manage their company.	• Requires a lot of capital for establishment
• company has continuity of existence, as the lifespan of the business is not dependent on the lifespan of the owners.	• Large management structures can result in decision-making taking time
• Large amount of capital can be raised since there is no limit on the number of shareholders.	• Annual financial statements must be reviewed by a qualified person, which is an extra expense to the company

4.4 CRITERIA THAT CONTRIBUTE TO THE SUCCESS AND/OR FAILURE OF PRIVATE COMPANY

Criteria	Success	Failure
Taxation	Can obtain tax rebates if they are involved in CSI projects.	Subject to double taxation
Management	Managed at least by one competent highly skilled director.	Directors' fees increase the company's expenses which reduces net profit.
Capital	Can obtain tax rebates if they are involved in CSI projects.	Subject to double taxation
Legislation	Limited liability allows for greater risk taking, which may lead to growth of the business	High formation expenses require large start-up capital.
Division of profits	Shareholders receive profits according to the type and number of their shares.	Dividends are not always paid out which may discourage new investors.

UNIT 5: PERSONAL LIABILITY COMPANY

5.1. DEFINITION

- Very similar to a private company, the difference is that the directors of a Personal Liability company are jointly and severally liable for all the debts and liabilities of the company. This means that the directors have unlimited liability.

5.2 CHARACTERISTICS

- The company name must end with letters INC
- Directors have unlimited liability and they are jointly liable for the debts of the business even if they are long out of office
- The memorandum of Incorporation should state that it is a personal liability company.
- They must at least have one director on their board of directors.

5.3. IMPACT OF PERSONAL LIABILITY COMPANIES
Positives/Advantages and/or Negatives/ Disadvantages

Positives/Advantages	Negatives/Disadvantages
SAME AS PRIVATE COMPANY	SAME AS PRIVATE COMPANY

NOTE:
Advantages of a personal liability company are the same as those of a private company.
The disadvantages are also the same as those of a private company, except that the directors of the personal liability company have unlimited liability.

5.4. CRITERIA THAT CONTRIBUTE TO THE SUCCESS AND/OR FAILURE OF PERSONAL LIABILITY COMPANY

Criteria	Success	Failure
Taxation	Can obtain tax rebates if they are involved in CSI projects.	Subject to double taxation
Management	Quick decisions can be made even if there is only one director.	Directors' fees increase the company's expenses which reduces net profit
Capital	Capital can be increased by getting more shareholders.	It cannot grow into a very large business since it cannot invite the public to buy shares.
Legislation	The company and its owners (shareholders) are separate entities, which may encourage more people to join the company	It is expensive to register this form of ownership which increases business expenses hence reducing profit
Division of profits	Profits generated can be re-invested to expand business operations.	Shareholders may sell their shares when dividends are low, resulting in a drop in share prices

UNIT 6: PUBLIC COMPANY

6.1. DEFINITION

- A public company is a company that is registered to offer its stock and shares to the general public

6.2. CHARACTERISTICS

- The company name ends with letters Ltd
- Has legal personality and therefore has unlimited continuity
- Requires three or more directors and three or more shareholders.
- Auditing of financial statements is compulsory
- A prospectus is issued to the public to raise capital.

6.3. IMPACT ON PUBLIC COMPANIES
Positives/Advantages and/or Negatives/ Disadvantages

Positives/Advantages	Negatives/Disadvantages
Shareholders have limited liability for the debt of the company.	Must disclose all financial information
Shareholders can buy and sell shares freely.	The more shareholders, the less profit.
Managed by at least one competent highly skilled director.	Directors may not have a direct interest in the company, which can hamper growth and profit maximisation

6.4. CRITERIA THAT CONTRIBUTE TO THE SUCCESS AND/OR FAILURE OF PUBLIC COMPANIES

Criteria	Success	Failure
Taxation	Can obtain tax rebates if they are involved in CSI projects.	Subject to double taxation
Management	Managed at least by one competent highly skilled director.	Directors' fees increase the company's expenses which reduces net profit
Capital	A public company's shares are listed on the JSE which gives the company exposure to more potential investors.	Large amounts of capital required to start a public company.
Legislation	Auditing of financial statements, gives shareholders the assurance that the business is being properly managed	Annual audit of financial statements is costly.
Division of profits	Shareholders receive profits according to the type and number of their shares.	Shareholders may sell their shares when dividends are

		low, resulting in a drop in share prices

UNIT : STATE OWNED COMPANY

7.1. DEFINITION

- A state-owned company has the government as its major shareholder and falls under the department of Public Enterprise.

7.2. CHARACTERISTICS

- The name ends with letters SOC.
- SOC is listed as a public company.
- It is owned by the government and operated for profit.
- Requires three or more directors and one or more shareholders.

7.3. IMPACT OF STATE-OWNED COMPANIES
Positives/Advantages and/or Negatives/ Disadvantages

Positives/Advantages	Negatives/Disadvantages
Profits may be used to finance other state departments	Decisions are often difficult to reach and time consuming.
Offer essential services which may not be offered by the private sector	Shares are not freely transferable
Jobs are created for all skills levels	Losses must be met by the taxpayer.

UNIT 8: NON-PROFIT COMPANIES

8.1. DEFINITION

- A non-profit company/NPO are not formed with the intent to make a profit but established for public benefit.

8.2. CHARACTERISTICS

- The main aim is to provide service and not to make a profit.
- They are funded by donations and foreign funding.
- The name of the company must end in NPC.
- All profits must be used for the primary objective of the non-profit company.
- It must prepare the Memorandum of Incorporation.

8.3. IMPACT OF NON-PROFIT COMPANIES
Positives/Advantages and/or Negatives/ Disadvantages

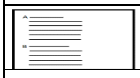
Positives/Advantages	Negatives/Disadvantages
Donors receive tax deductions which motivates them to invest in a non-profit company.	Does not generate enough capital to cover their expenses.
The liability of the members is limited which may attract additional members.	Donations may not always be enough.

Can receive government funding/grants/aid to render their services.	They are not allowed to pay bonuses to members

8.4. CRITERIA THAT CONTRIBUTE TO THE SUCCESS AND/OR FAILURE OF A NON- PROFIT COMPANY

Criteria	Success	Failure
Taxation	May qualify for tax exemption if certain criteria are met	Must meet certain tax requirements to be exempted, e.g. operations must be exclusively for charitable purpose
Management	An NPC may be well managed as it requires a minimum of three directors.	Directors may not have skills to manage resources.
Capital	It is easy to raise funds/capital, as donors enjoy tax benefits.	NPC may struggle to raise enough capital/funds if donations are misused.
Legislation	Financial statements are audited this may result to effective use of resources.	Formation procedures are expensive, as many legal documents need to be prepared.
Division of profits	The profits of the company are used finance other needs of the company.	May discourage potential investors from investing in the company as this is a non-profit company.

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UNIT 9: DIFFERENCES

9.1 DIFFERENCES BETWEEN THE PRIVATE AND A PERSONAL LIABILITY COMPANY

PRIVATE COMPANY	PERSONAL LIABILITY COMPANY
The name ends with (PTY) Ltd	The name ends with INC
The directors are not personally liable for the debts of the business.	The directors are personally liable for the debts of the business.

9.2. DIFFERENCES BETWEEN THE PRIVATE AND PUBLIC COMPANY

PRIVATE COMPANY	PUBLIC COMPANY
May not offer shares to the general public.	Trades its shares publicly on the Johannesburg Securities Exchange.
Minimum of one director	Minimum of three directors.
Name must end with Proprietary Limited/(Pty) Ltd.	Name must end with Limited/Ltd
Annual financial statements need not be audited and published.	Annual financial statements need to be audited and published

9.3. DIFFERENCES BETWEEN THE PRIVATE AND A PERSONAL LIABILITY COMPANY

PRIVATE COMPANY	STATE OWNED COMPANY
The name ends with (PTY) Ltd	The name ends with INC
The directors are not personally liable for the debts of the business.	The directors are personally liable for the debts of the business.



UNIT 10: COOPERATIVES

10.1. DEFINITION

- A cooperative is a traditional way for a group of interested parties to get together and shareresources/infrastructures and costs to achieve a better outcome.
- A co-operative is an autonomous association of persons united voluntarily to meet their common economic/social, or cultural needs through a jointly-owned enterprise.
- They share resources/infrastructures and costs to achieve a better outcome.

10.2. CHARACTERISTICS OF COOPERATIVES

- Minimum of five members is required to start a cooperative.
- The word 'Cooperative Limited' must appear at the end of its name.
- They are motivated by service rather than profit.
- They are managed by a minimum of three directors.
- Decisions are taken democratically
- Members own and run the business together and share equally in its profits
- A legal entity that can own land and open bank accounts.
- Must register with the Registrar of Cooperatives Societies
- The objective of a co-operative is to create mutual benefit for the members.

10.3. IMPACT OF COOPERATIVES
Positives/Advantages and/or Negatives/ Disadvantages

Positives/Advantages	Negatives/Disadvantages
Access to resources and funding	It can be difficult to get a loan because their main objective is not always to make a profit.
Decision making is by a group	Decisions are often difficult to reach and time consuming
Members have limited liability	Difficult to grow a co-operative

10.4. Criteria that contribute to the success and/or failure of Co-operatives

Criteria	Success	Failure
Taxation	Dividends declared by a company to a cooperative will be exempted from dividend tax.	Co-operatives are taxed at the same rate as companies which may be high.
Management	Co-operatives can appoint their management.	Decisions are often difficult to reach. Not all directors are capable of good management.

	All members have one vote each and decisions are made democratically.		
Capital	Raises its capital by issuing shares to members.	The funds of a co-operatives are limited and therefore it is difficult to grow	
Legislation	Co-operatives must register with the Registrar of Cooperatives Societies.	The process of formations is timeous and difficult.	
Division of profits	Each member has an equal share in the co-op.	The co-operatives is motivated by service rather than profit, which means less profit for members.	

SECTION 6: FORMS OF OWNERSHIP



ACTIVITY 8

8.1. Outline the meaning of public company (2)

8.2 Explain the characteristics of public company (6)

8.3. Discuss how the following criteria could contribute to the success and/or failure of a public company as a form of ownership.

8.1.1 Management (4)
8.1.2 Capital (4)

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ACTIVITY 9

9.1. Outline the meaning of state-owned company (2)

9.2 Explain the characteristics of state-owned company (6)

9.3 Discuss the impact of the state-owned company. (6)
[14]

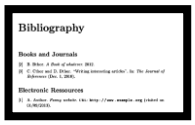
ACTIVITY 10

10.1 Define the meaning of non-profit company (2)

10.2 Explain the characteristics of non-profit company (6)

10.3 Discuss how the following criteria could contribute to the success and/or failure of a public company as a form of ownership.

10.3.1 Legislation (4)
10.3.2 Capital (4)
[20]


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