



EXAMINATIONS COUNCIL OF SWAZILAND
 in collaboration with
 UNIVERSITY OF CAMBRIDGE LOCAL EXAMINATIONS SYNDICATE
 Swaziland General Certificate of Secondary Education

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER



BUSINESS STUDIES

6897/02

Paper 2

October/November 2012

1 hour 45 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

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

Answer **all** questions.

The businesses described in this question paper are entirely fictitious.

At the end of the examination, fasten all your work securely together.

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	
5	
Total	

This document consists of **13** printed pages and **3** blank pages.

JonDon (Pty) Ltd

Jon and his son Don run a retail clothing partnership business trading as J and D Partners. Recently they realised the need to increase the scale of their operation. However, the challenge is that the expansion will require capital intensive methods of production and the construction of a warehouse. The two partners consulted their legal adviser who suggested that they set up a private limited company that will operate as a manufacturer and wholesaler in addition to the retail business.

“There are opportunities and challenges when starting or merging with other businesses in the industry”, the adviser said, “but it is very difficult to recruit the relevant personnel”.

They accepted the professional advice and registered the company as JonDon (Pty) Ltd with a number of changes to be undertaken. “But this means some of our workers may need to be retrained or made redundant. Moreover, they are members of a trade union”, Jon was heard saying.

Juju, a multinational clothing company, has approached JonDon (Pty) Ltd to produce high quality shirts for its overseas markets. However, the Directors of JonDon (Pty) Ltd are not sure where to obtain the funds to pay for this expansion.

Appendix 1

Business briefs

July 31, 2012

Government information on small and medium enterprises (SMEs)

If you want to start a business that will earn a profit of between:

- (a) 0 – E50 000 Small Enterprise
- (b) E51 000 – E5m Medium Enterprise

please be advised that a number of local banks will offer loans for start-up and expansion. There are also many government agencies that will offer assistance if you intend to trade with foreign companies. It is important that our country should make itself better known in the world economy.

Appendix 2

The following table shows the costs and revenues associated with production of shirts at JonDon (Pty) Ltd.

costs

	Labour intensive (E)	Capital intensive (E)
Labour	30 000	10 000
Machinery	12 000	60 000
Power	500	2 000
Raw materials	1 000	3 000

revenue

	Labour intensive	Capital intensive
Number of units sold	500	1 500
Sales in Emalangi (E)	50 000	150 000

Selling price per shirt is E100.00

1 Jon and Don have converted their business into a private limited company.

(a) Identify and explain **one** advantage and **one** disadvantage to them of this conversion.

Advantage

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Explanation

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Disadvantage

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Explanation

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..... [8]

(b) Since JonDon (Pty) Ltd intends to expand, consider **three** external sources of finance that the company could use for its expansion. Recommend which source of finance you think would be most suitable. Justify your recommendation.

Source 1
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Source 2
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Source 3
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Recommendation
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[12]

2 All JonDon (Pty) Ltd workers are members of a trade union.

(a) Explain **one** benefit to JonDon (Pty) Ltd and **one** benefit to workers of the staff being members of a trade union.

Benefit to JonDon (Pty) Ltd

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Explanation

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Benefit to workers

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Explanation

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[8]

