EXAMINATIONS COUNCIL OF ESWATINI
Eswatini General Certificate of Secondary Education

CANDIDATE NAME	

CENTRE NUMBER		CANDIDATE NUMBER	

BUSINESS STUDIES **6897/01**

Paper 1 **October/November 2021**

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 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.
You may use a **calculator**.

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	
Total	

This document consists of **9** printed pages and **3** blank pages.

1 Moya Industries Pty (ltd) is a producer of soaps and detergents (cleaning chemicals). Current market information shows an increase in the demand for soaps and detergents in Eswatini. The stakeholders of the company like to make their interests known. Some shareholders suggested that the business must maintain its flat organisational structure while another group prefers a taller organisational structure to make delegation easier. The directors want the company to acquire a bank loan in order to support its future expansion.

(a) Define the term 'stakeholder'.

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.... [2]

(b) Identify **two** examples of stakeholder's interests at Moya Industries.

Example 1: ....

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Example 2: ....

.... [2]

(c) Explain **two** disadvantages of delegation to Moya Industries Pty (Ltd).

Disadvantage 1: ....

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Explanation ....

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Disadvantage 2: ....

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Explanation ....

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.... [4]

(d) Explain **two** advantages to Moya Industries of maintaining a flat organisational structure.

Advantage 1: ....

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Explanation ....

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Advantage 2: ....

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Explanation ....

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.... [6]

(e) Do you think that Moya Industries would find it easy to acquire a bank loan to finance its expansion? Justify your answer.

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2 Sinex plc is a local producer of soft drinks. The business wants to recruit a Chief Executive Officer (CEO) with proven experience as an effective manager. The candidate must also have an excellent understanding of how to ensure the quality of soft drinks. The CEO must also have marketing skills so that efficient distribution channels can be selected for the company's products. The position comes with an attractive salary and non-monetary benefits. Meanwhile senior managers at Sinex plc are unhappy that the company has decided to use external recruitment for the post.

(a) Define the term 'effective manager'.

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.... [2]

(b) Identify **two** ways of ensuring the quality of soft drinks.

Way 1: ....

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Way 2: ....

.... [2]

(c) Explain **two** non-monetary benefits that Sinex plc might offer to the new CEO.

Benefit 1: ....

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Explanation: ....

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Benefit 2: ....

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Explanation: ....

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.... [4]

For Examiner's Use

(d) Explain **two** factors that Sinex plc could consider in selecting suitable channels of distribution.

Factor 1: ....

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Explanation: ....

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Factor 2: ....

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Explanation: ....

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.... [6]

(e) Do you think that Sinex plc would benefit from using external recruitment to hire the CEO? Justify your answer.

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3 Sweetmelt is a large domestic producer of confectionery products (sweets and chocolates). The management of the company believes that the business could benefit from globalisation. Market research has shown that Sweetmelt has potential to compete in the global market. However, Sweetmelt has been warned about the effects of exchange rate changes in international trade. The company has decided to set up international factories in the African regional trade blocs of which Eswatini is a member. Sweetmelt plans to use flow production methods in its international factories.

(a) Define the term 'globalisation'.

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.... [2]

(b) Identify **two** reasons why Sweetmelt would want to globalise its operations.

Reason 1: ....

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Reason 2: ....

.... [2]

(c) Explain **two** ways in which exchange rates changes might affect the success of Sweetmelt.

Way 1: ....

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Explanation ....

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Way 2: ....

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Explanation ....

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.... [4]

For Examiner's Use

(d) Explain **two** benefits that Sweetmelt could gain from the African regional trade blocs.

Reason 1: ....

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Explanation ....

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Reason 2: ....

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Explanation ....

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.... [6]

(e) Do you think that Sweetmelt should introduce flow production methods? Justify your answer.

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For Examiner's Use

4 Elegant Enterprise is a clothing retailer serving the country's domestic market. The financial objectives of the business focus is to achieve annual increase in revenue and profits. The clothing company tries to win market competition by offering more favourable credit terms to its customers while maintaining a healthy liquidity position. During economic boom, Elegant Enterprise allows less credit. Table 1 shows an extract of the retailer's financial data for the years 2019 and 2020.

Table 1: Extract of financial data for Elegant Enterprise

Financial items	**2019**	**2020**
Revenue	E30m	E41m
Credit sales-to-revenue ratio	55%	65%
Cash sales-to-revenue ratio	45%	35%
Current ratio	1.8:1	1.2:1
Profit	E8m	E12 million

(a) Define the term 'current ratio'.

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....

.... [2]

(b) State **two** reasons why businesses such as Elegant Enterprise calculate profit.

Reason 1: ....

....

Reason 2: ....

.... [2]

(c) Explain **two** methods that Elegant Enterprise could use to reduce the ratio of credit sales to revenue.

Method 1: ....

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Explanation ....

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Method 2: ....

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Explanation: ....

.... [4]

(d) Explain **two** reasons why the country might have experienced an economic boom in 2019.

Reason 1: ....

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Explanation ....

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Reason 2: ....

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Explanation ....

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.... [6]

(e) Would you agree that Elegant Enterprise performed better in 2019 compared to 2020? Justify your answer by referring to the financial information shown in Table 1.

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