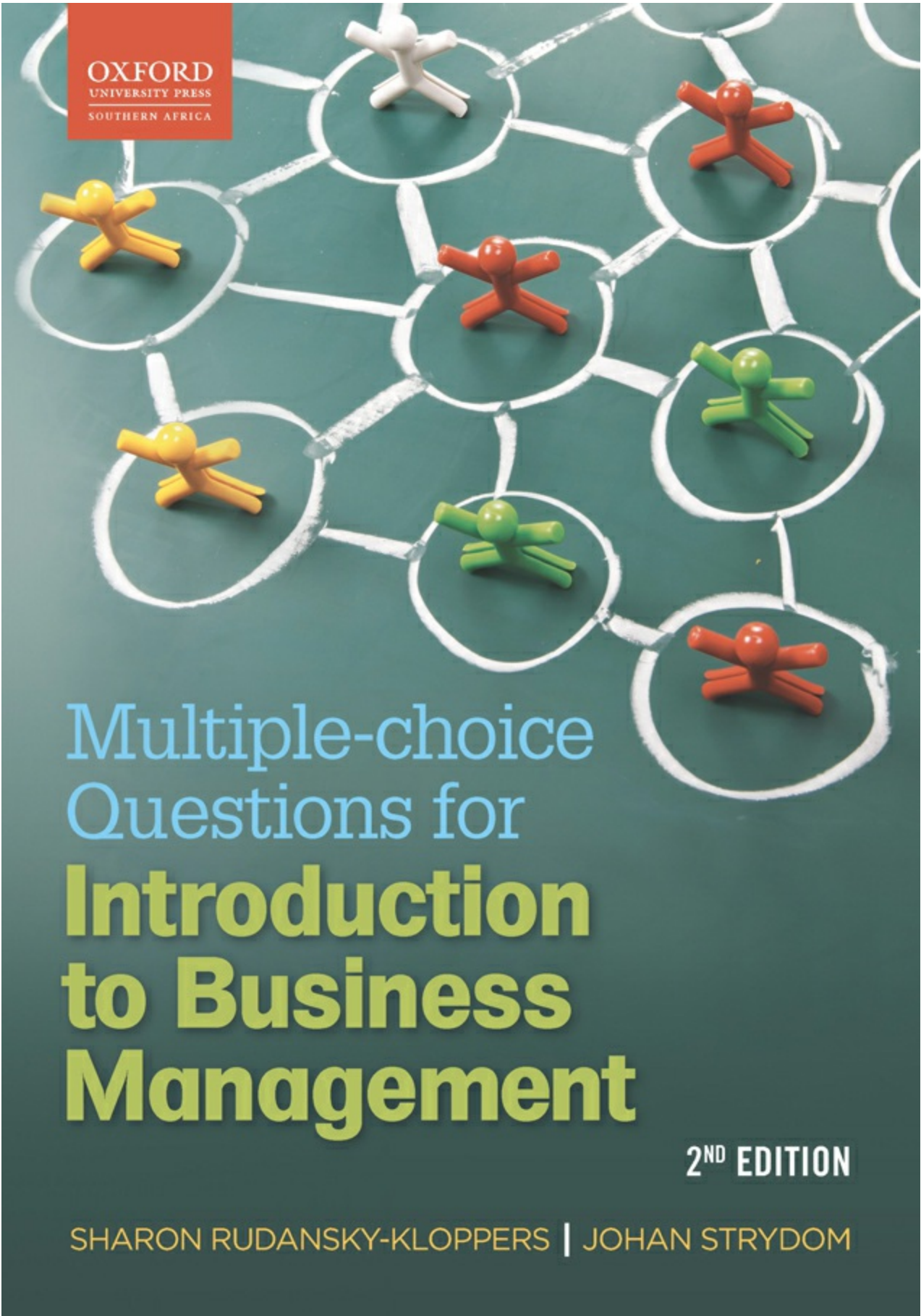


The background of the book cover is a dark green chalkboard. On the chalkboard, there is a network diagram consisting of several white circles connected by white lines. Inside each circle is a small, stylized human figure made of sticks. The figures are colored in white, yellow, orange, and green. The Oxford University Press logo is in the top left corner.

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Multiple-choice
Questions for
**Introduction
to Business
Management**

2ND EDITION

SHARON RUDANSKY-KLOPPERS | JOHAN STRYDOM

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Preface

The format of the book

The book consists of 16 chapters that cover different aspects of business management and small business management.

Chapters 1 to 5 deal with the business world and place of business management, while Chapters 6 to 10 deal with general management principles. Chapters 11 to 15 cover the functional areas of a business and Chapter 16 focuses on information management for small businesses.

Each chapter starts off with a brief description of the management aspect dealt with. The questions test both theory and practice and have been chosen to cover a wide range within each subject area.

All questions have been pre-tested. Some questions assess lower level skills of knowledge, while others are designed to test higher-level skills of application, analysis and evaluation. The answers to the first five questions of each chapter are provided at the end of the chapter. The rest of the answers can be obtained by visiting the following website: <http://www.oxford.co.za/mcq/users/register>. Here you can register to have access to the answers by using the unique code that you will find on the imprint page of your copy of the book.

The book is useful in preparing students for multiple-choice examinations and will help students with both their understanding of business management and their examination performance.

Answering multiple-choice questions

For most of the multiple-choice questions in the book, the single correct answer is either 1, 2, 3, 4 or 5. Students should decide on each alternative independently.

When answering a multiple-choice question, a good deal of time is often wasted (especially in the examination) by reading all the alternatives before deciding which is the correct one.

The secret is to read and decide on each alternative separately. For example, if the question asks you to identify which of four statements is correct take a ruler and cover the other three statements so that you only see the first statement. Read it and then, without reading any other statement, decide whether the statement is correct, wrong or you don't know.

Put a tick next to it if you think it is correct; put a cross next to it if you think it is wrong; and put a ? if you are not sure. Then move the ruler down so that you can read

the second statement. Again decide and mark the category in which it falls.

When you have done that with every one of the four statements, you may find that you have marked one statement correct and three statements wrong. That is then your answer. If you find that you have marked two correct, then compare the two statements and choose the one that seems to be the most correct, or the most comprehensive. When you have selected your answer for a particular question, it is essential that you write down your reasons for doing so. For example, if you chose alternative 2 as the correct answer, you should write on a separate sheet of paper why you think it is correct. Write down the actual reference in the prescribed book on which you base your reasoning. However, you must even go a step further. You must also write down why the other alternatives are wrong. Again make specific reference to the prescribed book to back up your reasoning. Students should understand the subject matter and be able to explain the concepts and apply the principles. That is why it is so important for you to be able to give a reason for your answer.

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The business world and business management

Business plays a vital role in the survival of society. Businesses need to ensure the optimal use of available resources in order to thrive and satisfy society's needs. Businesses operate within a larger economic system and these systems include:

- socialism
- market economy
- command economy.

MULTIPLE-CHOICE QUESTIONS

1. The **primary** task of business management is to ...
 1. provide solutions for the management problems experienced in business enterprises
 2. study the economic needs that have to be satisfied in the community
 3. examine the factors in the macro-environment that influence the activities in the micro-environment
 4. determine how an enterprise can achieve the highest possible output with the least possible input
2. A business's effort to provide the greatest possible **need satisfaction** with limited available resources is known as ...
 1. need satisfaction
 2. productivity
 3. the rate of return on total capital
 4. the economic principle
3. Which of the following is a **disadvantage** of socialism?
 1. Socialism is an unstable environment.
 2. Socialism has cyclical fluctuation.
 3. Socialism results in a low standard of living.
 4. State organisations are unproductive.

4. Within the **free-market** economy, the state or government's interference in the economic system is limited to
1. a maximum
 2. within reason
 3. a minimum
5. The _____ function creates a **favourable image** of the business and it promotes goodwill between the business and the external groups that are directly and indirectly involved in the business.
1. production and operations
 2. purchasing
 3. marketing
 4. public relations
6. Circle the following statements that are **correct**.
- a. Profit is the driving force behind entrepreneurs and their businesses in a free market.
 - b. Individuals can own land, factories and equipment under the command economy.
 - c. In the socialist economy, the state can stabilise economic fluctuations.
 - d. Within the free-market economy, the economic environment is unstable.
1. a, b, c
 2. b, c, d
 3. a, c, d
 4. a, b, d
7. Which one of the following statements regarding **socialism** is true?
1. Farmers, factory owners, industrialists and individuals are free to do what they want with their assets.
 2. The state owns and controls the community's resources.
 3. The state owns and controls principle industries such as transportation, health services and energy.
 4. There is minimum state interference in markets.
8. Which one of the following statements is **correct**?
1. In socialism, the state controls the most important industries and resources.
 2. The state plays no role in a free-market economy.
 3. In a free-market economy, business organisations may not exploit the consumer.
 4. In socialism, the state owns all the business organisations.

9. Thabo is an entrepreneur. He knows that there are risks involved in starting a new
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business and that he has to satisfy the unlimited needs of his community when he opens his Sebenza Spaza shop. Thabo now wonders about the limited resources he has at his disposal. Which of the following is an **example of capital** that Thabo will need to have available in order to facilitate opening the Sebenza Spaza shop?

1. Gladys, Thabo's friend, will make her bookkeeping skills available to Thabo once he opens Sebenza Spaza shop.
 2. The cash register and building that Thabo intends to rent from a company called Spaza Direct.
 3. The residential site where Thabo wants to open the Sebenza Spaza shop.
 4. Sibusiso is Thabo's partner in the Sebenza Spaza shop.
10. Nomsa has just completed her degree in Business Management at UNISA. She is quite keen to start her own business where she will sell cupcakes online, packaging them in beautiful boxes with ribbons on them. She registered her business under the name Sparkle Cupcakes and is planning to purchase a small car that she will use to deliver the cupcakes. She has also secured a contract with a supplier, EasyBake that will provide her with high-quality ingredients such as baking powder and icing at low prices. Which one of the following statements is **correct**?
1. The icing and baking powder provided by EasyBake is considered to be a production factor for EasyBake.
 2. The small car that Nomsa purchased from AutoDirect is part of the final product provided by Sparkle Cupcakes.
 3. The boxes and ribbons used by Sparkle Cupcakes are used as a production factor and contribute towards the end product.
 4. The boxes and ribbons used to package the cupcakes are the end product that Sparkle Cupcakes will sell.
11. Which of the following statements on **the state and economic systems** are **correct**?
1. State intervention to solve an economic problem in a free-market economy indicates a move towards a command or centrally-controlled economy.
 2. Government intervention in the economic system aims at encouraging economic growth and stability.
 3. Control of strategic organisations cannot be left to profit-seeking entrepreneurs.
 4. An expanding entrepreneurial role by the state eventually leads to a democracy.
12. There are several economic systems in the world. The country of Utopia allows and encourages all members of the community to possess houses and to earn profits on them by renting the houses out to overseas tourists. Clothing and food are allocated based on free-market demand and are not controlled by the government. All

residents of Utopia are allowed to choose which careers they want to follow.
Indicate which **economic system** Utopia uses:

1. free-market
2. command economy
3. socialism
4. communism

13. As an economic system, a **free-market economy** is characterised by which of the following attributes?

- a. private ownership of production factors
- b. free competition
- c. profit motive recognised
- d. limited right to strike in state enterprises

1. a, b
2. b, d
3. a, b, c
4. a, b, c, d

14. Which of the following statements are **correct**?

- a. The need for self-esteem mainly affects people who have already satisfied their lower order needs
- b. Basic physical and psychological needs may overlap
- c. A person will first satisfy some of his/her security needs before he/she satisfies his/her survival needs
- d. Self-realisation needs are lower order needs.

1. a, c
2. b, c, d
3. c, d
4. a, b

15. Which of the following statements on the **economic principle** are correct?

- a. Ensuring the highest possible satisfaction of needs with scarce resources is known as the economic principle
- b. The economic principle refers to a business's endeavour to keep its input costs as high as possible
- c. Businesses that apply the economic principle try to achieve the highest possible income
- d. The economic system is not subject to the economic principle.

1. a

2. a, c, d
3. b, c, d
4. c, d

16. Which of the following statements are **correct**?

- a. Mary's need for self-esteem will only be satisfied once her lower order needs have been met.
- b. Anne's need for love and recognition will be satisfied before she satisfies her self-realisation needs.
- c. John will first satisfy some of his security needs before he satisfies his survival needs.
- d. Self-realisation needs are lower order needs.

1. a, b
2. c, d
3. a, b, d
4. b, c, d

17. As an economic system, a **command economy** is characterised by which of the following attributes?

- a. basic industries are owned by the state
- b. profit motive is recognised
- c. the management environment is the state
- d. low productivity

1. a, b
2. c, d
3. b, c, d
4. a, b, c, d

18. The world is divided into three basic **economic systems** and each system has its own unique **characteristics**. Match the correct **characteristic** in Block B with the appropriate **economic system** in Block A.

BLOCK A
Economic system
a. Free market
b. Command economy
c. Socialism

BLOCK B

Characteristic
(i) Generally has low productivity and increases the difficulty of proper planning
(ii) The main driving force in the market is profit generation
(iii) The state has full control over production factors thereby increasing competition in the market
(iv) Employees are free to choose employment and have a limited right in government institutions to participate in strikes

1. a (ii); b (i); c (iv)
2. a (iv); b (i); c (iii)
3. a (iv); b (iii); c (ii)
4. a (ii); b (iii); c (i)

19. Match the functional areas in business management in Block A with the description in Block B.

BLOCK A
Functional areas
a. Marketing function
b. Financial function
c. Purchasing function
d. Production and operations function

BLOCK B
Description
(i) Acquisition of all products and materials required by the business to function profitably
(ii) Creates a favourable image of the business and it promotes goodwill between the business and the external groups that are directly and indirectly involved in the business
(iii) Assessment of the market and the needs of customers
(iv) Establishment and layout of the production unit and the conversion from raw material into finished goods
(v) Ensures the maximum profitability of the business, without the danger of insolvency or liquidation

1. a (i); b (ii); c (iii); d (iv)
2. a (ii); b (i); c (v); d (iii)
3. a (iii); b (v); c (i); d (iv)
4. a (iv); b (ii); c (iii); d (v)

20. Within the free-market economy _____ and _____ is true.

1. free competition; high social costs
2. free competition; limited choice of a job
3. no profit is allowed; limited right to strike
4. no profit is allowed; low productivity

21. Match the **limited resource** in Block A with the **description** in Block B for Nestegg, an egg farm on the outskirts of Pretoria.

BLOCK A
Limited resource
a. Natural resource
b. Human resource
c. Capital
d. Entrepreneurship

BLOCK B
Description
(i) The buildings and machinery used on Nestegg farm
(ii) The free range eggs Nestegg farm sells to all the Spar outlets in the Pretoria East region
(iii) The land and water Farmer Brown uses on Nestegg farm
(iv) Simon and Samuel working on Nestegg farm, who have been trained in the collection of eggs and the management of the general farm activities
(v) Farmer Brown is awarded with profits for the risk he has taken in establishing Nestegg farm, although he has suffered losses in the past for errors in judgement
(vi) The process of pasteurising eggs done on the farm

1. a (i); b (ii); c (v); d (iv)
2. a (ii); b (vi); c (iv); d (iii)
3. a (iii); b (iv); c (i); d (v)
4. a (iv); b (i); c (v); d (ii)

Read the case study below and answer Question 22 that follows.

Two of South Africa's retail giants, Checkers and Pick n Pay will be investigated by the National Consumer Commission. Both retailers allegedly sell food after expiry dates. Expired items were allegedly found in the Johannesburg stores of both Checkers and Pick n Pay.

It is reported that if the retailers should be found guilty, they could be fined 10% of their annual turnover.

The consumer commissioner, Mamodupi Mohlala-Mulaudzi, expressed her shock at the situation.

Source: Adapted from: <http://afrikaans.news24.com/Suid-Afrika/Nuus/Checkers-PnP-onder-vergrootglas-oor-vervaldatums-20120829> News24/Gallo Images.

22. There are several factors in the business world that apply pressure on modern-day organisations. Which one of these **factors** is depicted in the mini-case study above?

1. environmental damage
2. consumerism
3. profitability
4. corporate social investment

- 23.** Within the _____ **economic system**, profit as the prime objective is allowed. Workers are independent and are free to choose their own careers. The labour force is free to join unions and strike. There is economic freedom and private initiative is encouraged. However, the environment is unstable and there are high social costs.
1. market economy
 2. socialism
 3. command economy
 4. communism
- 24.** Principal industries such as manufacturers of steel, transportation, communication and health services are owned by the government. Less important industries such as trade and construction are left to private initiative. These are characteristics of which one of the following **economies**?
1. market economy
 2. socialism
 3. command economy
 4. mixed economy
- 25.** SAA is seen as a/an
1. private enterprise
 2. public corporation
 3. non-profit seeking organisation
 4. entrepreneurial enterprise

Read the case study below and answer Questions 26 to 30 that follow.

Anglo American is one of the world's largest mining companies. The company operates in Africa, Europe, South and North America, Australia and Asia. It owns a portfolio of mining businesses and natural resources. These resources include iron ore and manganese, metallurgical coal and thermal coal; base metals – copper and nickel; and precious metals and minerals. It is a global leader in both platinum and diamond mining. The company employs over 100 000 employees. In 2010 its operating profit was almost \$10 billion.

Today, Anglo American is a more focused and performance orientated international mining company. It has a clear strategy in place to drive forward its ambition of being the investment partner and employer of choice in the mining industry. Part of this strategy is its Asset Optimisation (AO) programme. The AO programme was designed around a holistic approach to both the health (skills development, mindsets and behaviours) and performance (cost and productivity improvements) of Anglo American's operations. The AO programme has continued to deliver benefits by unlocking additional value across the Group. It creates a business culture whereby employees are encouraged to work together and come forward with initiatives to improve the business.

Source: Adapted from: <http://businesscasestudies.co.uk/anglo-american/adding-value-through-asset-optimisation/introduction.html> © Copyright Business Case Studies LLP. Reproduced by permission of the publisher www.businesscasestudies.co.uk <<http://www.businesscasestudies.co.uk/>>

26. The extraction of copper, iron ore and coal is part of the _____ and _____ **process** whereby resources are turned into products and services.
- production
 - transformation
 - consumer
 - exchange
- a, b
 - a, c
 - b, c
 - c, d
27. The AO programme, amongst other things, provides employees the opportunity for skills development. It creates a business culture whereby employees are encouraged to work together and come forward with initiatives to improve business. This programme therefore satisfies the _____ **needs** of the employees at Anglo-American.
- esteem
 - physiological
 - self-actualisation
 - security
28. If Anglo American were to introduce a rewards programme whereby employees who performed very well every month would be given recognition and financial incentives, the company would be satisfying the _____ **needs** of their employees.
- esteem
 - physiological
 - self-actualisation
 - security
29. Anglo American owns a portfolio of mining businesses and natural resources. These natural resources include diamonds and platinum group metals. The most important **characteristic** of these resources is that their supply cannot be _____ and they are therefore referred to as _____ resources.
- decreased; scarce
 - decreased; abundant
 - increased; scarce
 - increased; abundant
30. The **term** _____ is a concept that originated in media revelations of malpractice

by businesses and the resultant insistence of society on restricting such malpractice through regulation.

1. consumerism
2. business ethics
3. transformation
4. social responsibility

SMALL BUSINESS MANAGEMENT QUESTIONS

Read the case study below and then answer the questions that follow. Many of the small business management questions in the other chapters also refer to this case study.

Case study: Chetty's Curtain Creations

Cindy Chetty's father was the owner of a curtain shop, Renaldo's Curtains, in Krugersdorp's central business district. The shop sold curtain fabric, ready-made curtains and curtain accessories. When her father passed away, Cindy inherited the enterprise. She re-registered the enterprise as a sole proprietorship, maintained the name and carried on with the business in the same way as her father did. She sold the same products and used the same suppliers as he had. He bought most of his fabric and curtains from a manufacturer in Fordsburg, an industrial area in Johannesburg. He also ordered some of his stock from two factories in Cape Town.

The staff of Renaldo's Curtains consisted of five employees – two administrative staff members, two sales assistants and one driver. Cindy decided to keep the existing staff, as they had been working for her father for many years. They were experienced, knew everything about the business and were loyal to the enterprise.

At the end of the first financial year, Cindy's financial figures showed a drastic decline in her turnover and profit. Cindy did not realise that the needs and preferences of consumers change from time to time. It was only after she had done thorough market research that she was able to understand her market. Her market research indicated that consumers now prefer to shop at shopping centres because of the crime in the town itself. She also discovered that, although there were no other curtain shops in the immediate vicinity of her enterprise, she had to compete with various other curtain shops and chain stores in shopping centres in the surrounding areas. Her competitors included linen shops such as The Linen Closet and Linens R Us, and chain stores such as Edgars, Woolworths and Sheet Street. Their prices were far lower than hers and they could offer a greater variety of products. The market research also indicated that more and more people wanted curtains made according to their individual tastes and preferences, rather than buying ready-made curtains that were manufactured in bulk; and that some people, especially the younger market, preferred to use blinds instead of curtains.

Cindy's husband, Cyril, was a qualified interior decorator. When she discussed the results of her market research with him, he acknowledged that there were threats to her enterprise, but he also immediately identified the opportunities that were present in the form of consumers that wanted curtains made up according to their individual requests, as well as the market for blinds. Cyril also suggested that Cindy should concentrate on her managerial competencies. He told her how important it is that she balances her work and private life, manages her time better and creates a supportive environment for the workers.

Cyril decided to resign from his job and join Cindy's business in order to make the curtains and blinds. They registered the new enterprise as a partnership and changed the name to Chetty's Curtain Creations. They decided that Cyril would be responsible for the operations, purchasing and financial functions, while Cindy would handle the marketing, public relations, human resources, information management and general

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management functions. Cyril and Cindy had to redefine their primary and secondary objectives. The primary and secondary objectives form part of the hierarchy of objectives and need to be linked to the activities that must be carried out to achieve the objectives of the enterprise. Since Cindy was in charge of the general management function, she had to classify and allocate activities to main divisions and subdivisions, create posts within those divisions, and determine the duties, authority and responsibilities of those divisions.

Cyril and Cindy decided that they would still sell curtain fabric, ready-made curtains and accessories, but that they were going to concentrate on the manufacturing of curtains and blinds according to the designs and preferences of consumers. Clients could now choose the fabric of their choice, either from the stock in the shop or from samples, which Cyril would then order from the suppliers of the fabric. Cyril would go to the clients' homes, take the measurements and then make up the curtains or blinds at the shop. They employed two seamstresses to help Cyril with the sewing of the curtains and blinds. Cyril had to set performance standards for the operations function, which would include standards for quality, quantity and time, expressed in numerical units.

They decided to relocate the business to a safer location. They bought a house opposite a small shopping centre in one of the suburbs of Krugersdorp and converted it into a shop. The shop was accessible and visible with sufficient parking space. They bought the building for R500 000 and the cost of the alterations was R100 000. Cyril invested R200 000 of his pension money to buy the new premises and they had to borrow the other R400 000. They applied for financing of R100 000 to finance the purchasing of industrial sewing machines and overlockers, as well as furniture such as workbenches and chairs. They also needed R30 000 to finance the cost of initial stock, such as fabric and cotton to start with the manufacturing of the curtains, and to buy tools such as scissors, measuring tapes, needles and pins.

Cyril also suggested that they use only local suppliers for the fabric, to save the costs of ordering and delivery from Cape Town. They would, however, still buy some of the ready-made curtains from these two factories. They found a new supplier in Midrand who sold imported curtain fabric at prices that were much lower than those of the factories in Cape Town, and who was willing to deliver large orders free of charge.

Fatima was the manager of the information management function and Pauline acted as her assistant. Pauline also acted as the shop steward for the union. They were responsible for answering the telephone, handling enquiries and complaints, record-keeping and filing. They used computers for the office administration, and electronic mail (email) to place orders with suppliers and to communicate with their consumers, suppliers and other interest groups. Fatima asked Cindy to hire another person to help in the administrative section and Cindy agreed to this request.

1. The destiny and success of entrepreneurs are determined by their own actions. This refers to the fact that entrepreneurs have ...
 1. the vision to start their own enterprises
 2. a strong internal locus of control
 3. self-confidence
 4. the courage to take risks
2. Entrepreneurial businesses are usually started and managed by ...
 1. managers
 2. entrepreneurs
 3. small business managers
 4. intrapreneurs
3. People who not only have the ability to establish a business, but also have the

intention to grow and the ability to manage the business, are known as

1. managers
 2. entrepreneurs
 3. small business managers
 4. intrapreneurs
4. The staff of Renaldo's Curtains consisted of five experienced employees. They also employed two seamstresses to help Cyril with the sewing of the curtains and blinds and Cindy agreed to hire another person to help in the administrative section. Chetty's Curtain Creations can therefore be classified as a _____ business.
1. micro
 2. very small
 3. small
 4. medium
5. As Chetty's Curtain Creations grows and matures, it would become more formalised and Cindy and Cyril would require
1. informal communication channels
 2. centralised decision-making procedures
 3. informal policies and procedures
 4. more business management skills

SUGGESTED SOLUTIONS TO THE FIRST FIVE QUESTIONS OF THE CHAPTER

Q	A
1	4
2	4
3	4
4	3
5	4

Entrepreneurship

Entrepreneurship is seen as the driving force within any organisation. Entrepreneurs play a vital role in the small business industry and the economy at large. They also follow the entrepreneurial process in order to determine whether their ideas are viable business opportunities.

Entrepreneurs have a number of skills, characteristics and resources that are important for them to be successful in the business world.

MULTIPLE-CHOICE QUESTIONS

1. **Small and medium enterprises** in South Africa are defined as ...
 1. having less than 200 employees, an annual turnover of less than R100 000 and direct managerial involvement by the owners
 2. having less than 50 employees, an annual turnover of less than R64 million and direct managerial involvement of the owners
 3. having less than 200 employees, an annual turnover of less than R64 million and direct managerial involvement
 4. having less than 200 employees, an annual turnover of less than R64 million and capital assets of more than R10 million
2. Jack developed an idea to start a laundromat. During the _____ stage of the **entrepreneurial process**, Jack thoroughly researched his idea and collected data to help him forecast whether his idea and venture would survive.
 1. feasibility study
 2. opportunity identification
 3. market analysis
 4. business planning
3. Peter intends opening a cellphone repair business in his rural community. He is currently busy collecting information from the villagers that will help him establish whether the idea will work or not. This information includes how many people in the area own cellphones and how often they require repair services for their cellphones. What is the correct **business term** for the activity Peter is currently undertaking?

1. business study
 2. feasibility study
 3. business planning
 4. viability study
4. The **ability** to consider what the future might offer, how this impacts on the business, and what needs to be done now to prepare for it is called
1. strategy skills
 2. marketing skills
 3. planning skills
 4. project management skills
5. Within a **franchise**, the franchisor is the entrepreneur and the franchisee is the intrapreneur.
1. true
 2. false
6. Circle the skills that are required to be a **successful entrepreneur**:
- a. strategy skills
 - b. marketing skills
 - c. financial skills
 - d. project management skills
 - e. human relations skills
 - f. planning skills
 - g. organising skills
 - h. motivation skills
 - i. control skills
1. a, b, c, d, e, f
 2. a, b, c, d, e, i
 3. a, c, f, g, h, i
 4. a, b, c, e, f, i
7. Which of the following statements are **correct**?
- An **entrepreneur** is someone who
- a. pursues profit
 - b. accepts risk
 - c. makes the most of opportunities in the environment
 - d. combines expertise and resources to provide products and services
1. a, b

- 2. a, b, c, d
- 3. a, c, d
- 4. b, c, d

8. Which of the following statements are **advantages** of buying an existing business?
- a. The business already has experienced employees.
 - b. The supplier relations are already in place.
 - c. The inventory and equipment are in place.
 - d. The employees are inherited rather than chosen.
- 1. a, b
 - 2. a, b, c
 - 3. a, c, d
 - 4. a, b, c, d
9. Which of the following statements about **franchising** are correct?
- a. Franchisees have the freedom to experiment, operate and market their business based on their own vision.
 - b. Franchisees must usually strictly adhere to the franchisor's plans.
 - c. Franchisors usually fall in the medium-sized to large business category.
 - d. The franchisor is an entrepreneur.
- 1. a, b, c, d
 - 2. b, c, d
 - 3. a, b, c
 - 4. a, d
10. Which of the following characteristics of a **small or medium** enterprise are correct?
- a. must be listed on the Johannesburg Stock Exchange (JSE)
 - b. have fewer than 200 employees
 - c. have an annual turnover of less than R64 million
 - d. have capital assets of less than R10 million
- 1. c, d
 - 2. b, c, d
 - 3. a, b, c
 - 4. a, b, c, d
11. Entrepreneurs are often faced with the choice of whether to start a new business or buy an existing business. Which of the following are **advantages** associated with buying an **existing business**?
- a. supplier relations are in place

- b. employees are inherited rather than chosen
 - c. planning can be based on historical data
 - d. possible owner financing
1. a, b
 2. b, d
 3. a, b, c
 4. a, c, d

Read the following scenario and answer Question 12 that follows.

Ayanda is an entrepreneur. She owns an enterprise called Kiddie Cooks. Kiddie Cooks provides children's cooking classes. Ayanda decided to open her business after several years of experience at a chef training centre in Centurion. Ayanda provides children and their parents the opportunity to work together in her studio kitchen and learn different cooking skills. In her classes children learn the basics of cooking, using the right utensils and following a recipe. Children learn to have patience, perseverance and to follow through with a project to get to an end result. Ayanda put in long hours in the planning and developing of Kiddie Cooks. In order to get the business started Ayanda used her own assets as surety for financing. She knew that it was a risky move and that she stood to lose her assets should Kiddie Cooks not be successful. However, Kiddie Cooks has been so successful that Ayanda now arranges children's parties around a cooking theme in her studio kitchen. She is so busy that she had to employ an assistant and a cleaner. Ayanda has worked single-mindedly towards her goal to own her own enterprise, focusing on children's cooking. Ayanda is ambitious and has a competitive nature. She has always been attracted to jobs that challenge her skills and problem-solving abilities.

12. Which **trait is being described?**

1. achievement motivation
2. internal locus of control
3. innovation and creativity
4. risk-taking

13. Which of the following can be considered an **entrepreneurial activity?**

1. Lucy starts her own cleaning business following a request from a local insurance firm to take over their cleaning.
2. Sam wants to learn professional photography and applies for a position at the local photography shop.
3. Kabelo is afraid of working at a high-risk firm and asks for a demotion.
4. Caron is tired of being driven to perform at the hotel where she works and decides to run her mother's guesthouse.

Read the following scenario and answer Question 14 that follows.

Nathan and his wife love cats. So much so that they have rescued and housed seven cats in their neighbourhood. When owners are away, cats start to wander the streets of Nathan's neighbourhood and might become startled and lost. Nathan realised that looking after cats could be a wonderful business opportunity. He considered opening a cat hotel. He spoke to a number of cat owners in his neighbourhood

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and found that they would consider leaving their cats in a facility where they would be looked after and nurtured during the holiday periods, setting the owners' minds at ease. Nathan had to follow the entrepreneurial process in order to reach the implementation and launch of his idea.

14. Put the following steps of the **entrepreneurial process** in order for Nathan's Cat Hotel.

- a.** Nathan had to assess the opportunity of the Cat Hotel and determine whether it was a feasible idea or not.
- b.** Nathan had to compile a business plan in order to obtain finance from the bank.
- c.** Nathan had to launch Nathan's Cat Hotel and manage the new business.
- d.** Nathan had to clarify whether he and his wife have all the abilities and skills it takes to start Nathan's Cat Hotel.
- e.** Beside capital, Nathan had to determine whether they have time, energy and other resources in order to launch Nathan's Cat Hotel.

1. a, b, c, d, e

2. b, c, d, e, a

3. e, c, d, b, a

4. d, e, a, b, c

5. c, b, d, a, e

15. Match the **concept** in Block A with the **explanation** in Block B.

BLOCK A	
Concept	
a.	Entrepreneurship
b.	Capital
c.	Natural resources
d.	Human resources
e.	Management

BLOCK B	
Explanation	
(i)	Starting your own business
(ii)	Borrowing R100 000 from ABSA
(iii)	Having a borehole on the farm so that you can irrigate your own vegetables
(iv)	Acquiring a BCom degree
(v)	Making decisions such as planning, organising, leading and control

1. a (v); b (ii); c (iii); d (iv); e (i)

2. a (i); b (ii); c (iii); d (v); e (iv)

- | | | | | | |
|----|----------|---------|----------|---------|---------|
| 3. | a (i); | b (ii); | c (iii); | d (iv); | e (v) |
| 4. | a (ii); | b (i); | c (iv); | d (v); | e (iii) |
| 5. | a (iii); | b (ii); | c (iv); | d (v); | e (i) |

16. Private investors did not like Jack's idea for a laundromat. As a result, he sought to obtain the R100 000 capital he needed from a bank rather than private investors. In considering his application for finance, the bank would consider the '**four Cs**'. Indicate which of the following are included in the four Cs that banks generally consider when evaluating a loan application.

- a. collateral
 - b. capacity
 - c. capital
 - d. cash flow
- 1. a, b
 - 2. a, c
 - 3. a, b, c
 - 4. a, b, c, d

Read the case study below and answer Questions 17 and 18 that follow.

Thabang's entrepreneurial spirit

Mrs Thabang Molefi, a qualified traditional medical practitioner and beauty therapist, opened the first health spa in Soweto six years ago. Today she owns the Roots Healthcare Centre, a business with a multi-million rand turnover and branches in three South African provinces and a neighbouring country. Since the success of the first centre in Soweto, she has grown her business considerably to establish another seven health-care centres in previously disadvantaged areas in Gauteng, KwaZulu-Natal, the Free State and a mobile unit visiting communities in rural and remote areas in the rest of the country. The Roots Healthcare concept was conceived whilst Thabang was training in London to become a beauty therapist and later in managing a spa on a luxury cruise liner. She gained invaluable practical experience and knew that Africa was calling her. She returned with the idea of opening a health centre in Soweto, capitalising on the return to more natural and ethnic ways of living and to bring the professional healing powers of herbs to communities in townships and to share her knowledge and experience with her community at home. Her efforts to get a bank loan to open an upmarket spa in Soweto failed but this was no deterrent. She opened on a smaller scale with the little personal funds she had available. In reaching out to residents of Soweto she also realised that there was a huge need for affordable health care. Western medicine was out of reach to a large section of the black population and the previously disadvantaged because of high cost.

The first two years of starting the Roots Health Care centres were difficult. In the first six months after opening her first health clinic, she paid staff salaries from her savings. She also spent a lot of time giving free talks at schools and churches in a bid to educate the people in Soweto about health care. She has created 41 jobs for women in these communities and developed some to managerial positions to run the health centres. Thabang has also outsourced services such as accounting, laundry and security to local businesses. It is her intention to branch out into franchising creating more business and job opportunities.

Source: Patti Quinton, Shoprite Checkers Woman of the Year. Available:
<http://www.sawoman.co.za/pages/79568134/>

- 17.** Which of the following **skills** did Thabang have which allowed her to make a success of the Roots Healthcare Centre?
- a.** She positioned the centre as a unique enterprise that incorporated traditional healing into the spa experience.
 - b.** She managed to run the centre in such a way that the enterprise was able to grow and expand.
 - c.** She identified previously disadvantaged communities as members of society who lack proper medical access.
 - d.** She was able to manage her own savings in such a way that she was able to grow the centre and pay staff salaries.
 - e.** She created 41 jobs and created managerial positions for her staff.
- 1.** a, b, c
 - 2.** d, c, a
 - 3.** One of the above is a skill
 - 4.** All of the above are skills
- 18.** The decision to start one's own enterprise should be followed by the **entrepreneurial process**. Indicate the correct sequence Thabang would have followed after she decided to start the centre.
- a.** Thabang looked at the feasibility of the centre by chatting to friends to determine if there was a need for this kind of establishment.
 - b.** Thabang realised that she lacked certain skills and then completed a course in beauty therapy as well as spa management and was able to identify a target market that had not been serviced before.
 - c.** Thabang drew up a complete business plan after the bank turned down her application for a loan.
 - d.** Thabang decided that she did not want to continue to work on the cruise ship, but rather to return to South Africa to start her own business.
 - e.** After taking stock of what she had available to her, Thabang determined that she had enough personal savings to start the centre without a loan from the bank.
- 1.** a, c, e, d, b
 - 2.** d, b, e, a, c
 - 3.** a, b, d, c, e
 - 4.** d, c, e, a, b

Read the scenario below and answer Question 19 that follows.

Naledi is an entrepreneur. She purchases organic fresh produce and makes home-made baby meals for daycare facilities in her community. Naledi's business is called Mama's Kitchen. Naledi has sensed that

there is a definite need for such a service in her community. The daycare facilities are so full that the labour cost for these facilities to produce their own wholesome meals is too expensive. Naledi needs to be in charge of her own destiny. She knows that in order to be successful, she cannot rely on luck and fortune; she has to work hard and take responsibility for her own actions. In order for Mama's Kitchen to be successful, Naledi needs to have certain managerial skills.

19. Help Naledi to fit the **management skills** in Block A with the correct **description** in Block B.

BLOCK A
Managerial skills
a. Strategy skill
b. Planning skill
c. Marketing skill
d. Project management skill

BLOCK B
Description
(i) Determining the needs of the daycare facilities, how to satisfy their needs and building a relationship with each daycare facility
(ii) The ability to organise, set specific goals and draw schedules to ensure that the fresh produce is available at the right place and the right time
(iii) The ability to keep track of expenditure, monitor cash flow and assess investments
(iv) The ability to consider what the future might offer Mama's Kitchen and what needs to be done now to prepare for it
(v) The ability to deal with people, leadership and motivation
(vi) The ability to consider Mama's Kitchen as a whole and to understand how it fits within the market place

1. a (i); b (ii); c (v); d (iv)
2. a (ii); b (iv); c (v); d (iii)
3. a (v); b (ii); c (iii); d (i)
4. a (vi); b (iv); c (i); d (ii)

20. Which of the following statements describe **corporate entrepreneurship** the best?

1. Corporate entrepreneurship occurs in an existing business when a new and diversified product is added to the current business.
2. Corporate entrepreneurship occurs when an entrepreneur working in the corporate world, establishes his own business separate from his current job.
3. Corporate entrepreneurship occurs when an entrepreneur starts his own corporate business venture.
4. Corporate entrepreneurship occurs when a corporate company hires an entrepreneur.

Read the scenario below and answer Questions 21 to 23 that follow.

Basetsana has started a new business, named Vets on Wheels. Vets on Wheels functions as a mobile vet service in the busy metropolitan area of Bloemfontein, in the Free State. Basetsana has realised that there is a definite need for a mobile vet service as a lot of the elderly members of the community have pets, but owners do not have the means to take sick animals to a local vet. Of course her clients are not only the elderly, but busy business people alike, who cannot bring their animals for regular check-ups to her practice. Basetsana has employed two vets, a veterinary nurse and an assistant. Basetsana, is a qualified vet remaining at the practice or going on the road seeing sick animals. One of the vets Basetsana employed is dedicated to horses only. A lot of the practice's clients are farmers, who find it easier to contact a vet to visit their farms, rather than take sick horses to the veterinary practice.

21. Basetsana knows she should not rely on luck and fortune for the success of Vets on Wheels. She needs to work hard and apply her abilities in order for the business to be a success. She believes that she is in control of her own actions and that she has the ability to motivate her employees and persuade her customers to make use of the mobile vet service.

The entrepreneurial **trait** being described here is

1. achievement motivation
2. internal locus of control
3. innovation and creativity
4. risk-taking

22. The vets at Vets on Wheels have decided to make use of Spot-on cleaning services as it has become more cost effective to make use of an **external** cleaning service, rather than doing it in-house. This is an example of

1. achievement motivation
2. outsourcing
3. privatisation
4. necessity entrepreneurs

23. Basetsana had to consider several **resources** to get Vets on Wheels started. Some of these included vehicles and veterinary equipment. These type of resources are referred to as

1. financial resources
2. human resources
3. project resources
4. operating resources

24. Nicole wants to buy Vets on Wheels from Basetsana. Which one of the following is a **disadvantage** to buying an existing business?

1. It might be challenging to change the way Vets on Wheels is run.

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2. Planning can be based on historical data.
3. Financing might be available from Nicole.
4. Supplier relationships will be in place.

25. After Herman Heunis of MXit realised that there was an opportunity to create a global community, he had to determine whether the opportunity could be turned into a successful business venture. This **step** in the entrepreneurial process is known as

...

1. the evaluation of entrepreneurial skills
2. the determination of access to resources
3. a feasibility study
4. a business plan

Read the scenario below and answer Questions 26 to 30 that follow.

A man whose name is synonymous with imagination is Walt Disney. After several hardships and humiliations the failure of his first venture protected him against future letdowns. Walt Disney was persistent and a man who created from his pain.

26. When Walt Disney failed to sell Mickey Mouse the first time around, he had to evaluate the features of the product to determine what would satisfy his customers' needs and wants. Disney created a voice and a personality for the mouse character that ended up making the Mickey Mouse character a huge success. Which **skill** did Walt Disney apply here?

1. strategy skill
2. planning skill
3. marketing skill
4. project-management skill

27. Walt Disney's ability to believe in himself and be in charge of his own destiny, describe which one of the following **entrepreneurial traits**?

1. an internal locus of control
2. achievement motivation
3. innovation and creativity
4. risk-taking

28. Walt Disney's repeated effort to accomplish his goal, despite the difficulties he encountered describes which one of the following **entrepreneurial traits**?

1. an internal locus of control
2. achievement motivation
3. innovation and creativity

4. risk-taking

29. Match the **entrepreneurial terms** in Block A with the correct **description** in Block B.

BLOCK A
Entrepreneurial term
a. Outsourcing
b. Corporate entrepreneurship
c. Entrepreneurship
d. Necessity entrepreneurs

BLOCK B
Description
(i) When job termination and job dissatisfaction lead people to become entrepreneurs
(ii) When work is done for a company by people other than the company's fulltime employees
(iii) A person or team develops a new corporate business within a business through identifying a new opportunity or business idea
(iv) A process by which individuals pursue opportunities without regard for resources

1. a (ii); b (iii); c (iv); d (i)
2. a (i); b (iii); c (iv); d (ii)
3. a (ii); b (iv); c (iii); d (i)
4. a (iii); b (ii); c (iv); d (i)

30. Kate wants to start a small catering business in her area. She has already established that she has the necessary skills and abilities as well as the required resources to start the new venture. Which is the next **step** in the entrepreneurial process that she needs to follow?

1. Kate needs to compile a business plan.
2. Kate needs to assess the opportunity in a realistic and objective way.
3. Kate needs to conduct a feasibility study.
4. Kate needs to launch and manage the new business.

SMALL BUSINESS MANAGEMENT QUESTIONS

Some of the questions refer to the case study in Chapter 1.

1. Which of the following statements are correct? A small business manager is ...
 - a. risk-averse

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- b.** profit-averse
- c.** change-averse
- d.** innovation-averse

- 1.** a, b, c
- 2.** a, b, d
- 3.** a, c, d
- 4.** b, c, d

2. Which of the following characteristics are applicable to intrapreneurs?

Intrapreneurs are

- a.** creative and innovative
- b.** not responsible for the growth of the business
- c.** willing to take calculated risks
- d.** not prepared to take the risk of starting their own enterprises

- 1.** a, b
- 2.** a, c
- 3.** a, d
- 4.** b, c

3. After-sales service, attractive premises and user-friendliness are examples of _____ as a management skill.

- 1.** the importance of quality products
- 2.** customer service
- 3.** knowledge of competitors
- 4.** general management skills

4. Product-oriented entrepreneurs often experience problems, because

- 1.** they do not know how to market their products
- 2.** their products are distinct from those of their competitors
- 3.** they know what the needs and demands of their target market are
- 4.** they know how to satisfy the needs of consumers profitably

5. When Cindy inherited Renaldo's Curtains from her father, she re-registered the enterprise as a sole proprietorship, maintained the name and carried on with the business in the same way as her father did. Cindy could therefore be regarded as a/an

- 1.** entrepreneur
- 2.** franchisor
- 3.** small business manager

4. intrapreneur
6. Instead of giving up when her enterprise experienced problems, Cindy decided to join forces with her husband to manufacture curtains and blinds according to the designs and preferences of consumers. This is an example of Cindy's ...
 1. willingness to take risks
 2. involvement in the enterprise
 3. commitment to the enterprise
 4. perseverance
7. By investing his pension money of R200 000 to buy the new premises, Cyril displayed his ...
 1. commitment to the enterprise
 2. involvement in the enterprise
 3. perseverance
 4. creativity and innovative ability
8. Cyril and Cindy could be regarded as _____ when they started Chetty's Curtain Creations.
 1. entrepreneurs
 2. franchisors
 3. small business managers
 4. intrapreneurs
9. Cyril identified the opportunities that were present in the form of consumers that wanted curtains made up according to their individual requests, as well as the market for blinds. This is an example of how he displayed his ...
 1. creativity
 2. perseverance
 3. willingness to take calculated risks
 4. innovative ability
10. Cyril would go to the clients' homes, take the measurements and then make up the curtains or blinds at the shop. This is an example of his ...
 1. commitment to the enterprise
 2. involvement in the enterprise
 3. perseverance
 4. creativity and innovative abilities

SUGGESTED SOLUTIONS TO THE FIRST FIVE QUESTIONS OF THE CHAPTER

Q	A
1	3
2	1
3	2
4	3
5	1

Establishing a business

There are various forms of enterprises that can be selected when starting a business. Various factors need to be taken into account when selecting the appropriate form of enterprise. Each form has its own characteristics that hold certain advantages and disadvantages for the business. The different forms of enterprises are:

- sole proprietorship
- partnership
- close cooperation
- company
- business trust.

MULTIPLE-CHOICE QUESTIONS

1. A **business plan** is important for the entrepreneur for which of the following reasons?
 - a. it forces him to arrange his/her ideas in a logical order
 - b. it forces him/her to simulate reality
 - c. it is not an essential aid when applying for financial aid
 1. a, b, c
 2. a, b
 3. b, c
 4. a, c
2. Identify the important **location factors** when choosing a location.
 - a. the form of the enterprise
 - b. the central government policy
 - c. the climate
 - d. the social environment
 1. a, b, c
 2. a, b, c, d
 3. a, c, d
 4. b, c, d

3. Which one of the following statements is **true**?
1. If a member of a close corporation dies, the close corporation ceases to exist.
 2. The close corporation has better capital acquisition potential than a company.
 3. The partnership has many minimal legal requirements imposed by the government.
 4. The partners in a partnership have limited liability.
4. Which one of the following represents the **most important objective** of a business plan?
1. It presents a written plan on how the entrepreneur plans to exploit an opportunity.
 2. It provides a way to identify the key variables that will impact on the success of the business.
 3. It identifies and describes the nature of the business opportunity or new venture.
 4. It acts as a management instrument for comparing actual results with planned outcomes.
5. Which one of the following is **not** a characteristic of a private company?
1. the number of shareholders is limited to 50 people
 2. members of the general public may apply for shares in the company
 3. there must be at least one director
 4. the transferability of shares in the company is limited
6. Red Square sells international and national branded cosmetics to middle and upper income men and women. In which one of the following components of the business plan does the target market description usually appear?
1. general company description
 2. management plan
 3. marketing plan
 4. operating plan
7. Which of the following are characteristics of a **private company**?
- a. the number of shareholders is limited to 50 people
 - b. members of the general public may apply for shares in the company
 - c. the name of a private company has to end with the words (Pty) Ltd
 - d. the transferability of shares in the company is limited
1. a, b, c, d
 2. a, b, d
 3. a, c, d
 4. b, c, d

8. Which of the following represents similarities between a **sole proprietorship** and a **partnership**?
- continuity of existence
 - possibility of acquiring capital
 - liability of the owners
 - tax liability
- a, b, c
 - a, b, d
 - a, c, d
 - b, c, d
 - a, b, c, d
9. Which **location factor** will assume priority for a newspaper publishing company?
- proximity to the market
 - proximity to suppliers
 - proximity to raw materials
 - proximity to railroad facilities
10. Which of the following considerations are important in choosing a **legal form** for a proposed business?
- degree of direct control and authority which the proprietors must have over the activities and assets of the business
 - ratio of liquidity which the business must maintain when in operation
 - possibilities of acquiring capital for the business upon establishment and for later expansion
 - possibility for the transfer of ownership in the business
 - legal requirements concerning the establishment and dissolution of the business
- a, d
 - b, e
 - a, b, d
 - a, c, d, e
11. The bank was impressed with Peter's application for finance and business plan, however they suggested that he first register his business as a private company. **Registering** his company in South Africa means that Peter will have to adhere to _____ legal prescriptions and he will incur _____ costs in the process.
- many; minimal
 - few; minimal
 - many; considerable

4. few; considerable

12. Mr Samuel owns JP Clothing Manufacturers. In 2009 he decided to sell 20 000 shares of his business to 30 of his employees. Mr Samuel assures his employees that they are only liable for the amount that they have invested in his business. He also informed them that the business will now be known as JP and Associates Clothing (PTY) Ltd. The **new form of ownership at JP Clothing** is a

1. partnership
2. close corporation
3. private company
4. public company

13. Sophie decided to start her own wedding dress shop. She will be able to design, make and tailor exclusive gowns for traditional wedding ceremonies. She would like to have a shop in Pietermaritzburg's central area but is not sure about the location. She has asked you, her business advisor, to assist her with this selection. What factors would you take into consideration when deciding on the **location** of her shop?

- a. The material she would use is produced in the rural area just outside of Pietermaritzburg.
- b. Pietermaritzburg's climate is hot and humid with high rainfall.
- c. Sophie would be able to make use of the ladies in the surrounding areas who have a good knowledge of the customs and designs of traditional wedding gowns.
- d. Pietermaritzburg is on the route to major cities such as Durban and transport is relatively inexpensive when she has to deliver the gowns across South Africa.
- e. Pietermaritzburg's central government policy does not differ from the policy applied across South Africa.

14. Tebogo is a sole proprietor for his dry-cleaning shop named Dry Wonder in Gugulethu in the Western Cape. Indicate which one of the following aspects about a **sole proprietorship** is **correct**.

1. The lifespan of Dry Wonder is linked to Tebogo's legal capacity.
2. Dry Wonder is a juristic person with its own rights, assets and liabilities.
3. Dry Wonder is a separate taxpayer and liable for tax at a fixed rate.
4. Ownership of Dry Wonder is transferred through the unlimited and free transfer of shares.

15. The _____ **plan** shows who will be the business's customers and what type of competition the business will face.

1. marketing
2. management
3. operating
4. financial

16. Match the **legal form** of a business in Block A with the corresponding **characteristic** in Block B.

BLOCK A
Form of ownership
a. Sole proprietorship
b. Close corporation
c. Private company

BLOCK B
Characteristic
(i) Created by the registration of a founding statement
(ii) Owner personally liable for the debts of the business
(iii) Must have at least one director

1. a (i); b (ii); c (iii)
2. a (ii); b (i); c (iii)
3. a (iii); b (i); c (ii)
4. a (iii); b (ii); c (i)

17. Izel Jooste recently decided on a form of ownership for the preschool business she intends to start in Pretoria. The form of ownership she has chosen means that her business will have a separate legal personality and will be created by the registration of a founding statement. The **type of business** chosen by Izel is known as a

1. close corporation
2. partnership
3. section 21 company
4. private company

18. In deciding on a **location** for her preschool, which of the following factors would Izel have to consider?

- a. the sources of raw material
- b. the availability of labour
- c. the proximity of the market

d. the availability of transport facilities

1. a, b, c
2. a, b, d
3. b, c, d
4. a, b, c, d

Read the extract below and answer Questions 19 and 20 that follow.

The MXit concept was an innovation of the Swist's Research and Development department. Heunis evaluated it as a viable business opportunity. For start-up financing he used his own money – some of it generated from sales of earlier start-up businesses. On 1 July 2006, Clockspeed Mobile (Pty) Ltd changed its name to MXit Lifestyle (Pty) Ltd, based in Stellenbosch, South Africa and Port Louis, Mauritius.

19. MXit Lifestyle (Pty) Ltd is an example of which **type** of business?

1. public company
2. sole proprietorship
3. private company
4. partnership

20. If Heunis were to approach a bank to apply for **financing**, which of the following would play a role in the bank's decision to grant a loan?

- a. His business needs an unstable equity base of its own before the bank will grant a loan.
 - b. Aspects of Heunis's character will play a role in the bank's decision.
 - c. The location of the business.
 - d. The assets Heunis pledges to a bank as security for repayment of the loan.
1. a, b
 2. b, d
 3. b, c
 4. a, d

21. Smart Creations is a sole proprietorship. Which one of the following statements regarding a **sole proprietorship** is true?

1. Smart Creations' lifespan is directly linked to Lindiwe's lifespan.
2. Smart Creations is liable for debts and liabilities.
3. Smart Creations was created by means of a founding statement.
4. Should Lindiwe wish to transfer ownership of Smart Creations, it will be done by means of a free transfer of shares.

22. Thandi is an entrepreneur and wants to open a new venture. Thandi knows she needs to write up a detailed business plan in order to obtain financing from the bank.

Which two of the following are **considerations** that Thandi needs to take into account to determine the **amount of planning** she needs when writing up the business plan?

- a. style and ability
- b. capital
- c. the micro-environment
- d. the level of uncertainty

- 1. a, b
- 2. a, c
- 3. b, c
- 4. a, d

23. In which section of Thandi's **business plan** will she describe the business's customers and type of competition that the business will face?

- 1. marketing plan
- 2. financial plan
- 3. management plan
- 4. operating plan

24. Kabelo is working at a large company that produces television shows for the local broadcaster. He is quite keen to start his own production company and has started the process to establish his own business. He will need to employ at least 50 employees to start his business and, due to the nature of the industry, he is expecting the company's turnover to be more than R50 million. Which one of the following would be the biggest **consideration** for Kabelo when choosing a **form of enterprise** for his new business?

- 1. legal (juristic) personality
- 2. limited liability
- 3. control
- 4. compliance

25. Kabelo needs to take into account that the capital required to start his production company will be substantial. Even though the local broadcaster has indicated that it will provide him with some start-up capital, it will not be nearly enough to finance Kabelo's new business venture. Kabelo will therefore have to acquire capital through a different stream. Taking this into consideration, which type of **enterprise** would assist Kabelo in acquiring more capital?

- 1. sole proprietorship
- 2. private company

3. public company
4. partnership

26. Which one of the following would constitute a **reason** for writing a **business plan**?

1. To sell the business to other entrepreneurs
2. To obtain bank financing
3. To bypass strategic alliances with other companies
4. To avoid mergers and acquisitions

27. Which one of the following considerations is correct, when wishing to register a **private company**?

1. The general public can subscribe to the shares of a private company.
2. The name of the private company must end with 'Limited' or 'Ltd'.
3. The articles of association must contain a restriction on the transferability of shares of a private company.
4. A private company must have at least two directors but the number of members is unlimited.

28. The **general** company description

1. explains the history of the company, the type of business and the legal organisation
2. determines the key players in the business such as investors and the management team, while also stating their experience and competencies
3. describes the facilities and the labour to be used, raw materials and processing requirements
4. identifies the customers and the competitors

29. There are many stakeholders that need to be considered when drawing up a business plan. Which of the following are **internal stakeholders** that need to be considered?

- a. new venture management
- b. employees
- c. banks
- d. customers

1. a, b, c
2. a, b
3. b, c, d
4. a, b, c, d

30. Jack could have chosen from various legal forms of ownership for his business. Which of the following are important in choosing a **legal form of business**?

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- a. The degree of direct control and authority which the proprietors must have over the activities and assets of the business
 - b. The ratio of liquidity which the business must maintain when in operation
 - c. The possibilities of acquiring capital for the business upon establishment and for subsequent expansion
 - d. The possibility for the transfer of ownership in the business
 - e. The legal requirements concerning the establishment and dissolution of the business
- 1. a, d
 - 2. b, e
 - 3. a, b, d
 - 4. a, c, d, e

Read the extract below and answer Questions 31 and 32 that follow.

On 1 July 2006, Clockspeed Mobile (Pty) Ltd changed its name to MXit Lifestyle (Pty) Ltd, based in Stellenbosch, South Africa and Port Louis, Mauritius. The name of the company stands for 'message exchange it'.

31. What form of enterprise is MXit?

- 1. a public company
- 2. a partnership
- 3. a close corporation
- 4. a private company

32. Which characteristic is applicable to an establishment such as MXit?

- 1. There must be at least two directors in the establishment.
- 2. MXit can list its shares on the stock exchange.
- 3. Shares are freely transferable in an establishment such as MXit.
- 4. The articles of association must contain some restriction on the transferability of its shares.

SMALL BUSINESS MANAGEMENT QUESTIONS

Some of the questions refer to the case study in Chapter 1.

- 1. One of the factors that business owners have to keep in mind when they have to choose a form of enterprise, is legal personality. If a business has legal personality, it means that the business
 - 1. can exist independently from its owners

2. cannot exist independently from its owners
 3. cannot act in its own name
 4. cannot own its own assets
2. To be allowed to set up a business, the owners should have full legal capacity. This means that they
1. may be insolvent
 2. have to comply with the rules and regulations of the local authorities
 3. may not be under judicial management
 4. do not need to have the capacity to pay their bills
3. Which of the following establishment factors would be considered by a manufacturing business?
- a. the market
 - b. raw materials
 - c. labour
 - d. accessibility
1. a, b
 2. a, c
 3. c, d
 4. b, c
4. In order to make informed decisions, all the functions of the enterprise need information from the _____ function.
1. general management
 2. information management
 3. operations
 4. public relations
5. Chetty's Curtain Creations has to deduct UIF from the seamstresses' remuneration to ensure that they would still receive an income if they
1. have to go on maternity leave
 2. sustain occupational injuries
 3. are involved in occupational accidents
 4. decide to retire
6. The employees of Chetty's Curtain Creations would be protected against unfair dismissal, unfair labour practices, and strikes and lockouts by means of the _____ Act.
1. Labour Relations

2. Basic Conditions of Employment
 3. Employment Equity
 4. Skills Development
7. Before Cyril and Cindy could employ the two seamstresses, they had to determine what skills and qualifications these two ladies should have. This is an example of ...
1. a job description
 2. a job specification
 3. recruitment
 4. an employment contract
8. Cyril and Cindy had to consider the degree to which they would be responsible for the debts of the enterprise. Because they have registered Chetty's Curtain Creations as a partnership, their liability would be ...
1. unlimited, which means that they can lose their private assets if the enterprise goes bankrupt
 2. limited, which means that they cannot lose their private assets if the enterprise goes bankrupt
 3. limited to the debts of the enterprise
 4. limited to the capital they have invested in the enterprise
9. Cyril and Cindy employed two seamstresses to help him with the sewing of the curtains and blinds. The seamstresses would form part of the _____ function of Chetty's Curtain Creations.
1. operations
 2. purchasing
 3. human resources
 4. general management
10. Chetty's Curtain Creations had to make the consumers aware of their new location and new products. They should use a _____ to place their advertisements.
- a. national newspaper
 - b. local newspaper
 - c. national radio station
 - d. local radio station
1. b, c, d
 2. b, d
 3. a, b, d

4. a, c

SUGGESTED SOLUTIONS TO THE FIRST FIVE QUESTIONS OF THE CHAPTER

Q	A
1	2
2	4
3	3
4	3
5	2

The business environment

All organisations are subject to environmental change and as the organisation forms an integral part of this environment, it is important to monitor these changes. The business environment can therefore be seen as all the factors or variables that may influence the continued and successful existence of the business organisation. The business environment is composed of three sub-environments:

- the micro-environment
- the market environment
- the macro-environment.

MULTIPLE-CHOICE QUESTIONS

1. The **market or task environment** consists of which of the following components?
 - a. competitors
 - b. suppliers
 - c. the state
 - d. technological environment
 - e. intermediaries
 1. a, b, d
 2. a, b, e
 3. b, d, e
 4. a, b, c, e
2. Which one of the following factors is **not part** of a business's micro-environment?
 1. competitive strategy
 2. enterprise resources
 3. marketing opportunities
 4. public relations policy
3. The most elementary form of **environmental scanning** involves ...
 1. the collection of primary information or special investigations
 2. the establishment of a scanning unit
 3. the use of industrial analysts to make market forecasts
 4. the collection and updating of secondary information

4. Which of the following features characterise the **typical** business environment?
- complexity of the environment
 - increasing instability
 - environmental variables not interrelated
 - environmental uncertainty
- a, b
 - b, c, d
 - a, b, d
 - a, b, c, d
5. Which one of the following statements on the economic environment is **incorrect**?
- The economic growth rate indirectly affects the income of the consumers of products and services.
 - The higher the growth rate, the higher the standard of living of the population.
 - The high growth rate of the South African population dilutes the incomes of consumers.
 - A poor economic growth rate causes the impoverishment of consumers.
6. ABC Engineering Works (Pty) Ltd lost one of its highly skilled engineers to XYZ Engineering Works Ltd because he was dissatisfied with his salary and therefore applied for another job. This event was caused by factors in ABC's _____ **environment**.
- micro-
 - market
 - economic
 - macro-
7. Which of the following are examples of variables in the **macro-environment**?
- the dramatic increase in bank interest rates having a negative impact on the disposable income of consumers
 - the dramatic increase in the fuel price and the knock-on effect on the prices of food and other commodities
 - the impact of HIV/Aids on the workplace and on employees
 - the involvement of multiple stakeholders in policy and programme development for the organisation
- a, b
 - a, b, c
 - b, c, d
 - a, b, c, d

8. Which one of the following is part of the **task environment** of a small fuel company in South Africa?
1. the development of a new synthetic fuel by Sasol
 2. the allocation of state funds for multinational corporations
 3. the company's decision to reduce its inventory levels
 4. the privatisation of Iscor which manufactures steel products
9. Which of the following statements are **correct**?
In the market environment
- a. the buying power of a consumer refers to his or her total income
 - b. the consumer market embraces only durable and semi-durable products
 - c. competition serves to curb excessive profits
 - d. suppliers provide material, capital and labour to the business
1. a, c, d
 2. c, d
 3. a, b, c
 4. b, d
10. The **nature and intensity** of competition in a particular industry is determined by which of the following factors?
- a. the threat of new entrants
 - b. the bargaining power of buyers
 - c. the threat of substitute products or services
 - d. the bargaining power of suppliers
 - e. the number of existing competitors
1. a, b, c, e
 2. a, b, d
 3. b, c, d, e
 4. a, b, c, d, e
11. Which of the following statements are correct?
Environmental scanning is necessary
- a. to keep abreast of change
 - b. to determine which factors pose threats to existing goals
 - c. to determine which factors represent opportunities to promote current goals
 - d. because businesses that scan the environment systematically are more successful than those that do not
1. a, b

2. a, b, d
3. a, b, c, d
4. c, d
5. b, c, d

12. Consider the following diagram and then answer Question 12 that follows.



The various **sub-environments** within the management environment influence each other in different ways. In the diagram above, (b) represents _____ while (d) represents _____.

1. influence on consumers through strategy; direct influence through economic policies and social variables
 2. influence on consumers through strategy; direct influence by competitors
 3. direct influence by competitors; indirect influence through factors such as interest rates or legislation
 4. indirect influence on competitors through strategy; direct influence through technological innovation and legislative developments
13. Amelia is the owner of a business called Your Elegance. Your Elegance purchases second-hand evening gowns, alters them and resells them at a very reasonable price. The seamstresses working for Amelia have extensive accumulated experience in dealing with the delicate fabric of evening gowns. This is known as _____ **resource** which belongs in the _____ **environment**.
1. a tangible; market
 2. an intangible; market
 3. a tangible; micro-
 4. an intangible; micro-
14. Andile has started a small soccer shop in Polokwane to cater to the needs of the local players. With the 2010 Soccer World Cup approaching fast, which one of the following would represent a **threat** to his business?
1. Early in 2010 a big Sportsman's Warehouse with a dedicated soccer section is opening in the main street in town.
 2. Andile would like to expand his store but his loan application at ABSA bank has

been turned down.

3. With an influx of international tourists, Andile's sales should increase if he can manage to secure 'Proudly South African' soccer kits.
4. One of Andile's staff members, Paulina, just had a baby and will be on maternity leave for the rest of the year, leaving Andile to attend to the shop alone.

15. Match the **term** in Block A with the correct **characteristic** in Block B.

BLOCK A
Term
a. Micro-environment
b. Market environment
c. Macro-environment

BLOCK B
Characteristics
(i) The new Liquor Act will have a significant impact on Mandla's new shebeen
(ii) TJ's Diner's mission statement is 'To serve hearty meals with heart'
(iii) Sam has been unfairly dismissed and has approached the CCMA for help
(iv) Lara has appointed a communication expert to enhance multiracial communications
(v) Kogiso is doing intensive research on the competitors for his new IT shop in Vryheid

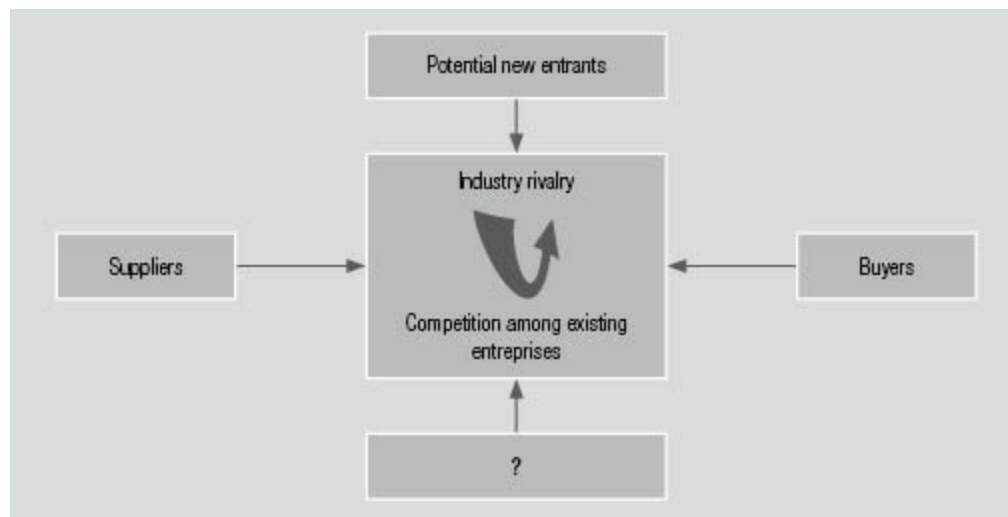
1. a (iv); b (i); c (ii)
2. a (iv); b (iii); c (v)
3. a (ii); b (v); c (i)
4. a (ii); b (iii); c (v)

16. Which one of the following is a **social environmental trend** that companies need to be aware of?

1. The GDP (Gross Domestic Product) of South Africa in the last quarter of 2008 was 3.1%.
2. Eskom proposes an increase of 45% per annum for the next three years to combat the cost of energy in South Africa.
3. The Gautrain will be the first rapid-rail service in South Africa available to commuters early in 2010.
4. South African population figures are: black 79.7%; white 9.1%; coloured 8.8%; Asian (Indian) 2.2%.

17. You are explaining the **competitive forces** to your friend by means of the diagram below. Which **threat** is left out in the diagram?

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1. substitutes
2. competitors
3. the market
4. intermediaries

18. Which of the following statements are **correct** concerning the business environment?

- a. Management has complete control over the micro-environment.
- b. The market environment includes both suppliers and competitors.
- c. The market environment exerts no influence on the micro-environment.
- d. An enterprise's mission and goals are variables within the micro-environment.

1. a, b
2. a, b, c
3. a, b, d
4. c, d

Read the case study below and answer Questions 19 to 20 that follow.

Strike looms at Sasol

A strike in the industrial chemical sectors may be unavoidable, trade union Solidarity warned on Thursday. Solidarity decided not to accept the sector's final wage offer of 11% plus an additional 1% increase in January 2009. The trade union, that contends that only an increase of 12% will be accepted, has already been issued a strike certificate allowing its members to go on strike within 48 hours of issuing notice. 'Employees cannot survive on the current offer', said Solidarity spokesperson for the chemical industry, Marius Croucamp. 'Inflation, the increase in municipal rates and the new property tax regulation place enormous pressure on employees' budgets and the only solution is a more favourable wage increase', Croucamp said.

The trade union said that Sasol, the largest employer in this sector, was benefitting from record Brent crude oil prices as well as the weak rand/dollar exchange rate. 'It is expected that Sasol will make a profit of approximately R25 billion for the year 2007/08. This remarkable profit indicates that a wage increase of 12% definitely is within their financial capabilities', pointed out Croucamp. At the same time as Sasol is making unprecedented profits by producing oil from coal, the world has seen an increase in the production of

cleaner and more sustainable energy in the form of 'biofuels'. Biofuels are created either through the production of ethanol from plant sources such as sugar cane and maize or the production of biodiesel from oil-producing plant sources such as soya beans and algae. And it has not taken long for South African companies to get onboard in terms of biofuel production. In fact the Koega Industrial Development Zone (IDZ) in the Eastern Cape is so serious about getting its biofuel plant off the ground that it has found an investor that is already hard at work building a R1,5 billion soya-bean processing plant.

Source: Adapted from an article which appeared on Fin24.com. Article accessed at www.fin24.com/Companies/Strike-looms-at-Sasol-20080703. I-Net Bridge. 3 July 2008.

- 19.** The **high inflation rate** mentioned by Mr Croucamp is a variable in Sasol's _____ environment, which forms part of the _____ market over which Sasol management has _____ control.
1. social; macro; indirect
 2. economic; market; direct
 3. social; market; no
 4. economic; macro; no
- 20.** The high inflation rate and increased petrol prices have a direct impact on the purchasing power of consumers. A **consumer's purchasing power** is a variable in Sasol's _____ environment and is represented by the consumer's _____ income.
1. social; total
 2. economic; total
 3. market; disposable
 4. economic; disposable
- 21.** Which one of the following components is **not** part of the **market** or **task environment**?
1. competitors
 2. suppliers
 3. intermediaries
 4. consumerism
- 22.** Lesedi Plumbing Services needs to be aware of which one of the following **physical environment trends**?
1. The GDP (Gross Domestic Product) of South Africa in the last quarter of 2011 was 3.1%.
 2. Eskom proposes an increase of 45% per annum for the next three years to combat the cost of energy in South Africa.
 3. The Gautrain is the first rapid-rail service in South Africa available to commuters since 2010.

4. South African population figures are: black 79.7%; white 9.1%; coloured 8.8%; Asian (Indian) 2.2%.

23. Dumisani knows that he needs to stay abreast of what is happening in the business environment around him. He is aware that the business environment is dynamic and he needs to be aware of changes that might influence his computer services business, named Gigs and Gadgets. Dumisani does elementary environmental scanning. Which one of the following statements regarding **elementary environmental scanning** is correct?

1. Dumisani contacts a consultant to determine which factors will influence his business in the short and long term.
2. Dumisani updates himself regularly by means of newspapers, SMME websites and his own sales records.
3. Dumisani has employed a person in Gigs and Gadgets to monitor changes in the business environment. This person is responsible for conducting regular research projects and to assess general economic fluctuations.
4. Dumisani has contacted an environmental scanning company and pays them a hefty amount every month as a retainer so that they can keep watch over his business environment.

24. Synap Forte is a pain medication produced by Adcock Ingram prescribed worldwide. Recently the Medicines Control Council has banned the medication being used due to a substance called dextropropoxyphene (DPP) because it is believed it could lead to dangerous irregularities in heart rhythm and rate, including cardiac arrest and death. The product has been banned in the EU, the UK and USA. The decision to ban Synap Forte in South Africa has had a major influence on Adcock Ingram because of a change due to _____ which is part of the _____ environment.

1. population health factors; micro-
2. HIV/Aids; market
3. the institutional governmental environment; macro-
4. the role of women; market

25. Which one of the following statements is **correct**?

1. Bokomo's marketing strategy influences the macro-environment directly.
2. Kellogg's has a direct influence on Bokomo.
3. Bokomo is provided with grain by Swartland farmers, who currently experience water shortages; the water shortage has a direct influence on Bokomo.
4. The number of farm murders in the last couple of years has increased and is of

major concern not only for AgriSA, but also for the agricultural ministry; and this has a direct influence on Bokomo.

26. Mega-trends such as fuel price increases occur in the _____ **environment** that forms part of the _____ **environment**.
1. economic; macro-
 2. technological; market
 3. economic; market
 4. technological; macro-
27. A lot of consumers were negatively influenced by local airline Velvet Sky's suspension of their flights and many people were left stranded. Which one of the following strives to **protect** consumers by exerting pressure on management?
1. social justice
 2. corporate social responsibility
 3. consumerism
 4. Consumer Protection Act
28. It is very important that Velvet Sky scans the environment in which they operate to ensure that they remain viable. The extent of environmental scanning is determined by several factors. Which one of the following is such a **factor** for Velvet Sky?
1. The outer relationship between Velvet Sky and its environment.
 2. The complex nature of the aviation industry and environment in which Velvet Sky needs to operate in.
 3. The supply provided by the business environment.
 4. Changes in the environment will only affect one part of Velvet Sky's business.
29. Caryn owns an upmarket pet shop, Precious Pets, in Somerset-West and caters primarily for dogs and cats. Which **one** of the following is a variable in the **micro-environment** of Precious Pets?
1. New clippers are revolutionising the way in which cats can be groomed.
 2. Caryn decides to appoint a specialised dog 'whisperer' to understand her 'customers' better.
 3. The Employment Equity Act of 1998.
 4. The economic conditions have resulted in a slump for Caryn's services.
30. The specialised dog 'whisperer' that Caryn appointed was quickly approached by a well-known dog breeder in the area. The 'whisperer' admitted that he was dissatisfied with his salary as well as the working hours of the mall and subsequently accepted the job offer made by the breeder. This event was caused by

factors in Precious Pets' _____ **environment**.

1. market
2. micro-
3. economic
4. macro-

Read the extract below and answer Questions 31 to 33 that follow.

Today, Edgars is part of Edcon's Departmental Store Division, which is the leading clothing, footwear and textile (CFT) retailing group in South Africa. Through acquisitions over the years, Edcon's retail business added top stationery and houseware brands as well as general merchandise to its CFT portfolio.

31. Woolworths, Mr Price, Ackermans, Pep, Truworths and Foschini are all competitors of Edcon and thus part of the _____ **environment**.

1. market
2. macro-
3. physical
4. micro-

32. Edcon's vision and mission is consolidated into the Edcon purpose statement. These are all variables in the _____ **environment** and are under _____ control of **management**.

1. market; direct
2. macro-; indirect
3. physical; indirect
4. micro-; direct

33. The Edcon **logo** and **brand** are referred to as the _____ within the company.

1. tangible resources
2. intangible resources
3. organisational capabilities
4. fixed assets

SMALL BUSINESS MANAGEMENT QUESTIONS

Some of the questions refer to the case study in Chapter 1.

1. This sector is responsible for the exploitation of natural resources in their raw, unprocessed form.

1. branch sector
2. tertiary sector

3. secondary sector
 4. primary sector
2. The course that a product follows from its unprocessed, natural resource state to the final form in which it is supplied to the customer is called the _____ column.
1. industrial
 2. production
 3. branch
 4. primary
3. The continual rise in the prices of products and services is a result of
1. trade cycles
 2. the population growth
 3. inflation
 4. interest rates
4. When customers' disposable income is lower and they therefore buy less, the economy of the country is in a _____ phase.
1. prosperity
 2. recession
 3. recovery
 4. social
5. Cindy's market research indicates that consumers now prefer to shop at shopping centres because of the crime in the town itself. Consumers form part of the _____ environment.
1. micro-
 2. market
 3. macro-
 4. internal
6. The crime in the town can be regarded as _____ for Chetty's Curtain Creations.
1. a weakness
 2. a strength
 3. a threat
 4. an opportunity
7. An opportunity for Chetty's Curtain Creations is
1. curtains that are made according to the individual requests of consumers
 2. the experience and knowledge of their staff

3. ready-made curtains that were manufactured in bulk
 4. training programmes for their staff members
8. Cindy's market research indicated that the younger, more modern consumers preferred to use blinds instead of curtains. This is an example of how the _____ environment influenced Chetty's Curtain Creations.
1. economic
 2. social
 3. political
 4. technological
9. Cyril and Cindy's decision to concentrate on the manufacturing of curtains and blinds according to the designs and preferences of consumers, refers to
1. new policies and procedures for the business
 2. a new PERT schedule for the business
 3. new rules and a new budget for the business
 4. new strategies that the business will follow
10. Cyril's investment of R200 000 to buy the new premises forms part of the _____ environment.
1. micro-
 2. market
 3. macro-
 4. external

SUGGESTED SOLUTIONS TO THE FIRST FIVE QUESTIONS OF THE CHAPTER

Q	A
1	2
2	3
3	4
4	3
5	1

Corporate social responsibility

Corporate social responsibility has become an important part of any business. Businesses operate in and have an impact on a wider social environment. Corporate social responsibility means that organisations take responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders, as well as the environment.

MULTIPLE-CHOICE QUESTIONS

1. Corporate citizenship ...
 1. measures the financial, social and environmental impacts of business
 2. refers to how a company's objectives, strategies and decision-making structures are developed, implemented and monitored and also relates to the extent to which the company is accountable to its shareholders and stakeholders
 3. is the extent to which an organisation gains acceptance in a foreign market
 4. is about proactive efforts by companies to make a positive contribution to society
2. The _____ is at the heart of **good corporate social responsibility** and guides stakeholders to determine what they want from the company and what they consider to be the issues and culture of the company.
 1. triple bottom line
 2. stakeholder engagement process
 3. global reporting initiative
 4. King III Report
3. The **term** _____ refers to the increasing expectations for companies to publicly report not only on financial matters but also on social and environmental issues.
 1. sustainable development
 2. sustainable reporting
 3. corporate governance
 4. triple bottom line
4. In an effort to show your parents what you have learnt in the business management module, you tell them that, 'The **primary stakeholders** of the company are'

- a. the environmental NGOs
 - b. the executive board members
 - c. the government
 - d. the media
 - e. the shareholders
 - 1. a, b, d
 - 2. a, c, d
 - 3. b, c, e
 - 4. a, b, c, d
5. In an effort to show your parents what you have learnt in the business management module, you tell them that, 'The **secondary stakeholders** of the company are'
- a. the environmental NGOs
 - b. the executive board members
 - c. the government
 - d. the media
 - e. the shareholders
6. While a company's bottom line traditionally refers to its financial profit or loss, the _____ refers to the need to consider the **social and environmental impacts** as well.
- 1. balanced scorecard
 - 2. triple bottom line
 - 3. social investment index
 - 4. corporate social investment index (CSI)
7. Recognising and responding to emerging niche markets allows companies to translate good social responsibility into
- 1. corporate social opportunity
 - 2. total quality management
 - 3. corporate social investment
 - 4. sustainability reporting
8. Which one of the following statements about corporate social responsibility is **incorrect**?
- 1. Corporate social responsibility suggests that companies will benefit if they contribute to the welfare of people in the community.
 - 2. All aspects of corporate social responsibility have an economic benefit for companies.

3. The business case for corporate social responsibility refers to the argument that being a good corporate citizen can contribute to a company's profitability.
 4. Good corporate social responsibility practices can create market opportunities and increase the competitiveness of companies that use innovation to develop products or services based on sustainability criteria.
9. Which one of the following statements about the stakeholder engagement process is **incorrect**?
1. It is a process that allows stakeholders to determine what they want from the company and what they consider to be the issues and culture of the company.
 2. It involves mapping the internal and the external stakeholders and defines their roles in and impact on the company.
 3. It is interchangeable with the company's public relations function.
 4. The company may use instruments such as questionnaires, market research, and personal visits to gather information on its stakeholders.
 5. It is a process that can be seen to be at the heart of good corporate citizenship.
10. Indicate which of the following statements about corporate social responsibility are **correct**?
- a. The triple bottom line refers to the need to consider the social, environmental and socio-cultural impacts in an organisation.
 - b. Stakeholder engagement is at the heart of good corporate social responsibility.
 - c. The business case for corporate social responsibility refers to the argument that being a good corporate citizen can contribute to a company's profitability.
 - d. Practising corporate social responsibility guarantees economic benefits for a company.
1. a, b
 2. a, c
 3. b, c
 4. b, d
11. Themba explains to his son that there are various local imperatives for organisations that can promote the implementation of corporate social responsibility. One such imperative is a progressive document which explicitly defines and substantiates concepts such as corporate citizenship, social responsibility and triple bottom line. This **document** is known as the ...
1. Kyoto Protocol
 2. JSE SRI index
 3. King III Report

4. Dow Jones sustainability index

12. There are various initiatives and imperatives in South Africa that drive corporate social responsibility. One such **initiative**, known as the _____ is very important as it explicitly defines and substantiates concepts such as ‘corporate citizenship’, ‘social responsibility’, ‘stakeholder engagement’ and ‘sustainability reporting’.

1. JSE SRI index

2. Global Reporting initiative (GRI)

3. King III Report

4. AA 1000 Framework.

13. In an attempt to assist the victims of the 2008 xenophobic attacks in South Africa, a university held a charity golf day to raise funds for foreign students who lost their study material or books in the xenophobic attacks. These actions are indicative of the university fulfilling its _____ imperative.

1. triple bottom line

2. sustainable development

3. corporate social responsibility

4. total quality management

14. Match the **term** in Block A with the **description** in Block B.

BLOCK A
Term
a. Sustainable development
b. Corporate social investment
c. Sustainability reporting
d. Corporate governance

BLOCK B
Description
(i) Refers to the increasing expectations for companies to publicly report not just on financial matters, but also on social and environmental issues
(ii) Refers to how a company's objectives, strategy and decision-making structures are developed, implemented and monitored
(iii) Refers to the need to improve the lives of poor people and to protect the natural environment
(iv) Refers to a company's philanthropic initiatives, such as sponsorships for students

1. a (iii); b (iv); c (i); d (ii)

2. a (iv); b (iii); c (ii); d (i)
 b (iii); c (ii); d (iv)

3. a (i); b (iii); c (ii); d (iv)
4. a (ii); b (i); c (iv); d (iii)

15. All businesses have stakeholders who are affected by or who can have an affect on the business. Which of the following can be classified as **external stakeholders** of a business?

- a. executive board members
 - b. shareholders
 - c. customers
 - d. a group of employees represented by a shop steward
 - e. NGOs
- 1. a, c
 - 2. a, b, d
 - 3. b, c, e
 - 4. a, b, c, d
 - 5. a, b, c, d, e

16. Which of the following statements about the stakeholder engagement process are **correct**?

- a. It is a process that allows stakeholders to determine what they want from the company and what they consider to be the issues and culture of the company.
 - b. It involves mapping the internal and the external stakeholders and defines their roles in and impact on the company.
 - c. It is interchangeable with the company's public relations function.
 - d. The company may use instruments such as questionnaires, market research, and personal visits to gather information on its stakeholders.
 - e. It is a process that can be seen to be at the heart of good corporate citizenship.
- 1. a, b
 - 2. a, b, c, e
 - 3. a, b, d, c
 - 4. b, c, d
 - 5. a, b, d, e

Read the scenario below and answer Questions 17 and 18 that follow.

Mark is the CEO of a big corporation, Dark Gems that mines diamonds in West Africa. Dark Gems has been very successful, and has recently been listed on the JSE. However, it has received various complaints stating that it is not adhering to the principles of corporate social responsibility, and this has started to affect the corporation's business.

responsibility that is based on the principle of the triple bottom line. Which one of the following is **correct**?

1. Dark Gems will in future contribute 3% of its profit to building schools in the surrounding areas to educate the children of the local workforce and launch a programme that will teach the local women about sustainable farming practices.
2. Dark Gems will have a section of its mine closed and rehabilitated as a conservation area for a threatened species of bird that is found only in that area.
3. Dark Gems has sponsored a local soccer team. This has allowed the team to compete in a prestigious tournament in South Africa.
4. Dark Gems will in future operate its mines in such a way that it contributes to the social wellbeing of its employees, protects the environment from harmful practices and continues to grow its profits.

18. While compiling his report on corporate social responsibility, Mark identified certain stakeholders. Which of the following are **stakeholders** in Dark Gems?

- a. Mark, the CEO
 - b. the local community living around the mine
 - c. Isanda Diamonds, who purchases the diamonds for jewellery
 - d. the international media, who are reporting on the mine's environmental policy
1. a, b, d
 2. b, c, d
 3. a, b, c, d
 4. None of the above

19. Themba is the CEO of a big company. Themba's son has just graduated from business school and will start working for his dad's company soon and will, one day, take over the company. Themba explains to his son that corporate social responsibility is nowadays a very important concept in business. He explains to his son that good corporate social responsibility practices will, at the end of the day, have positive implications for the financial bottom line and that the benefits to the business can come in a variety of forms. Which of the following are examples of **benefits** received by Themba's company as a result of good corporate social responsibility practices?

- a. Themba's company uses energy-saving technology that saves the company money on its monthly electricity bill.
- b. Themba's company sends his employees on team building activities throughout the year. This has aided his employees to work well in teams.
- c. Themba's company uses recycled materials and solar panel technology to generate energy, this has saved the company a lot of money.

d. Themba ensures that there is continuous training and education available to the employees in the business. This keeps the employees motivated and productivity levels high.

1. a, c
2. a, d
3. b, d
4. b, c
5. None of the above

20. Match the **term** in Block A with the correct **definition** in Block B.

BLOCK A
Term
a. Sustainability reporting
b. Triple bottom line
c. Corporate social responsibility
d. Sustainability development

BLOCK B
Definition
(i) The need to improve the lives of poor people and to protect the natural environment
(ii) The increasing expectations for companies to publicly report on not only financial reporting but also on social and environmental issues
(iii) The need to consider the social and environmental impacts as well as the financial profit and loss
(iv) Synonymous with corporate citizenship
(v) Refers to how a company's objectives, strategy and decision-making structures are developed, implemented and monitored

1. a (ii); b (i); c (iv); d (iii)
2. a (ii); b (iii); c (iv); d (i)
3. a (iii); b (iv); c (i); d (ii)
4. a (iv); b (iii); c (ii); d (i)

21. Which of the following statements about corporate social responsibility are **correct**?

- a. Good governance is solely about effective leadership.
- b. Sustainability is the primary moral and economic imperative for the twenty-first century.
- c. Sustainability reporting is not a key facet of good corporate governance.
- d. Innovation, fairness and collaboration are important factors regarding

sustainability.

1. a, b
2. a, c
3. b, c
4. b, d

22. _____ deals mainly with the effective **development and delivery** of a satisfactory product offering to the market in such a way that it meets the needs of the organisation, the consumer and the community.

1. Procurement
2. Marketing
3. Human resources
4. Public relations

23. The management of organisational **risk** has become more difficult because of which **one** of the following reasons?

1. Globalisation risk
2. Heightened surveillance
3. Increased demand for transparency
4. All of the above

Read the following case study and answer Questions 24 and 25 that follow.

SAB understood decades before the political changes in the country that transformation and black economic empowerment were essential for the future stability of South Africa and made its first moves to empower disadvantaged people in the 1970s. The SAB Zenele BBBEE-transaction announced in June 2009 and worth R7,3 billion, placed 8.45% of the company's shares under black ownership. The stakeholders of the company were the beneficiaries of the transaction.

Source: *Business Cases* (2012:5). S. Rudansky-Kloppers, et al. Cape Town, OUP Southern Africa 2012. ISBN 9780195993097.

24. SAB focuses on the needs of all of its stakeholders – internal and external. The key **internal stakeholders** of SAB consist of the

1. customers, suppliers and employees
2. suppliers and employees
3. executive board members, employees and management
4. customers and employees

25. The key **external stakeholders** of SAB consist of the

1. customers, community and suppliers
2. shareholders, suppliers and employees
3. customers and community

4. suppliers and employees

26. Which one of the following statements is **correct**?

1. The CEO and other members of top management are responsible for ensuring that their corporation can produce products and deliver services in a timely, cost-effective way.
2. The operating manager is generally the most difficult to convince of the advantages of implementing good corporate social responsibility.
3. The financial director is responsible for managing issues that pertain to the whole corporation, such as strategy, financial performance, mergers, acquisitions and governance.
4. Total quality management forms an integral part of the operations functions and focuses on the development and delivery of quality products by involving the entire company.

27. SAB wishes to embark on a stakeholder engagement process. Which of the following basic **steps** would they need to follow?

1. prepare, plan, design, engage, evaluate, apply
2. plan, organise, leadership, control
3. prepare, control, design, engage, evaluate, corrective action
4. establish standards, measure actual performance, evaluate deviations, take corrective action

28. Stakeholder engagement is a crucial element of CSR policies and consists of several consecutive steps. When a company co-develops the engagement plan, it is busy with _____ which is step _____ in the **stakeholder engagement process**.

1. design; four
2. design; three
3. engage; three
4. engage; four

29. The term _____ recognises corporations as legal **persons** with certain rights and responsibilities in the same way as individual citizens have rights and responsibilities as members of a community.

1. 'fiduciary relationship'
2. 'corporate citizenship'
3. 'corporate social investment'
4. 'corporate governance'

30. A company wishing to embark on a **stakeholder engagement process** should start

*****ebook converter DEMO Watermarks*****

30. A company wishing to embark on a **stakeholder engagement process** should start by
- writing up a business plan
 - mapping only the internal stakeholders as they have a direct impact on the business
 - mapping all internal and external stakeholders
 - defining all stakeholders' roles in and impact on the organisation
- a, b
 - a, c
 - b, d
 - c, d
31. SAB's 'soul' investment includes ad hoc donations and support for disaster and humanitarian relief. A budget is allocated to address welfare issues and is purely an outreach response to day-to-day requests for donations and disaster relief. SAB's commitment to invest its profits in **community-based projects** is an example of the company being involved in
- corporate citizenship
 - corporate social investment
 - the triple bottom line
 - corporate scandals
32. Edcon applies **corporate governance** in order to ensure the sustainability of the organisation and its business. These principles and practices are applied in line with the
- Kyoto Protocol
 - King III report
 - Global Reporting Initiative (GRI)
 - JSE SRI index
33. There are several ways in which the board can determine the corporate social responsibility policy. Woolworths has one of the leading corporate social responsibility policies that is aligned to its vision, mission, values and guiding principles. Woolworths therefore made use of the _____ to establish its **corporate policy**.
- triple bottom line
 - value-based system
 - King III report
 - ethical vision guidelines

SUGGESTED SOLUTIONS TO THE FIRST FIVE QUESTIONS OF THE CHAPTER

Q	A
1	4
2	2
3	2
4	3
5	1

Introduction to general management

Entrepreneurs identify opportunities and establish businesses to produce the products and services that the market needs. Entrepreneurs are the driving force behind the venture, but they are not necessarily the only key success factor. Businesses, or the ideas and new ventures of entrepreneurs, need to be managed. That is, the **resources** deployed in the business – such as people, money, equipment and knowledge – must be managed in such a way that the business reaches its profit and other goals. This means that the resources must be planned, organised, led and controlled so that the business maximises its profits.

MULTIPLE-CHOICE QUESTIONS

1. Identify the most dominant **cause** of business failure.

1. managerial incompetence
2. lack of leadership
3. excessive competition
4. lack of managerial experience

Read the scenario below and answer Question 2 that follows.

Jimmy has just completed his degree in Business Management at Unisa and has opened a new photography shop that sells cameras and equipment, develops photos and gives classes on the art of photography.

2. When Jimmy deals with **clients**, he requires _____ skills and when he is busy **developing** photos he requires _____ skills.

1. interpersonal; technical
2. conceptual; informational
3. interpersonal; conceptual
4. informational; technical

3. The **school of management thought** which sought to identify the most important functions in a business and the most important elements of management is known as

... .

1. the scientific school
2. the quantitative school
3. the management process school

4. the human relations school
4. The **theory or approach to management** which suggests that the application of management principles is dependent on the situation confronting the manager at a particular point in time is known as
1. theory Z
 2. the systems approach
 3. the contingency approach
 4. the excellence movement
5. Mr Leeuw is a newly appointed manager for Hyundai Motors, Hatfield. Rank the basic management functions that he will have to perform running the business in the **correct order**.
- a. organising
 - b. planning
 - c. leading
 - d. control
1. b, a, c, d
 2. b, c, d, a
 3. c, a, b, d
 4. d, a, b, c
6. Thembi is a shift supervisor at the Lonmin Marikana Platinum Mine. As such she is responsible for day-to-day activities and short-term planning for her section.
- As a **shift supervisor** within the mine, Thembi is a member of _____ management.
1. top
 2. middle
 3. lower
 4. functional
7. Who of the following represent **top management**?
- a. the board of directors
 - b. the partners of an auditing firm
 - c. the financial manager
 - d. the marketing manager
1. c, d
 2. a, c, d
 3. a, b

4. b, c, d

8. The theories of management can be classified into two main schools of thought, namely the classical approaches and the contemporary approaches.

Which of the following form part of the **contemporary approaches** to management?

- a. Contingency theory
- b. Re-engineering
- c. Total Quality Management (TQM)
- d. Strategic Management

1. a, c

2. b, d

3. a, b,

4. a, b, c, d

9. Which of the following represent an **information role** performed by a manager?

- a. The manager as spokesperson
- b. The manager as an analyser
- c. The manager as an entrepreneur
- d. The manager as a trouble-shooter

1. a, b

2. a, d

3. a, c, d

4. b, c, d

10. Which of the following are **key skills** required for sound management?

- a. conceptual skills
- b. intellectual skills
- c. interpersonal skills
- d. technical skills

1. a, b, d

2. a, b

3. a, c, d

4. b, c, d

5. a, b, c, d

11. The **theory or approach to management** which seeks to eliminate the defects of the other management theories is known as

1. theory Z

2. the systems approach
3. the contingency approach
4. the excellence movement

12. Match the **school of management thought** listed in Block A with the appropriate **description** in Block B.

BLOCK A
School of management thought
a. Scientific school
b. Human relations movement
c. Management process school

BLOCK B
Description
(i) Found that increased productivity is not always attributable to well designed tasks and sufficiently high wages
(ii) Identified the most important functions in a business so that universal management principles could be developed for each function
(iii) Productivity could be increased through the application of observation, job analysis, the redesign of jobs and financial incentives

1. a (i); b (ii); c (iii)
2. a (ii); b (i); c (iii)
3. a (i); b (iii); c (ii)
4. a (iii); b (i); c (ii)

13. The school of management thought which sought to identify the most important **functions** in a business and the most important **elements** of management is known as

1. the scientific school
2. the quantitative school
3. the management process school
4. the human relations school

14. The school of management thought which sought to prove that **productivity** could be **increased** through the application of observation, job analysis, job measurement and the redesigning of jobs is known as

1. the scientific school
2. the quantitative school
3. the management process school

4. the human relations school

15. Match the **statement** in Block A with the **correct item** in Block B.

BLOCK A
a. The process of developing a broad plan for how a business is going to compete in the industry
b. The managers that are between the top and the lower-level managers
c. The process of setting goals, objectives, and deciding on methods for achieving them
d. The managers who don't have managers for subordinates
e. The process of formulating shorter term plans for implementing an organisations' overall strategic plan

BLOCK B
(i) Strategic planning
(ii) Operational planning
(iii) Middle managers
(iv) Lower level (first line managers)
(v) Planning

1. a (i); b (ii); c (iii); d (iv); e (v)
2. a (i); b (iii); c (v); d (iv); e (ii)
3. a (ii); b (iii); c (i); d (iv); e (v)
4. a (v); b (iv); c (i); d (iii); e (ii)
5. a (v); b (ii); c (i); d (iv); e (iii)

16. As a director Joe Soap will primarily make use of _____ **skills** in carrying out his duties.

1. conceptual
2. intellectual
3. interpersonal
4. technical

17. Which of the following represent the **decision-making role** performed by a manager?

- a. The manager as spokesperson
- b. The manager as an analyser
- c. The manager as an entrepreneur
- d. The manager as a troubleshooter

1. a, b
2. c, d
3. a, c, d

4. b, c, d
5. a, b, c, d

18. Which one of the following statements is **incorrect**?

Management is necessary to

1. direct an enterprise towards its goals
2. keep the operations of an enterprise on a balanced course
3. keep the enterprise in equilibrium with its environment
4. attain enterprise goals at the lowest possible productivity levels

19. Match the **school of management thought** listed in Block A with the appropriate **pioneering scientist** in Block B.

BLOCK A
School of management thought
a. Scientific school
b. Human relations movement
c. Management process school

BLOCK B
Pioneering scientist
(i) Elton Mayo
(ii) Henri Fayol
(iii) FW Taylor

1. a (i); b (ii); c (iii)
2. a (ii); b (i); c (iii)
3. a (i); b (iii); c (ii)
4. a (iii); b (i); c (ii)

20. The **interpersonal** role of managers includes which of the following activities:

- a. Attending charity dinners
 - b. Opening a new factory
 - c. Internal relations
 - d. Motivation of subordinates
1. a
 2. a, b
 3. a, b, c
 4. a, b, c, d

- 21.** The **leading** role of a manager includes which of the following activities:
- a. Appointing subordinates
 - b. Promotion of subordinates
 - c. Motivation of subordinates
 - d. Building good relations with suppliers
- 1. a
 - 2. a, b
 - 3. a, b, c
 - 4. a, b, c, d
- 22.** Maintaining **good relations** is one of the roles of a manager. Which of the following is/are activities that the manager needs to execute as part of this role?
- a. Attending a colleague's wedding
 - b. Obtaining information from subordinates
 - c. Internal relations with other managers
 - d. Motivating subordinates
- 1. a
 - 2. a, b
 - 3. c
 - 4. d
- 23.** When a manager acts as a **spokesperson**, both internally and externally, of the business it forms part of
- 1. the leading process
 - 2. maintaining good relations
 - 3. the informational role
 - 4. acting as a representative figure
- 24.** Managers form an important part of the **communication** process of the business. In order to do this they are involved in which of the following activities?
- a. Obtaining information from colleagues, superiors and subordinates
 - b. Acting as spokesperson for the business, both internally and externally
 - c. Analysing information and passing it on to colleagues, superiors and subordinates
 - d. Passing relevant data to colleagues, superiors and subordinates
- 1. a
 - 2. a, b
 - 3. a, b, c

4. a, b, c, d

25. Match the **activity** in Block A with the correct **role** in Block B.

BLOCK A
Activity
a. Attending charity dinners
b. Keeping external relations intact with suppliers
c. Appointing subordinates
d. Acting as spokesperson for the business

BLOCK B
Managerial role
(i) Informational role
(ii) Maintaining good relations
(iii) Leading
(iv) Being a representative figure

1. a (iv); b (ii); c (iii); d (i)
2. a (i); b (iii); c (ii); d (iv)
3. a (ii); b (iii); c (i); d (iv)
4. a (iv); b (ii); c (i); d (iii)

26. Match the **activity** in Block A with the correct **role** in Block B.

BLOCK A
Activity
a. Keeping the bank manager of the business happy
b. Monitoring information about change
c. Opening a new factory of the business
d. Motivating employees

BLOCK B
Managerial role
(i) Informational role
(ii) Maintaining good relations
(iii) Leading
(iv) Being a representative figure

1. a (iii); b (ii); c (iv); d (i)

2. a (ii); b (iii); c (i); d (iv)
3. a (ii); b (i); c (iv); d (iii)
4. a (iii); b (i); c (iv); d (ii)

27. Some management theorists propagate that managers should move systematically from planning, to organising, to leading and eventually to control. Why is this thinking **incorrect**?

- a. This way of thinking is not incorrect, but is correct!
- b. It forms part of the role distribution of the manager.
- c. It forms part of the flexible approach of the manager.
- d. There is too much complexity and turbulence in the environment.

- 1. a
- 2. a, b
- 3. b, d
- 4. b, c, d

28. The **management theory** that identified that there are six functions of a business is called

- 1. the scientific school
- 2. the quantitative school
- 3. the management process school
- 4. the human relations school

29. _____ identified the traditional **five elements** of the management process.

- 1. Mayo
- 2. Fayol
- 3. Taylor
- 4. Rosenzweig

30. Which of the following form part of the **contemporary approaches** to management?

- a. Re-engineering
- b. Diversity Management
- c. Total Quality Management (TQM)
- d. Strategic Management

- 1. a
- 2. a, b
- 3. a, b, c
- 4. a, b, c, d

SMALL BUSINESS MANAGEMENT QUESTIONS

Some of the questions refer to the case study in Chapter 1.

1. Management is the process of utilising a business's resources to achieve specific objectives through the functions of _____ organising, leading and control.
 1. planning
 2. communication
 3. decision-making
 4. motivation
2. The fact that the entrepreneur must find, unlock and share the expertise, skills and wisdom of his or her people and nurture relations between them, is known as _____ management.
 1. globalisation
 2. technology
 3. communication
 4. knowledge
3. If Cindy involves the five employees to help her to find new ideas, she would apply ...
 1. new communication technologies
 2. globalisation concepts
 3. knowledge management
 4. alliances
4. Cyril and Cindy's decision to concentrate on the manufacturing of curtains and blinds according to the designs and preferences of consumers can be regarded as a _____ decision.
 1. functional
 2. strategic
 3. tactical
 4. operational
5. The application for financing of R100 000 to finance the purchasing of industrial sewing machines and overlockers refers to a _____ activity.
 1. financial
 2. purchasing
 3. operations
 4. human resource

SUGGESTED SOLUTIONS TO THE FIRST FIVE QUESTIONS OF THE CHAPTER

Q	A
1	1
2	1
3	3
4	3
5	1

Planning is the first fundamental activity of the management process. Planning is like a roadmap, giving an organisation the directions it must follow to accomplish the determined goals.

In other words, planning involves determining the mission and goals of an organisation, the ways in which the organisation will achieve these goals, and the deployment of the necessary resources to realise them.

MULTIPLE-CHOICE QUESTIONS

1. Management will constantly bear which of the following facets in mind when developing alternative plans during the **planning process**?
 - a. external factors
 - b. strong and weak points
 - c. rational decision-making
 - d. strategic planning
 1. a, b
 2. b, d
 3. a, b, c
 4. b, c, d
 5. a, b, c, d
2. Mr Dlamini is a newly appointed manager for General Motors, Hatfield. Rank the basic management functions that he will have to perform in the **correct order**.
 - a. planning
 - b. organising
 - c. leading
 - d. control
 1. a, b, c, d
 2. b, c, d, a
 3. c, a, b, d
 4. d, a, b, c
3. Identify which of the following statements indicate the **importance** of planning.

- a. Planning promotes cooperation.
- b. Planning gives direction.
- c. Planning is more important in smaller businesses.
- d. Planning guarantees profit.

- 1. a, b
- 2. a, d
- 3. a, c, d
- 4. b, c, d
- 5. a, b, c, d

4. The sequential steps in the **planning process** are:

- 1. developing plans, goal-setting, feedback
- 2. goal-setting, mission statement, implementation
- 3. mission statement, developing plans, feedback
- 4. goal-setting, developing plans, implementation

5. Which of the following are requirements for setting **sound objectives**?

- a. Objectives have to be measurable.
- b. Objectives should be set consistently.
- c. Goal-setting should be integrated into the remuneration system of an organisation.
- d. Management must ensure that employees accept the objectives.

6. Which of the following are characteristics of **strategic planning**? Mark the correct answer.

- a. It has a time-frame of three to ten years.
- b. It is focused on an organisation as a whole.
- c. It is future oriented.
- d. It does concern itself with details.

- 1. a, b
- 2. a, c, d
- 3. b, c, d
- 4. a, b, c
- 5. a, b, c, d

7. Which of the following statements are **correct**?

Management must realise the importance of goals because

- a. goals provide guidance and direction in an organisation
- b. goals provide an effective means of evaluation and control
- c. goals represent a burden to employees

- d. realistic goals facilitate planning
- e. goals lead inevitably to success

- 1. a, c
- 2. b, d
- 3. c, e
- 4. a, b, d
- 5. c, d, e

8. Which one of the following **long-term strategies** entails the takeover of firms that supply a business with raw materials?
- 1. vertical integration
 - 2. product development
 - 3. horizontal integration
 - 4. market development
9. Match the **management level** in Block A with the corresponding **organisational objective** in Block B.

BLOCK A
Management level
a. Top management
b. Middle management
c. Lower management

BLOCK B
Organisational objective
(i) The mission of the organisation
(ii) Functional objectives
(iii) Operational objectives

- 1. a (i); b (ii); c (iii)
- 2. a (i); b (iii); c (ii)
- 3. a (ii); b (i); c (iii)
- 4. a (iii); b (i); c (ii)

10. An enterprise taking over a competitor in order to **eliminate** the competition, is an example of
- 1. diversification
 - 2. horizontal integration

- 3. innovation
- 4. vertical integration

11. If a supermarket chain such as Pick n Pay was to purchase a bakery such as Sasko Bread with the intention of baking its own bread and selling it in its Pick n Pay stores, this would be an example of
- 1. market development
 - 2. horizontal integration
 - 3. innovation
 - 4. vertical integration
12. Shoprite Checkers, the supermarket chain, has set itself the objective of increasing market share from 20% to 80% within the next five years. The **goal** set by Shoprite Checkers is an example of a _____ that is formulated by _____ management.
- 1. functional goal; middle
 - 2. functional goal; top
 - 3. long-term goal; middle
 - 4. long-term goal; top
13. Which **long-term strategy** did SAB adopt when it introduced Castle Lite to the existing market to satisfy beer drinkers' needs for a light beer?
- 1. diversification
 - 2. product development
 - 3. market development
 - 4. innovation
14. If SAB decided to withdraw one of its unprofitable products from the market, the company would be adopting a strategy known as
- 1. diversification
 - 2. liquidation
 - 3. divestiture
 - 4. rationalisation
15. In expanding its share of the retail and grocery market in South Africa, the Shoprite group has embarked on a major campaign to acquire grocery retailers similar to it. This has led to a marked increase in market share for the group.
- What kind of **long-term strategy** has been adopted by Shoprite?
- 1. market development
 - 2. concentration growth
 - 3. horizontal integration

4. diversification

16. kulula.com has taken the decision to expand its product offering to include low-cost vehicle hire. The company plans to roll out this new product offering within the next five years.

This is an example of a/an _____ goal.

1. operational
2. strategic
3. functional
4. tactical

17. In response to kulula.com's new product offering, the marketing manager at SAA, Phindiwe, plans to increase her expenditure on advertising by 20% over the next three years. What she does not know, however, is that the chief financial officer at SAA is planning to cut the marketing department's budget in the short term.

Phindiwe's goal does not meet the requirements of a good goal as it **lacks** ...

1. measurability
2. acceptability
3. horizontal consistency
4. vertical consistency

18. Which of the following are examples of **strategic decisions**?

- a. Woolworths' decision to concentrate its business not only on clothing, but also to move into the grocery market
- b. Standard Bank's decision to open a new branch in Hermanus
- c. Unisa's decision to send more audio cds to students
- d. Kodak's decision to return to South Africa
- e. Nissan's decision to enter the small passenger car market with the introduction of the Nissan Micra

1. a, b, c
2. a, b, d
3. a, d, e
4. b, c, e
5. a, b, c, d, e

19. Over the past few years South African Breweries (SABMiller) has embarked on a very clear strategy of acquiring other similar breweries including Millers in the United States and Pilsner Urquell in the Czech Republic. The **long-term strategy** adopted by SABMiller is known as ...

1. concentration growth
2. market development
3. horizontal integration
4. vertical integration

20. One of the main ingredients in the brewing of the beer produced by SABMiller is hops. If SABMiller decided to take over its suppliers of hops to ensure a better quality of supply, this **long-term strategy** would be known as

1. product development
2. innovation
3. vertical integration
4. horizontal integration

21. Match the **term** in Block A with the correct **description** in Block B.

BLOCK A
a. Mission
b. Organisational goal
c. Management by objectives
d. Vision

BLOCK B
(i) A goal-setting technique whereby managers and employees jointly define goals for the business
(ii) 'To become the most safe, consistent, reliable and profitable of the train operating franchises in a climate that respects different views and where people need not be afraid to be open and honest'
(iii) The purpose as set out by the management of the organisation
(iv) A specific achievement to be attained at a specific future date

1. a (iv); b (i); c (iii); d (ii)
2. a (iii); b (iv); c (i); d (ii)
3. a (ii); b (iv); c (i); d (iii)
4. a (iii); b (i); c (iv); d (ii)

22. The **mission statement** spells out the mission or overarching goal of the organisation. In the mission statement, the organisation answers which one of the following?

1. What is our business? Who are our employees (labour force)?
2. What is our business? Who are our customers (markets)?
3. What are the strategic goals of our business? What is our vision?
4. What are the strategic goals of our business? What are our products?

- 23.** Which **one** of the following statements about strategic goals is **incorrect**?
1. Middle managers are responsible for formulating strategic goals that apply to the organisation as a whole over the medium term.
 2. Strategic goals include a vision, a mission statement and long-term goals.
 3. Long-term strategic goals are derived from the organisation's mission statement.
 4. Strategic goals should be clear, since tactical goals derive from them.
- 24.** Kathryn has a PhD in molecular biology and is part of the board of directors at a plant-science business that is committed to promoting sustainable agriculture through innovative research and technology. When she started at the company as a scientist, she managed a research team and it was vital that their work met deadlines in order to get products developed for their customers. As **top-level management**, Kathryn is responsible for formulating the _____ for the entire organisation.
1. strategic goals
 2. medium-term goals
 3. tactical goals
 4. operational goals
- 25.** Kathryn started as a scientist and managed one of the research teams. She was therefore part of _____ and responsible for formulating the _____ for their section.
1. top management; strategic goals
 2. top management; operational goals
 3. lower management; operational goals
 4. lower management; tactical goals
- 26.** As a manager and scientist, it is important that Kathryn has good time management, planning and communication skills. Place the **steps of the planning process** in the correct order that Kathryn should follow when planning.
- a. The right plan has to be selected based on information about the internal and external environments
 - b. Identification of mission and formulation of goals
 - c. Revision of goals and plans
 - d. Execution of the plan throughout the rest of the management process
1. b, a, d, c
 2. a, b, c, d
 3. b, d, c, a
 4. a, d, b, c

- 27.** Which of the following factors should Kathryn consider when she develops **alternative plans**?
- Kathryn should carefully monitor the structural changes in the incomes of different consumer groups as well as the economic growth rate and business cycle.
 - Kathryn does not have to consider threats when developing alternative plans.
 - Kathryn should aim to capitalise on the organisation's strengths, such as particular skills, capital and the image of the organisation.
 - When developing alternative plans, Kathryn does not have to take cognisance of the strengths and weaknesses in the organisation's internal environment.
- a, b
 - a, c
 - b, d
 - c, d
- 28.** Informal organisations also exist within the organisation. Which one of the following is an **advantage** of informal organisations?
- Peter has an open-door policy at his IT firm that allows for informal communication that can delay the decision-making process.
 - Food International promotes teamwork within departments by encouraging informal organisations.
 - Naledi Upholsterers' informal organisation defies the formal organisation set by management.
 - The social committee at Mafikeng Motors ensures that staff members receive a muffin every Friday.
- 29.** Tim is busy planning the future of his newspaper agency and has approached you to assist with the process. He has indicated that he would like to use the **bottom-up approach** for setting goals. What is the correct way to use this approach?
- Tim sets all of the goals himself and holds a staff meeting where he explains it to the staff at the newspaper.
 - Tim calls Aggie, the office manager, to assist him with the setting of the goals, but he decides not to use Aggie's input.
 - Tim approaches a management consultant from one of his advertisers to assess which goals he should use.
 - Tim calls a meeting with Mandla the reporter, Eroll the despatcher and Aggie the office manager, and asks them to help set joint goals for the agency.
- 30.** **Planning** is important because

1. it allows each department to focus exclusively on their own work
2. managers should focus on the present and planning facilitates this
3. it ensures that businesses use existing technology
4. it promotes cohesion and stability in a business

SMALL BUSINESS MANAGEMENT QUESTIONS

Some of the questions refer to the case study in Chapter 1.

1. Planning involves all those management activities that deal with setting the business's _____ and determining how these can be achieved.
 1. resources
 2. objectives
 3. controls
 4. markets
2. Objectives that must be achieved within a year, quarter or month are known as _____ objectives.
 1. individual
 2. strategic
 3. functional
 4. operational
3. An example of a new strategic objective for Chetty's Curtain Creations would be ...
 1. a 5% expansion in its market share over the next two months
 2. a 10% increase in sales compared with the previous month
 3. to deliver a good service to customers
 4. that sales staff must determine exactly what the clients' needs are
4. One of the requirements of a good objective is that it must ...
 1. be measurable
 2. make provision for managerial competencies
 3. take decision-making into account
 4. help with delegation
5. One of Fatima's new operational objectives would be to ...
 1. achieve a steady growth in sales volume
 2. simplify the work in the administrative department

3. increase the productivity of the administrative department by 20% over the next four years
4. achieve an asset growth of 10% per year

SUGGESTED SOLUTIONS TO THE FIRST FIVE QUESTIONS OF THE CHAPTER

Q	A
1	1
2	1
3	1
4	4
5	5

Organising is the second fundamental function of management and involves the development of a structure or framework. Within this structure, the tasks that need to be performed in order to accomplish goals and the resources necessary to perform these tasks are allocated to particular individuals and departments. Organising enables the employees concerned to work effectively towards the organisation's mission and goals as set out during the first fundamental management function of planning.

MULTIPLE-CHOICE QUESTIONS

1. Line authority means
 1. the authority of a manager in a department other than his own
 2. authority delegated through the line of command
 3. authority which subordinates accept from the bottom
 4. indirect authority
2. Staff authority means
 1. the authority of a manager in a department other than his own
 2. authority which subordinates accept from the bottom
 3. authority delegated through the line of command
 4. direct authority
 5. indirect authority
3. A **broad** organisational structure will probably lead to
 - a. underutilised managers
 - b. a greater span of management
 - c. many subordinates for each manager
 - d. less intensive supervision of subordinates
 1. a, b, c
 2. a, b, d
 3. b, c, d
 4. a, c, d
 5. a, b, c, d

4. A **tall or narrow** organisation structure will probably lead to
1. managers being overworked
 2. a greater span of management
 3. less subordinates for each manager
 4. less intensive supervision of subordinates
5. Which of the following are basic forms of **departmentalisation**?
- a. according to product
 - b. according to location
 - c. according to resources
 - d. according to customers
1. a, b
 2. a, b, c
 3. a, b, d
 4. a, b, c, d
6. **Specialisation** became part of the organising process because
1. labour productivity started declining
 2. the use of assembly lines increased
 3. the specialised skills of individuals increased
 4. of constant pressure to split up the total task into smaller units
7. Which of the following reasons justifies **specialisation** in an organisation?
- a. individuals perform a task with expert skills
 - b. eliminating non-productive transfer time
 - c. increased productivity due to specialised equipment
 - d. decreased labour cost
 - e. determination of an employee's role within an organisation
1. a, b
 2. a, b, c
 3. a, b, c, d
 4. a, b, c, d, e
8. Which one of the following statements about **specialisation** is **incorrect**?
1. The main purpose of specialisation is to increase productivity.
 2. Excessive specialisation may have a negative effect on productivity.
 3. Workers who perform highly specialised jobs may become bored and demotivated.
 4. Specialisation can only be applied at operational levels.

9. A manager's **span of management** is determined by
1. the number of subordinates who report directly to him
 2. the number of subordinates at lower levels
 3. the number of subordinates on the same level
 4. the size of the enterprise
10. A key principle of organising is the concept of **span of management**.
A narrow span of management leads to
- a. a tall organisational structure
 - b. a long chain of command
 - c. overworked managers
 - d. slow decision-making
 - e. a flat organisational structure
1. a, b, c
 2. a, b, d
 3. a, c, d
 4. b, c, d
 5. c, d, e
11. Which of the following factors will influence how an organisation is **structured**?
- a. the stability of the business environment
 - b. the strategy of the business
 - c. the size of the business
 - d. the location of the business
 - e. the organisational culture
1. a, b, d, e
 2. a, b, c, e
 3. b, c, d, e
 4. a, b, c, d
12. Sarah decides to open a sandwich delivery business from her house. She makes the sandwiches herself, delivering her sandwiches door-to-door within her community. Soon, her sandwiches become so popular that she decides to employ more people to help her with the workload. Sarah realises that in order to increase productivity, she will need to separate the different tasks into smaller units. Sarah hires a chef to make the sandwiches and three people to do the deliveries so that she can focus on the marketing and management aspects of the business. The **division of labour** and the way that Sarah separated the tasks into smaller units to improve **productivity** is known as:

1. job design
2. specialisation
3. departmentalisation
4. job enlargement

13. Thabo is the manager of an advertising company. The business is divided into various business units including sales, marketing, media, customer insight, and products and services. Thabo's advertising company is therefore **departmentalised** according to:

1. function
2. product
3. location
4. customer

14. The authority delegated down the chain of command from the CEO to the General Manager of Operations is known as _____ authority. If, however, the Manager of Computers and Software were to give instructions to the General Manager of Marketing, in the form of advice or recommendations based on his or her specialist knowledge, this would be referred to as _____ **authority**.

1. functional; line
2. staff; line
3. line; functional
4. line; staff

15. To overcome some of the inherent problems with conventional organisational structures, managers have started to structure their organisations in new and different ways. One of the contemporary approaches that has emerged allows for both **horizontal and vertical** lines of authority to occur in the same structure. This approach to structuring organisations is particularly suited to large organisations and to those handling many projects. It is known as the _____ structure.

1. virtual
2. boundaryless
3. team
4. matrix

16. Match the form of **departmentalisation** in Block A with the appropriate **example** in Block B.

BLOCK A
Type

a. According to function
b. According to location
c. According to customer
d. According to product

BLOCK B
Example
(i) The company has departments that focus on selling equipment to the motor industry, the computer industry and the navy
(ii) The company has departments that specialise in selling its products in Gauteng and KwaZulu-Natal respectively
(iii) Sasol has various business units which focus on the production of different products such as Sasol Synthetic Fuels, Sasol Fertilisers, and Sasol Plastics
(iv) The company has grouped all its financial activities under the financial manager or section and all its marketing activities under the marketing manager or section

1. a (iv); b (ii); c (i); d (iii)
2. a (ii); b (iv); c (iii); d (i)
3. a (iii); b (iv); c (i); d (ii)
4. a (ii); b (iii); c (iv); d (i)

Read the following scenario and answer Questions 17 and 18 that follow.

Innovative Ink Ltd. designed cards (birthday cards, greeting cards, Christmas cards) in a step-by-step process – artists and writers rarely spoke to one another and the employees who created the lettering worked in another building. Due to delays and rework, it sometimes took the company more than two years to create and produce a new greeting card. Now Innovative Ink Ltd. puts teams of employees from every department in the same room and empowers each team to take charge of specific cards. Artists, lithographers, writers, designers and photographers share ideas, critique their own work and make their own decisions without waiting for management permission. Although the decision-making is decentralised in terms of the team approach being used, management thought it wise to appoint team leaders on a three-month rotational basis. The cycle time for getting new cards to the market has been cut in half. For employees the change has brought more responsibility and greater job satisfaction. The change in structure and organising has also brought about new ideas and thinking in the company. Innovative Ink Ltd. recently also introduced its new line of postcards that are doing extremely well in the market.

17. How was Innovative Ink Ltd. **departmentalised** before the company set about changing the way the business is organised?

1. according to customer
2. according to function
3. according to location
4. according to product

18. How is Innovative Ink Ltd. **departmentalised** now?

1. according to customer

*****ebook converter DEMO Watermarks*****

2. according to function
3. according to location
4. according to product

19. Match the **type** of authority in Block A with the correct **description** in Block B.

BLOCK A
Type of authority
a. Functional authority
b. Line authority
c. Staff authority

BLOCK B
Description
(i) Sarah, the front office manager at a Protea Hotel instructs the receptionists to inform guests about the special weekend rate
(ii) Sello, a university lecturer, approaches the university's Market Research Bureau for advice and assistance regarding a research project he is busy with
(iii) Thabo is the human resource manager at a factory and instructs the production manager to abide by certain human resource policies in the factory

1. a (ii); b (i); c (iii)
2. a (i); b (iii); c (ii)
3. a (iii); b (i); c (ii)
4. a (iii); b (ii); c (i)

20. Match the **term** in Block A with the correct **description** in Block B.

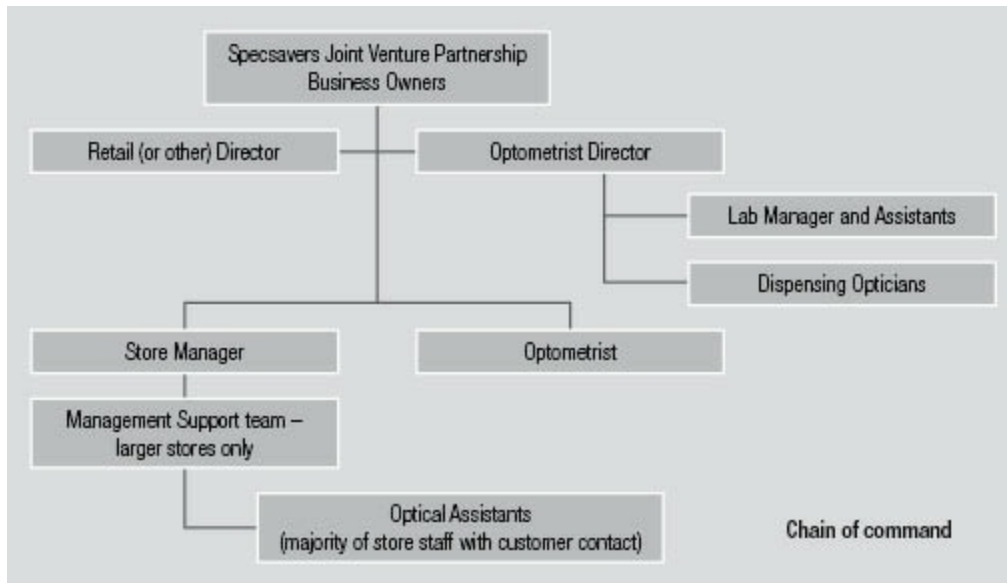
BLOCK A
Term
a. Responsibility
b. Line authority
c. Staff authority
d. Span of management

BLOCK B
Description
(i) The manager has twenty employees who report directly to him/her
(ii) The employee must be able to account for the work they have done
(iii) The marketing research department makes recommendations to the marketing manager, based on research results

- (iv) The managing director instructs the marketing manager on goals to be achieved, while the marketing manager tells the advertising manager what to do to achieve these goals

1. a (i); b (ii); c (iii); d (iv)
2. a (ii); b (iv); c (iii); d (i)
3. a (iii); b (iv); c (i); d (ii)
4. a (ii); b (iii); c (iv); d (i)

The organisational chart below shows the layers of hierarchy within a typical Specsavers store. Questions 21 to 25 refer to this chart.



21. Specsavers is one of the best-known names in optical retailing in Britain. A typical Specsavers store has a hierarchical structure, with layers of employees reporting up the chain. The business owners (directors) are at the top of the hierarchy. They delegate responsibility for different tasks to employees **lower down**, so that everybody knows who is in charge of what activities. This is known as ...

1. the span of management
2. the chain of command
3. responsibility
4. authority relationship

22. Specsavers has a **high hierarchical structure**. Tall structures have _____ management layers and _____ spans of control.

1. many; big
2. few; big
3. many; small
4. few; small

23. Authority is the right to command or to give orders. At Specsavers it is important

that each management level have a level of authority over its subordinates. In the diagram, the optometrist director has _____ **authority** over the lab manager and assistants.

1. staff
2. line
3. functional
4. decentralised

24. If the optometrist approaches the optometrist director for advice or recommendations regarding a new promotion that is taking place and which posters to put up in the store to market the promotion, then the director has _____ **authority**.

1. staff
2. line
3. functional
4. decentralised

25. In the organisational structure above, Specsavers is **departmentalised** according to

1. function
2. product
3. location
4. customer

26. Organising means

1. that direction is given to the organisation in the form of goals and plans
2. that management has to develop mechanisms in order to implement the strategy or plan
3. narrowing the gap between what was planned and the actual achievement of management, and ensuring all activities are carried out as they should be
4. influencing employees to work willingly toward the achievement of organisational objectives

27. Which one of the following statements about a **wide span of management** is **incorrect**?

1. A wide span of management will result in a flat organisational structure.
2. It may be difficult to coordinate and control the tasks of a large number of subordinates in an organisation with a wide span of management.
3. In a wide span of management there are many subordinates per manager.

4. In a wide span of management, managers may be underutilised and there is excessive control over subordinates.
28. _____ increases both the number of **tasks** the worker does and the **control** the worker has over the job.
1. Job enrichment
 2. Job rotation
 3. Job specialisation
 4. Job creation
29. There are various factors that will influence the organisational structure of an organisation. Which of the following are such **factors**?
- a. the environment in which the business operates
 - b. the relationship between strategy and structure
 - c. the national government
 - d. the staff employed by the organisation
 - e. the organisational culture
1. a, b
 2. b, c, d, e
 3. a, b, c, d, e
 4. a, b, d, e
30. SABMiller operates and markets its range of products all over the country as well as internationally. Which one of the following is the most logical **departmentalisation** structure for it to use?
1. functional
 2. product
 3. location
 4. customer
31. NCX Pharmaceuticals was faced with a crisis situation in 2008, and therefore top management decided to **decentralise** operations and concentrate attention on the customer. This means that
1. decision-making power and authority are retained at the higher levels of management
 2. decision-making power and authority are delegated as far down in the chain of command as possible
 3. decision-making power and authority are delegated only to middle management
 4. decision-making power and authority are delegated only at the lowest levels of

management

- 32.** Ringane (CEO of NCX Pharmaceuticals) was of the view that managers at NCX Pharmaceuticals needed to improve their management skills and provided a list of skills to the Human Resources Development Manager, with the instruction that all managers should receive management skills training. Ringane has _____ **authority** over the Human Resources Development Manager.
1. staff
 2. indirect
 3. line
 4. supplementary
- 33.** Edcon is organised into three divisions namely the Departmental Store Division, the Discount Store Division and CNA Division. The departmental Store Division focuses on the middle and upper income markets and includes Edgars, Edgars Active, Boardmans and Red Square. The Discount Store Division targets the middle to lower income markets and includes Jet, Jet Mart, and Legit. The CNA division is a stationery, educational and entertainment business for middle to upper income markets. Edcon is therefore **departmentalised** according to
1. function
 2. location
 3. customer
 4. product

SMALL BUSINESS MANAGEMENT QUESTIONS

Some of the questions refer to the case study in Chapter 1.

1. The management function by means of which a business structure is established through the distribution of tasks, the allocation of resources and the coordination of activities to achieve the objectives of the business is known as
 1. planning
 2. controlling
 3. organising
 4. leading
2. Each post must be precisely determined so that whoever fills a position knows exactly what his or her _____ are.
 1. duties, authority and responsibility

2. duties, authority and alliances
 3. authority, responsibility and alliances
 4. duties, responsibility and alliances
3. The next step in the organising process after Cindy has identified and analysed the activities is
1. gather the required information
 2. assign authority and responsibility
 3. divide the activities into meaningful divisions
 4. divide the divisions activities into meaningful tasks
4. During which step in the organising process will Cindy assign authority and responsibility?
1. first step
 2. second step
 3. second last step
 4. last step
5. The employment of the two seamstresses was a result of the _____ process.
1. planning
 2. controlling
 3. organising
 4. leading

SUGGESTED SOLUTIONS TO THE FIRST FIVE QUESTIONS OF THE CHAPTER

Q	A
1	2
2	5
3	3
4	3
5	3

In order to be successful, organisations need managers who are also good leaders. Managers use the leading function to effectively manage the human resources in their organisations. They use authority and power to influence and motivate their employees to willingly strive to achieve organisational goals. Leadership theories and models as well as contemporary issues in leadership help managers understand what leadership entails. Effective leadership depends on constant communication, a crucial element of the leading function, with individual employees, groups and teams within an organisation.

MULTIPLE-CHOICE QUESTIONS

1. Which of the following statements on aspects of **leadership** are **correct**?
 - a. Authority gives a leader the right to give commands to subordinates.
 - b. Authority denotes the right of a leader to demand actions from subordinates.
 - c. Authority denotes the ability of a leader to influence the behaviour of others without necessarily using his or her authority.
 - d. Responsibility is a manager's ability to influence his or her employees' behaviour.
 1. a, b
 2. a, b, d
 3. a, c, d
 4. b, c, d
 5. a, b, c, d
2. Which of the following are components of management's **leadership function**?
 - a. leadership
 - b. motivation
 - c. productivity
 - d. knowledge of individual behaviour
 - e. communication
 1. a, b, e
 2. a, b, d, e
 3. a, c, d, e

4. b, c, d, e

5. a, b, c, d, e

3. **Employee performance** in organisations is determined mainly by three factors:
1. motivation, ability and resources
 2. desire, willingness and resources to do the job
 3. salary, motivation and work environment
 4. capability, willingness and resources to do the job
4. **Social loafing** refers to
1. the tendency of individuals to put in less effort when working in a group
 2. a particular campaign that employees might embark on
 3. the way that a group will stand together as a unit
 4. employees from the same department who meet regularly to discuss ways of improving the quality of the work environment
 5. a small number of employees working together on a project
5. A manager is likely to be a **successful leader** if he/she
1. uses his/her formal authority to motivate his/her subordinates
 2. can activate his/her subordinates to carry out his/her instructions
 3. can influence his/her subordinates positively without using authority
 4. uses legitimate power to get his/her subordinates to carry out their duties
6. When an employee is appointed to a certain managerial post, he/she will have been given _____ **power**.
1. referent
 2. personal
 3. coercive
 4. expert
 5. legitimate
7. A manager has _____ **power** if his/her subordinates obey him/her simply because they like, respect and identify with him/ her.
1. expert
 2. legitimate
 3. coercive
 4. formal
 5. referent
8. Subordinates in organisations do not only work as individuals but often in groups.

The types of groups in an organisation can differ. _____ groups, such as **committees** are established by management to carry out specific duties.

1. Task
 2. Functional
 3. Interest
 4. Cross-functional
9. Managers cannot be effective leaders if their employees do not perceive them as being trustworthy. Which of the following form part of the **five dimensions of trust**?
- a. integrity
 - b. competence
 - c. friendliness
 - d. loyalty
 - e. openness
10. Blake and Mouton developed the '**Managerial Grid**' – an instrument that identifies various leadership styles based on a two-dimensional grid. In developing the grid they measured two dimensions, namely _____ and _____ .
1. concern for people; concern for profit
 2. concern for personality; concern for profit
 3. concern for people; concern for production
 4. concern for personality; concern for production
11. Every group in an organisation is different in terms of its structure or set of characteristics. Which statements about the **characteristics** of a **group** are correct?
- a. group size affects the group's overall performance
 - b. group composition does not influence a group's performance
 - c. status in groups can only be formal
 - d. norms are standards shared by members of a group and develop from the interaction between members
1. a, b
 2. a, c
 3. b, c
 4. a, d
12. Which of the following statements on groups are **correct**?
- a. The success of a group depends on the quality of its leadership.
 - b. The success of a leader depends on the members' acceptance of his or her leadership.

- c. Group pressure influences most members to adhere to group norms.
 - d. All groups have a strong sense of solidarity amongst their members.
1. b, c
 2. c, d
 3. a, b, c
 4. a, b, d
 5. a, b, c, d

13. University of Iowa researchers identified **three basic leadership styles**. Which one of the following is **not** a leadership style identified by the University of Iowa studies?

1. autocratic leadership
2. democratic leadership
3. participative leadership
4. laissez-faire leadership

14. When an employee is appointed to a certain managerial post, he/she will have been given _____ **power**. This is a form of _____ **power**.

1. expert; personal
2. legitimate; positional
3. coercive; positional
4. referent; personal

15. A manager has _____ **power** if her subordinates obey her simply because they like, respect and identify with her. This is a form of _____ **power**.

1. expert; personal
2. legitimate; positional
3. coercive; positional
4. referent; personal

16. Peter Mashiba is the CEO of a furniture company. As the CEO he has the right to discipline or dismiss employees who are not performing well. Peter, therefore, possesses _____ **power**, which is a form of _____ **power**.

1. legitimate; positional
2. legitimate; personal
3. expert; positional
4. expert; personal

17. The managing director of a local computer business must inform his employees that the business will soon merge with a large international business. Which of the

following are prerequisites for **effective communication** between the managing director and his employees?

- a. The communication channel must suit the employees.
- b. The message must be interpreted correctly by the employees.
- c. The managing director must determine whether the message has been correctly interpreted.
- d. The employees must be able to grasp the concept the managing director wishes to convey.

- 1. a, b
- 2. c, d
- 3. a, b, c
- 4. a, b, c, d

18. Match the **leadership component** in Block A with the correct **description** in Block B.

BLOCK A
Leadership component
a. Authority
b. Power
c. Responsibility
d. Delegation

BLOCK B
Description
(i) The influence that leaders exert over their subordinates
(ii) As CEO of a computer company, Mr Smith has an obligation to achieve organisational goals by ensuring the required activities are performed
(iii) Process of assigning responsibility and authority for achieving organisational goals
(iv) As manager of a restaurant, Mr Ndlovu has the right to give instructions, allocate resources and demand action from his subordinates

- 1. a (ii); b (iii); c (iv); d (i)
- 2. a (iii); b (ii); c (i); d (iv)
- 3. a (iv); b (i); c (ii); d (iii)
- 4. a (iii); b (ii); c (iv); d (i)

19. Match the **type of power** in Block A with the examples of **people** who possess that type of power in Block B.

BLOCK A

Type of power
a. Legitimate power
b. Referent power
c. Coercive power
d. Expert power

BLOCK B
People possessing power
(i) A group of gangsters
(ii) Bill Gates
(iii) Nelson Mandela
(iv) The CEO of a company

1. a (i); b (ii); c (iii); d (iv)
2. a (i); b (iii); c (iv); d (ii)
3. a (iv); b (ii); c (i); d (iii)
4. a (iv); b (iii); c (i); d (ii)

20. When leading a business, it often is necessary to create teams to achieve certain objectives. Match the **type of team** in Block A with the correct **description** in Block B.

BLOCK A
Type of team
a. Problem-solving teams
b. Self-managed teams
c. Cross-functional teams

BLOCK B
Description
(i) Consists of two or more people who interact primarily to share information and make decisions that will help each member perform within his or her own area of responsibility
(ii) Members take on responsibilities from their former managers and address problems in the work process
(iii) Consists of employees from the same department who meet to discuss ways of improving quality, efficiency and the work environment
(iv) Employees that share a common interest which satisfies the social needs of the members
(v) Consists of employees at the same hierarchical level, but from different work areas who come together to accomplish a task

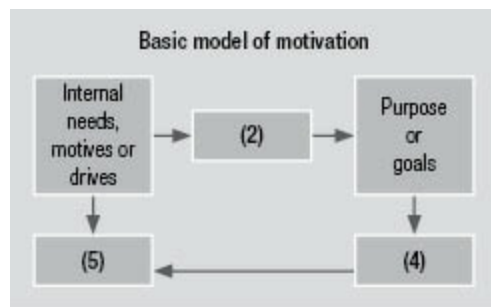
1. a (iii); b (v); c (ii)

2. a (iii); b (ii); c (v)
3. a (i); b (ii); c (iv)
4. a (iv); b (v); c (ii)

21. In terms of Maslow's hierarchy of needs, challenging assignments and the opportunity to participate in decision-making will go a long way towards satisfying the _____ **needs** of employees?

1. security
2. social
3. esteem
4. self-actualisation

22. Look at the diagram below and then answer the question that follows.



The motivation process moves in a certain sequence and consists of five steps, starting with an unsatisfied need. In the model, step 2 is _____.

1. action
2. reinforcement
3. satisfaction
4. communication

23. Motivation is not the only factor that influences work performance. The variables that determine **performance** are

1. motivation, ability and skills
2. motivation, intelligence and resources
3. motivation, ability and resources
4. motivation, capital and skills

24. Sarah is one of the administrative clerks at Ebenezer Attorneys. Since there are a number of administrative clerks, Sarah is only responsible for the administration of client payments. When performance appraisals are done Sarah will therefore only be assessed on work that she was responsible for. What **type of group** is Sarah part of?

1. team group
2. work group
3. command group
4. task group

25. Ntombi is the managing director of a big cosmetics company, Beauty Inc. They have been in business for over 20 years and have decided to expand their market to include male customers with a new range called 'Beauty for Men'. Ntombi appoints a **committee** comprising of employees from the marketing department to investigate what cosmetic products men would be interested in. The group will then **disband** after completion of the task. This is a type of _____ group known as a _____ group.

1. formal/command
2. formal/task
3. informal/command
4. informal/task

26. As managing director of the company, Ntombi is part of _____ **management**. Ntombi has the right to insist that employees do their work and to discipline or dismiss them if they fail to comply. She therefore possesses _____ **power**.

1. top; legitimate
2. top; expert
3. middle; legitimate
4. middle; expert

27. _____ is the obligation a manager has to achieve **organisational goals** by performing required activities.

1. Authority
2. Power
3. Responsibility
4. Delegation

28. Marcus has always been popular amongst his peers and was appointed as the section manager in a recent employee poll. Which type of **power** does Marcus have?

1. reward power
2. legitimate power
3. referent power
4. expert power

29. The Oxford Mining Company believes that the group performance of their

employees depends on matching the foreman's style of interaction with those of the miners that work under him. They also take the degree to which the situation gives control and influence to the foreman into account when appointing them to specific groups of miners. Which **leadership theory** does the Oxford Mining Company adhere to?

1. Trait theory
2. Behavioural theory
3. Production theory
4. Contingency theory

30. One of the most important elements of leadership is trust that consists of various dimensions. Eliot is a leader in the medical field and has excellent knowledge and skills when it comes to cardiovascular surgeries. Which **dimension of trust** does Eliot possess?

1. integrity
2. competence
3. consistency
4. loyalty

Read the extract below and answer Question 31 that follows.

Faced with a crisis situation in 2008, top management of NXC Pharmaceuticals decided to decentralise operations and concentrate attention on the customer. The challenge of reducing the disadvantages of decentralisation without losing the advantages was tackled by CEO, Arnold Ringane.

31. As CEO of NCX Pharmaceuticals, Arnold Ringane has _____ **power** and has the right to insist the employees do their work and the right to discipline or dismiss if they fail to comply.

1. legitimate
2. coercive
3. referent
4. expert

SMALL BUSINESS MANAGEMENT QUESTIONS

Some of the questions refer to the case study in Chapter 1.

1. According to the former US president Dwight D. Eisenhower there is a great difference between the ability to _____ and the result of leadership.

1. plan
2. organise

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3. lead
 4. control
2. The statement ‘Leaders must have the ability to draw people to them, because they have a vision, a dream, a set of intentions, an agenda and a frame of reference’ refers to management of
 1. attention
 2. meaning
 3. trust
 4. self
 3. Cyril suggested that Cindy should concentrate on her managerial competencies. He told her how important it is that she manages her time better. Time management forms part of _____ managerial competencies.
 1. communication
 2. planning and administration
 3. teamwork
 4. strategic action
 4. Cyril advised Cindy to create a supportive environment for the workers. Creating a supportive environment forms part of _____ managerial competencies.
 1. team work
 2. strategic action
 3. global awareness
 4. self-management
 5. Cyril also suggested that Cindy should balance her work and private life. Balancing work and private life forms part of _____ managerial competencies.
 1. team work
 2. strategic action
 3. global awareness
 4. self-management

SUGGESTED SOLUTIONS TO THE FIRST FIVE QUESTIONS OF THE CHAPTER

Q	A
1	1

2	1
3	1
4	1
5	3

Controlling the management process

Control is the last of the four fundamental functions of management. It is the final step of the management process, where the assessment of actual performance against planned performance initiates a new cycle of planning, organising, leading and control. The areas of control include physical resources, quality control, financial control, budgetary control, the control of information and of human resources.

MULTIPLE-CHOICE QUESTIONS

1. The **primary purpose** of the control process is to ...
 1. establish the standards that have to be maintained
 2. see that the results come as close as possible to the objectives
 3. take corrective action to counteract deviations
 4. continually analyse the cause of deviations
2. Which of the following resources are **focal points** of control?
 - a. physical resources
 - b. financial resources
 - c. information resources
 - d. human resources
 1. a, b
 2. a, b, d
 3. c, d
 4. b, c, d
 5. a, b, c, d
3. The characteristics of an effective control system are ...
 1. complexity and flexibility
 2. integration and flexibility
 3. creativity and integration
 4. creativity and complexity
4. Identify the **first step** in the **control process**.
 1. establish standards

2. observe actual performance
 3. evaluate deviations
 4. take corrective action
5. Identify the **last step** in the **control process**.
1. observe actual performance
 2. establish standards
 3. take corrective action
 4. evaluate deviations
6. Which of the following statements concerning the **control process** are **correct**?
- a. As the size of a business increases it becomes easier to identify areas of weak performance.
 - b. An effective control system allows management to identify problems before they become critical for the organisation.
 - c. Increasing competition results in ineffective cost and quality control.
 - d. Control usually results in better quality.
1. a, b
 2. b, c
 3. a, c
 4. b, d
7. Which of the following statements concerning **control** are **correct**?
- a. Control means applying strict discipline to subordinates.
 - b. Control means getting planning and performance to coincide.
 - c. Control is the last fundamental task of the management process.
 - d. Control is a continuous process.
1. a, b
 2. b, d
 3. b, c, d
 4. a, c, d
 5. a, b, c, d
8. The **design** of a **control system** depends on which of the following **factors**?
- a. nature of the business
 - b. complexity of the business
 - c. activities of the business
 - d. size of the business
 - e. structure of the business

1. a, b, c
2. a, b, e
3. b, c, d
4. a, b, c, d, e
5. a, c, d, e

9. Which of the following are **characteristics** of an **effective control system**?

- a. The control system must be able to adjust to change.
- b. The control system must be a JIT system.
- c. The control system must be integrated with planning.
- d. The control system must not hide mistakes and it should be objective.

1. a, b, c
2. b, c
3. a, d
4. a, c, d

10. Which of the following factors are **characteristics** of an **effective control system**?

- a. timeliness
- b. complexity
- c. integration with planning
- d. accuracy
- e. rigidity

1. a, b
2. a, b, c
3. a, c, d
4. a, c, d, e
5. a, b, c, d, e

11. Which of the following factors make **control** in the present day enterprise **important**?

- a. rapid change in the business environment
- b. increasing size of the organisation
- c. the delegation of tasks to subordinates
- d. the possibility of managers and subordinates making poor decisions and committing errors
- e. organising subordinates

1. a, b, c, d
2. b, d

3. a, c, d, e

4. c, d

12. Control, as a management function, focuses on several areas. Which one of the following is **not** considered to be such an area?

1. physical resources such as inventory and equipment

2. financial resources such as debtor accounts and budgets

3. promotional resources such as sponsorships and special packaging

4. information resources such as environmental scanning and economic forecasts

13. Managers in the organisation must exercise control over four key areas, namely physical, financial, information and human resources. Which of the following are control systems used during the control of **inventory** as a **physical resource**?

a. total quality management (TQM)

b. economic ordering quantity (EOQ)

c. just-in-time (JIT)

d. an operational budget

e. equipment control

1. a, c

2. b, c

3. b, c, d

4. a, c, d, e

5. a, b, c, e

14. Managers in the organisation must exercise control over four key areas, namely physical, financial, information and human resources. Which of the following are control systems used in the **control of human resources**?

a. equity analysis

b. performance measurement

c. affirmative action

d. labour turnover

e. absenteeism ratios

1. a, c

2. b, c

3. b, d, e

4. a, c, d, e

5. a, b, c, e

15. Managers in the organisation must exercise control over four key areas, namely

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physical, financial, information and human resources. Which of the following are control systems used in the control of **financial resources**?

- a. ratio analysis
- b. benchmarking
- c. budgets
- d. variation measurement
- e. specification limits

- 1. a, c
- 2. b, c
- 3. b, c, d
- 4. a, c, d, e
- 5. a, b, c, e

16. The main instrument used to control an organisation's **human resources** is

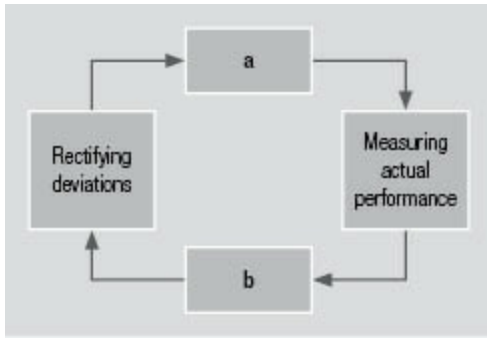
- 1. labour turnover analysis
- 2. performance measurement
- 3. absenteeism analysis
- 4. compensation management

17. Sophie has a manufacturing company. She wants to keep inventory costs as low as possible provided the method she uses does not cause shortages or delay the manufacturing process. Which of the following **control systems** can she use in order to control her **inventory**?

- a. EOQ (economic ordering quantity)
- b. ratio analysis
- c. performance measurement
- d. just-in-time (JIT)

- 1. a, b
- 2. c, d
- 3. a, d
- 4. b, c

Study the diagram below and then answer Questions 18 and 19 that follow.



The diagram above refers to the **control process**.

18. In the diagram, which step in the **control process** is represented by (a)?

1. determining the performance gap
2. determining goals
3. benchmarking performance
4. establishing standards

19. In the diagram, which step in the **control process** is represented by (b)?

1. determining the performance gap
2. determining goals
3. benchmarking performance
4. establishing standards

20. Thabo is the CEO of Computers Ltd, an IT company in Pretoria. Thabo uses certain control procedures to ensure that the company is progressing towards its goals and that the company's resources are being used properly and productively. He does this by means of the control process, which consists of four steps. Arrange the statements below in the correct order according to the **four steps of the control process**.

- a. Thabo revises some of the company's strategies in an attempt to accomplish the standards that were not met.
- b. Thabo establishes certain performance standards related to profitability, market share, productivity and staff development. These performance standards enable Thabo to monitor the company's strategies and goals.
- c. Thabo is concerned to see that sales are 10% lower than the previous year and decides to investigate why there was a deviation between the previous year and the current year.
- d. Thabo measures the actual performance of the company to indicate whether there are disparities between performance standards and actual performance of the company.

1. b, d, c, a

2. d, c, a, b

3. c, a, b, d

4. a, c, d, b

21. Mary owns a big furniture company called Elite Furniture and has been in the business for over 10 years. She understands how important it is to use control procedures to ensure that they are progressing towards their goals, and that their resources are being used properly and productively. She realises that a **control process** is necessary for the following reasons:

- a. Control is the first step in the business management process and is linked with planning, organising and leading.
- b. Control helps companies adapt to environmental change.
- c. Control is only necessary in large organisations that have complex networks and narrow structures.
- d. Control helps minimise costs.

1. a, b

2. a, c

3. b, c

4. b, d

22. Mary understands that every organisation needs a control process because even the best-laid plans may go wrong. Place the following **steps** of the **control process** in the correct order:

- a. Mary needs to measure the actual performance and ensure that the organisation collects information and reports on actual performance on a continuous basis.
- b. Mary needs to determine the need for corrective action and needs to ensure that deviations do not recur.
- c. Mary needs to establish performance standards at strategic points within the business.
- d. Mary needs to determine the performance gap between the performance standard and actual performance.

1. c, a, d, b

2. c, d, b, a

3. a, c, d, b

4. a, d, b, c

23. In order for a control system to be effective, Mary tells her staff that their control system needs to be able to accommodate change. The **characteristic** that Mary is referring to is called

- 1. integration

2. flexibility
3. accuracy
4. timeliness

24. Quinn has her own medical practice and has appointed an additional four doctors to look after patients. She is encountering some problems in her practice regarding general hygiene and has approached you to assist her. What is the **primary purpose** of the control process?
1. Quinn must set hygiene standards that need to be maintained by the doctors when consulting with patients.
 2. Quinn needs to supply enough liquid soap to practising doctors to counteract the problem of lower hygiene levels.
 3. Quinn needs to see that the actual hygiene standards come as close as possible to the objectives she has set for the practice.
 4. Quinn needs to continually analyse the cause of unhygienic practices.
25. Quinn decides to implement a new control system that rigorously monitors doctors' hygiene levels. Quinn understands that the new control system should be designed in such a way that it provides an objective picture of the situation and that errors or deviations should not be concealed in the data. Which **characteristic** of a control system is being described here?
1. integration
 2. flexibility
 3. accuracy
 4. timeliness
26. Which one of the following instruments can Quinn use to control the company's **human resources**?
1. just-in-time system (JIT)
 2. specific ratio analysis
 3. periodic inspections and stocktake
 4. quality control
27. Control, as a management function, focuses on several areas. Which one of the following is **not** considered to be such an area?
1. Physical resources such as inventory and equipment
 2. Financial resources such as debtor accounts and budgets
 3. Promotional resources such as sponsorships and special packaging
 4. Information resources such as environmental scanning and economic forecasts

- 28.** Which **one** of the following statements about the **control of human resources** is **correct**?
- 1.** Human resources are situated at the centre of the other three resource and control systems as these resources involve usage procedures, periodic inspections and stocktaking.
 - 2.** An organisation's human resources are its tangible assets, such as buildings, office equipment and furniture, vehicles, raw materials and finished products.
 - 3.** The main instrument used to control an organisation's human resources is performance measurement.
 - 4.** The control of human resources refers to activities that management performs to ensure a level of quality that will satisfy the consumer and have certain benefits for the organisation.
- 29.** When Edcon decides that they want to capture 30% of the children's clothing market, this refers to step _____ of the **control process**.
- 1.** one
 - 2.** two
 - 3.** three
 - 4.** four
- 30.** When Edcon determines the difference or performance gap between the 30% market share, which they aimed to capture, and the actual market share, which they captured, this refers to step _____ of the **control process**.
- 1.** one
 - 2.** two
 - 3.** three
 - 4.** four

SMALL BUSINESS MANAGEMENT QUESTIONS

Some of the questions refer to the case study in Chapter 1.

- 1.** The creation of realistic standards against which the actual performance of employees and the business can be measured is known as
 - 1.** planning
 - 2.** organising
 - 3.** leading
 - 4.** control

2. To ensure effective control, the standards must be set in a _____ way and they must be acceptable to the workers concerned.
 1. realistic and responsible
 2. clear and accountable
 3. realistic and clear
 4. responsible and accountable
3. Who is responsible for measuring the actual performance of the two seamstresses?
 1. Cindy
 2. Cyril
 3. Fatima
 4. Pauline
4. A realistic time standard for the two seamstresses would be
 1. one hour to sew one curtain measuring two metres by one metre
 2. 30 minutes to place an order for the stock from the manufacturers
 3. three hours to take measurements at clients' homes
 4. 20 minutes to do one delivery
5. A realistic time standard for Pauline would be
 1. one hour to travel to and back from a client's home
 2. three hours to make one curtain
 3. that the weight on one curtain should be at least one kilogram
 4. 40 minutes to handle complaints or enquiries

SUGGESTED SOLUTIONS TO THE FIRST FIVE QUESTIONS OF THE CHAPTER

Q	A
1	2
2	5
3	2
4	1
5	3

Operations management

Operations management involves managing the transformation processes in a business where goods are manufactured and/or services are provided. An operation is a process that transforms inputs into outputs but the term can also refer to any unfamiliar or new task that needs a transformation, such as a new set-up, re-engineering a layout, improving facilities, maintenance, or making a special batch with a unique specification.

MULTIPLE-CHOICE QUESTIONS

6. Arrange the steps for the layout and flow of the manufacturing/service provision facility in the correct order.
- a. selecting the basic layout type
 - b. detail design of the layout
 - c. selecting the process type
- 1. a, b, c
 - 2. a, c, b
 - 3. b, a, c
 - 4. b, c, a
 - 5. c, a, b
7. Which of the following types of layout form the **basic layout types** that depict the general form and arrangement of **operations facilities**?
- a. fixed position layout
 - b. network layout
 - c. product layout
 - d. cellular layout
 - e. process layout
- 1. a, c, d
 - 2. a, b, c
 - 3. a, b, d, e
 - 4. a, c, d, e
 - 5. b, c, d, e

8. Arrange the first five steps of quality planning and control in the **correct order**.
- defining the quality characteristics of the product and service
 - measuring the quality characteristics of the product and service
 - setting standards for each quality characteristic of the product and service
 - controlling quality against the set standards
 - identifying and rectifying the causes of poor quality
- b, d, e, c, a
 - c, a, b, d, e
 - a, b, c, d, e
 - d, c, a, e, b
 - e, a, b, c, d
9. Which **performance standards** are generally used to measure **operational improvement**?
- historical standards
 - target performance standards
 - the performance standards of competitors
 - absolute performance standards
 - the performance of suppliers
- a, b, c, d
 - a, b, d, e
 - a, c, d, e
 - b, c, d, e
 - a, b, c, d, e
10. Which of the following failures are **typical failures** that occur in the **operations processes**?
- facility failures
 - design failures
 - staff failures
 - customer/client failures
- a, b
 - a, d
 - b, c, d
 - a, b, c, d
11. A **jeweller** is an example of a _____ system?
- project

2. jobbing
3. job-lot
4. repetitive

12. Identify the correct **operational process** used by BMW, a motor vehicle manufacturer.

1. project processes
2. jobbing processes
3. batch processes
4. mass processes

13. Which of the following is most likely to be manufactured in a **jobbing process** situation?

1. a bridge
2. Nissan Tiida cars
3. petrol
4. wedding invitations

14. A **poultry farm** is an example of a _____ system.

1. continuous
2. jobbing
3. job-lot
4. project

15. Hosting the **2010 FIFA World Cup** is an example of a _____ process.

1. batch
2. project
3. jobbing
4. mass

16. The steel, glass and plastic used by a motor manufacturer refer to which one of the following **inputs** in the **transformation model**?

1. information
2. equipment and facilities
3. technology
4. material

17. A **goldsmith**, who manufactures jewellery, is an example of a _____ system/process.

1. job-lot

2. continuous
3. jobbing
4. project

18. Match the **operations management guideline** in Block A with the corresponding **positive result** in Block B.

BLOCK A
Operations management guidelines
a. Do things right the first time
b. Do things cost effectively
c. Do things fast
d. Change things quickly
e. Do things right every time

BLOCK B
Positive result
(i) Higher quality
(ii) Lower cost
(iii) Shorter lead time
(iv) Greater adaptability
(v) Lower variability

1. a (i); b (ii); c (iii); d (iv); e (v)
2. a (ii); b (iii); c (iv); d (v); e (i)
3. a (iii); b (ii); c (i); d (iv); e (v)
4. a (iv); b (i); c (ii); d (v); e (iii)
5. a (v); b (iv); c (iii); d (ii); e (i)

19. Which of the following inputs are used by Telkom in the **transformation process** to convert **inputs to outputs**?

- a. material
 - b. clients
 - c. information
 - d. personnel
 - e. technology
1. a, b, c, d
 2. a, b, c, e
 3. b, c, d, e

4. a, b, c, d, e

20. Abram Phenya from BMX Motors is the **operational manager** of the plant. Which of the following **activities** are his responsibilities?

- a. to design the operations process
- b. to plan and control the operations process
- c. to determine the operations profit
- d. to improve the operations process

1. a, b, c, d

2. a, b, c

3. a, b, d

4. b, c, d

21. Match the following **services** in Block A with the three main categories of **operational processes** for service providers in Block B.

BLOCK A
Services
a. Deloitte and Touche management services
b. ABSA banking services
c. The Sheraton hotel in Pretoria
d. South African Airways
e. Doctor John Doe, medical practitioner

BLOCK B
Operational processes
(i) Service shop
(ii) Professional services
(iii) Mass services

1. a (i); b (ii); c (iii); d (i); e (iii)

2. a (ii); b (i); c (ii); d (ii); e (ii)

3. a (ii); b (i); c (i); d (iii); e (ii)

4. a (iii); b(ii); c (i); d (ii); e (i)

22. Which of the following business occupations can generally be classified as an example of **professional** services?

- a. Dr John 'healing hands' McKluskery – medical doctor
- b. Ms Jane 'do good' Jones – pharmacist

- c. Mr John 'shaking bones' Dlodlu – sangoma
 - d. Ms Tabang 'beauty in the eye of the beholder' Molefa – beautician
 - e. Ms Glona 'bean counter' Radebe – chartered accountant
- 1. a, b, c, d
 - 2. c, d, e
 - 3. a, b, c, e
 - 4. a, b, e

23. An **output** of a large bank is

- 1. record keeping of accounts
- 2. bank tellers and financial advisors
- 3. accurate bank statements
- 4. receipt and payment of money

24. Circle the type of **layout** that is used for the construction site of a stadium for a mega sports event.

- 1. fixed position layout
- 2. line-flow layout
- 3. product layout
- 4. cellular layout

25. Owing to high popularity, hotels charge tourists high rates during the holiday. During the off-season periods, hotels offer much lower rates with the hope of attracting guests in order to fill up their capacity. What type of **capacity plan** is used here to accommodate variations in demand?

- 1. level capacity plan
- 2. chase-demand plan
- 3. demand management plan
- 4. production plan

26. Identify the correct **operational process** used by BMW, a motor vehicle manufacturer.

- 1. project processes
- 2. jobbing processes
- 3. batch processes
- 4. mass processes

27. Which three of the following resources are transformed into **outputs** in the **transformation process**?

- a. technology

- b. customers
- c. material
- d. information

- 1. a, b, c
- 2. a, b, d
- 3. a, c, d
- 4. b, c, d

Read the scenario below and answer Questions 23 to 26 that follow.

Tebogo owns his own line of shoe stores and has been so successful that he has decided to start his own shoe label that will be sold exclusively in his stores. The shoe label will be called 'Kiatu' and Tebogo is considering buying his own manufacturing plant to run the operations side of the label.

- 28.** Tebogo has approached you, his business analyst, to advise him on the decision of whether or not to buy his own manufacturing plant. Which one of the following would be an **advantage** for Tebogo if he was to own **an effective and efficient operation**?
- 1. Tebogo will be able to reduce the costs of making his shoes as the cost of production will be reduced.
 - 2. Tebogo will experience an increase in the amount of investment (capital) needed to manufacture his shoes.
 - 3. Tebogo will need to continue to produce the same shoe for the next 20 years as production techniques are set for a long time period.
 - 4. Tebogo can expect an initial decline in revenue.
- 29.** The **transformation process** requires several inputs in order for the organisation to deliver an output. Which of the following will **not** be an **input** for Tebogo's Kiatu shoe label?
- 1. Leather material that forms the upper part of the shoe
 - 2. Tebogo's loyal and trusted customers
 - 3. The skilled workers Tebogo has appointed to manufacture the shoes
 - 4. Tebogo's operations design that he will use at his plant
- 30.** Tebogo's uncle owns a manufacturing plant that produces cans of tomato and bean mix. Tebogo's uncle produces almost 2 000 cans a day. Tebogo aims to produce 10 pairs of shoes per day. The biggest difference between the two operations processes with regard to output can be considered to be the _____ of **outputs**.
- 1. variety
 - 2. volume
 - 3. variation

4. visibility

31. Tebogo plans on manufacturing his shoes on a small scale with a low volume of outputs. This will ensure that his label remains as exclusive as possible. Which **process type** for manufacturers would you recommend Tebogo implements at his plant?
1. jobbing processes
 2. project processes
 3. batch processes
 4. mass processes
32. Which **performance standards** are generally used to measure **operational improvement**?
- a. historical standards
 - b. target performance standards
 - c. the performance standards of competitors
 - d. absolute performance standards
 - e. the performance of suppliers
1. a, c, e
 2. a, b, d, e
 3. a, b, c, d
 4. b, d, e
33. In the transformation process of Nomiss, a missile manufacturer, the **inputs** are
1. printing machines and ground-to-ground missiles
 2. rocket launchers and air-to-air missiles
 3. engineers and technicians and computers
 4. air-to-air and ground-to-ground missiles
34. In the transformation process of Probank, a large banking group, the **outputs** are
1. receipt and payment of money
 2. financial earnings (interest)
 3. record-keeping of accounts
 4. safekeeping of valuable articles
35. What type of **layout** is used for the construction site of a stadium for a mega sports event?
1. fixed position layout
 2. line-flow layout
 3. product layout

4. cellular layout

36. During the 2010 FIFA World Cup many car rental companies were able to cope with the sudden increased demand for rental cars. To which one of the following **operations management performance objectives** does this refer?

1. Do things right the first time.
2. Do things cost effectively.
3. Do things better.
4. Make changes quickly.

37. Google has transformed access to information with a magical ability to produce speedy, relevant responses to satisfied clients. Which one of the following **operations management performance objectives** does this refer to?

1. Do things fast.
2. Make changes quickly.
3. Do things right every time.
4. Do things better.

38. The busiest airspace in Africa is above Johannesburg. Here we have the OR Tambo International Airport (ORTIA) cooperating with Rand and Lanseria airports. These airports can thus be classified as which one of the following **process types**?

1. service shops
2. mass services
3. continuous processes
4. professional services

SMALL BUSINESS MANAGEMENT QUESTIONS

Some of the questions refer to the case study in Chapter 1.

1. The dynamics of operations management states that operations management is about

... .

- a. change
 - b. creativity
 - c. productivity
 - d. adding value
1. a, b
 2. a, b, c
 3. a, b, c, d

4. b, c, d

2. Primary lead-time elements could delay the processing time of a particular job. The time needed to prepare equipment for processing a new job is known as _____ time.

- 1.** queue
- 2.** set-up
- 3.** waiting
- 4.** inspection

3. Micro-productivity

- a.** refers to an individual business's operations
- b.** refers to a nation's entire production
- c.** is measured by dividing the total output of a country by its total population
- d.** is measured by dividing output by input

- 1.** a, b
- 2.** b, c
- 3.** a, d
- 4.** a, c

4. The components of direct inventory carrying cost are capital cost and holding cost. Holding cost refers to the cost involved in

- 1.** paying interest
- 2.** renting storage facilities
- 3.** record-keeping
- 4.** stocktaking

5. To manufacture the custom-made curtains, Chetty's Curtain Creations needs inputs such as the workshop, capital, seamstresses, and

- a.** industrial sewing-machines and overlockers
- b.** workbenches and chairs
- c.** fabric and cotton
- d.** scissors, measuring tapes, needles and pins

- 1.** a, b, c
- 2.** b, c, d
- 3.** a, b, c, d
- 4.** a, b, d

6. Chetty's Curtain Creations manufactures curtains and blinds according to the designs and preferences of the consumers. The enterprise would therefore use a _____

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operations system.

1. continuous
2. repetitive
3. job
4. project

7. Because Chetty's Curtain Creations manufactures the curtains and blinds according to the designs and preferences of the consumers, they would use a _____ layout type.

1. fixed-position
2. process
3. cell
4. product

8. Chetty's Curtain Creations is a small enterprise and would only be able to manufacture a limited quantity of curtains within a certain period. This is an example of how their _____ could restrict their production.

1. capacity
2. demand forecasting
3. master scheduling
4. operations scheduling

9. Chetty's Curtain Creations would use their aggregate plan for the year to draw-up a _____ to indicate how many curtains they want to manufacture per month and how many blinds they want to manufacture per month.

1. master production schedule
2. product plan
3. fixed-capacity plan
4. variable capacity plan

10. When a client places an order, Cyril and the client have to reach an agreement on the date of delivery. If the client insists on a particular date, Cyril would use this date as a starting point and exercise _____ scheduling to ensure that the curtains are ready on time.

1. forward
2. backward
3. master
4. aggregate

SUGGESTED SOLUTIONS TO THE FIRST FIVE QUESTIONS OF THE CHAPTER

Q	A
1	5
2	4
3	3
4	1
5	4

Human resource management and the SA labour legislative framework

Human resource (HR) management entails planning, organising, leading, motivating and controlling an organisation's human resources, often viewed as a business's greatest asset. The human resource function has two roles:

- to increase organisational effectiveness
- to satisfy each employee's needs.

MULTIPLE-CHOICE QUESTIONS

1. Mary Mashego is the HR manager of Glamour, a large ladies clothing manufacturer, and one of her tasks is to do the human resource planning for the company. What is the first step that Mary Mashego has to follow in the **human resource planning process**?
 1. Give a summary of the job and a brief description of each main task.
 2. Describe the personal qualifications an employee must possess in order to perform the duties and responsibilities.
 3. Describe and record information about job behaviours and activities.
 4. Identify the number of employees who will be needed in the future.
2. The crux of the **equity theory of motivation** is that
 1. employees compare their efforts and rewards with other employees and are motivated by the desire to be equitably treated
 2. a state of equity exists when an employee changes the person that he/she compares him/herself with and when they change their outputs
 3. when outcomes are more than inputs, inequity exists and the employee's motivation will be influenced only by absolute rewards
 4. to produce a state of equity after equity tension has been experienced, the employee will prefer relative monetary rewards to absolute monetary rewards
3. Sipho wants to know more about **Maslow's hierarchy of needs**. This theory assumes the following:
 1. There are five main areas that should be satisfied simultaneously.

2. There are three main areas of needs and the most dominant of these must be determined.
 3. There are five main areas and some needs must be satisfied before others can become important.
 4. There are three main areas that are activated by how much employees want something.
4. Which one of the following statements is **incorrect**?
1. The selection process can vary from a short interview to an intensive assessment process.
 2. Intensive assessment involves psychological testing and diagnostic interviewing.
 3. Psychological testing cannot accurately predict which applicant will be successful.
 4. The selection process for lower management posts can be divided into three phases.
5. The '**shotgun**' approach to training refers to ...
1. sending as many employees as possible for training
 2. using various sources (e.g. educational institutions, in-house training programmes and professional training colleges) to present training
 3. regarding any training as valuable
 4. linking training initiatives with employees' career objectives
6. Lindi manages the HR department at Nyala Tours based in Mpumalanga. In preparation for the 2010 FIFA World Cup, Lindi recognises that she will need more staff who are skilled in tour guiding and who can speak German. The prospective employees will need to have relevant knowledge about Mpumalanga's attractions, they must have skills and abilities relevant to tour guiding, and should be able to communicate well with German tourists. This **step of HR planning** is called job ...
1. analysis
 2. description
 3. specification
 4. forecasting
7. Ronny is a bank clerk. He works as a cashier but in the past year he has also worked in the foreign currency department, the bonds department and the savings department (job rotation). He is on a training programme to help develop bank managers. Identify the **development method** used in this scenario.

1. formal development inside the work situation
2. informal development inside the work situation
3. formal development outside the work situation
4. informal development outside the work situation

Read the following scenario and answer Question 8 that follows.

Sipho is the HR manager of a large, internationally-based corporate company. His objective for the next month is to review the motivation and management of the human resources of the company. This is a huge task and Sipho has asked some of his assistants to help him achieve this objective within the next month. Sipho asks his assistants to review all they know about motivating employees, reiterating that the motivation of employees is a complex matter.

8. Sipho suggests that they start with the basic motivation theories. He recalls that motivation theories can be divided into two groups: **content theories** and **process theories**. He explains the difference between these two groups to his team. Circle the correct explanation.
1. Content theories emphasise the things in us that motivate our behaviour, whereas process theories focus on why people choose certain behavioural options and how they evaluate their satisfaction following goal achievement.
 2. Process theories emphasise the things in us that motivate behaviour, whereas content theories focus on why people choose certain behavioural options and how they evaluate their satisfaction following goal achievement.
 3. Process theories focus more on the needs and incentives that cause behaviour, while content theories focus on why people choose certain behavioural options and how they evaluate their satisfaction following goal achievement.
 4. Content theories focus on the fact that different people have different needs, goals and desires, whereas process theories focus on those expectations that will guide the actions of employees following given outcomes.
9. Which of the following are examples of **informal training** within the job situation?
- a. a one-day course conducted by the HR manager
 - b. rotating an employee through different positions in a department
 - c. a senior member of staff training a new employee to do the work
 - d. a training programme for new employees conducted by a consultant.
1. a, b, d
 2. b, c
 3. a, b, c
 4. b, c, d
10. Computer Ltd has many applicants for the computer programming post that they had

advertised in the local newspaper. Which of the following are **questions** that the HR manager should ask these applicants during the **preliminary screening phase** of the selection process?

- a. How often has the applicant changed jobs?
- b. What type of jobs did the applicant hold in the past?
- c. How quickly did the applicant progress?
- d. Does the applicant comply with the minimum requirements as given in the job specification?

- 1. a, b
- 2. a, b, c
- 3. b, c, d
- 4. a, b, c, d

11. Line managers of a company are informed that **performance appraisals** will be done throughout the year. The performance information will be used to ...

- 1. compile requirements for each job, provide a basis for financial rewards, and determine whether employees should be promoted
- 2. provide a basis for financial rewards, provide feedback to the employees on their performance, and to compile job descriptions
- 3. compile job specifications, compile a training and development programme, and provide feedback to the employees on their performance
- 4. provide a basis for financial rewards, determine whether employees should be promoted, and provide employees with feedback on their performance

12. The HR planning process has indicated that a company does not have enough qualified workers to run the plant on a fully automated basis. One of the most important positions to fill is that of an electronic engineer. Which of the following **recruitment methods** will you recommend?

- 1. ask the line managers for referrals
- 2. place an advertisement in *The Sunday Times* to recruit suitable candidates
- 3. place an advertisement on the notice board of the company, as well as in the company's in-house newsletter
- 4. not advertise the post but visit a university nearby to recruit engineering students directly

13. **Human resource planning** can be divided into three specific steps. Match the **steps** in Block A with the corresponding **description** in Block B.

BLOCK A

Steps
a. Job analysis and job description
b. Job specification
c. Human resource forecasting

BLOCK B
Description
(i) Identify the number of employees who will be needed in the future
(ii) Identify the work being done in the business at present
(iii) Identify the type of employees needed to do the work

1. a (i); b (ii); c (iii)
2. a (i); b (iii); c (ii)
3. a (ii); b (iii); c (i)
4. a (iii); b (ii); c (i)

14. Some information displayed on Hazel's salary advice (payslip) is presented in the table below.

NAME: HAZEL LINDT		DATE: 2013.05.25	
Basic salary:	R8 500,00	PAYE:	R3 080,00
Medical aid:	R1 000,00	UIF:	R115,00
Pension plan:	R850,00		
Housing subsidy:	R600,00	Bonus:	R2 000,00
Leave credit:			
10 days' annual leave			
12 days' sick leave			

Which of the following would be considered part of Hazel's **indirect compensation**?

1. leave credit, medical aid, pension plan and bonus
2. leave credit, medical aid, pension plan and housing subsidy
3. basic salary, medical aid, pension plan and housing subsidy
4. basic salary, pension plan, housing subsidy and bonus

15. Place the steps in **human resource planning** in the correct order.

- a. Identify the job currently being performed in the enterprise
- b. Identify the type of incumbent required to perform that job
- c. Identify the number of incumbents who will be required in future

1. a, c, b
2. b, a, c
3. b, c, a
4. a, b, c
5. c, a, b

16. The receptionist was rated as ‘very poor’ in terms of her **friendliness**. In response, she could argue that friendliness should not be regarded as a performance criterion because it

1. is not relevant to a receptionist’s job
2. is not measurable
3. is not accepted by managers and employees as a performance criteria
4. does not distinguish between good and poor performers

17. Peter is learning to be a train driver. At present he does not get a very high salary because he is still in training but he enjoys the work and does not want to do anything else. His elder brother, David, left home in Grade 10 to go and work on the mines. David hates working underground but knows that working on the mines is the most well-paid job he will be able to find, given his low level of education. Choose the **correct combination**:

1. Both Peter and David’s motivation is external.
2. Peter’s motivation is internal and David’s motivation is external.
3. Peter’s motivation is external and David’s motivation is internal.
4. Both Peter and David’s motivation is internal.

18. Productivity improvement may be achieved in which of the following basic ways?

- a. increased output being achieved with fewer inputs
- b. increased output being achieved with the same inputs
- c. the same output being achieved with the same input
- d. a larger output being produced with more inputs but the marginal increase in output being larger than the marginal increase in inputs

1. a, c
2. c, d
3. a, b, d

Read the following scenario and answer Question 19 that follows.

John is the driver of a 10-tonne truck for ABC Transport. He has been working there for three years. Thabo, a driver of a 30-tonne truck has only been with the company for six months and earns R1 000 more than John. As John is a qualified driver, he assists Thabo in his job when he is sick or on leave. John feels that this is not fair and that he is not correctly treated. He asked for a raise once but the managing director

threatened to fire him if he remained stubborn. John is a very dissatisfied worker.

- 19.** Which one of the following **roles** did the HR manager neglect in this case?
1. providing the company with well-trained and motivated employees
 2. assisting the employees' to attain job satisfaction and self-actualisation
 3. assisting everybody in the company to reach the company goals and personal goals
 4. managing change to the mutual advantage of individuals and groups
- 20.** Vroom's **expectancy theory** should be considered when motivating employees. The theory is based on four assumptions. Choose the alternative with the **correct** assumptions.
1. Behaviour is a combination of forces controlled by the organisation and the environment. People compare their efforts and rewards with those of other employees in similar positions in the organisation; people have different needs, goals and desires. The tendency to act in a certain way depends on the strength of the expectation that the action will be followed by a given outcome.
 2. Behaviour is a combination of forces controlled by the individual and the environment. People make decisions about their own behaviour in organisations; different people have different needs, goals and desires. The tendency to act in a certain way depends on the strength of the expectation that the action will be followed by a given outcome.
 3. Behaviour is a combination of forces controlled by the individual and the environment. People make decisions about their own behaviour in organisations; people will perform better if they strive towards a definite goal. The tendency to act in a certain way depends on the strength of the expectation that the action will be followed by a given outcome.
 4. Behaviour is a combination of forces controlled by the individual and the environment. People make decisions about their own behaviour in organisations; different people have different needs, goals and desires. The tendency to act in a certain way depends on the need for power.
- 21.** Coca-Cola pays its employees a salary. Which of the specific **needs** in Maslow's hierarchy does this fulfil?
1. physiological needs
 2. safety and security needs
 3. esteem needs
 4. self-actualisation needs

Read the case study below and answer Questions 22 to 26 that follow.

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Siemens is the engineering group that is behind many of the products and services people take for granted in their daily lives. Siemens provides opportunities for young people at all levels to enter the world of engineering. It recruits at a number of different levels. For example, it offers apprenticeships for those entering the company with a General Certificate of Secondary Education. Siemens also recruits undergraduates and graduates into professional engineering jobs. It goes beyond the standard approaches to attracting good people because its employees enable it to be competitive. This approach has led to Siemens becoming an open culture with opportunities for employees at all levels.

22. Siemens offers engineering staff training and development opportunities; this allows employees to satisfy their _____ **needs**, as it helps engineers to extend their capabilities which may lead to a progression up the career ladder.

1. esteem
2. social
3. self-actualisation
4. physiological

23. Siemens runs schemes in which suggestions and projects for improvement are rewarded. This could be financially, either individually or as part of a team, or in terms of peer or management recognition of their achievements. Recognition of an employee's achievements by the employer helps to meet the employee's _____ **needs**.

1. esteem
2. social
3. self-actualisation
4. physiological

24. Match the **motivational strategy** in Block A with the correct **description** in Block B.

BLOCK A	
Motivational strategy	
a.	Job rotation
b.	Job enlargement
c.	Job enrichment

BLOCK B	
Description	
(i)	Siemens helps their engineers to extend their capabilities, providing opportunities to expand their duties and responsibilities
(ii)	Some Siemens employees find the varied nature of the work motivating: they have opportunities to try different roles

1. a (ii); b (i); c (iii)
2. a (i); b (ii); c (iii)
3. a (iii); b (i); c (ii)
4. a (iii); b (ii); c (i)

25. Siemens would like to **recruit and select** new candidates for internal positions at the company. What is the most efficient method for separating undesirable candidates from potential applicants?

1. Comparing the application with the job specification
2. Conducting intensive assessments such as psychological testing and diagnostic interviewing
3. Conducting reference and background checks on each candidate
4. The HR manager needs to consult their referees to confirm the information the candidate has provided

26. In the HR planning process, Siemens needs to identify the skills, knowledge, experience and qualifications employees need to be effective in their jobs. This is known as _____ and is _____ in the **HR planning process**.

1. job design; step 2
2. job specification; step 2
3. job design; step 3
4. job specification; step 3

27. Which of the following are questions that can be asked during the **preliminary screening process**?

- a. Are you married, divorced or single?
 - b. Which jobs have you held in the past?
 - c. How often have you changed jobs?
 - d. What are your leisure-time activities?
1. a, b
 2. b, c, d
 3. a, b, c
 4. a, d

28. Which one of the following is also known as a **performance appraisal**?

1. performance review
2. employee appraisal
3. employee values

4. performance rating

29. During the **selection** process, **diagnostic interviewing** refers to:

1. placement and induction
2. final selection
3. preliminary screening
4. intensive assessment

30. After the HR manager has completed the preliminary screening of the applicants, she or he must do an **intensive assessment**. This involves two steps, namely _____ testing and _____ interviewing.

1. IQ; psychological
2. medical; shortlist
3. diagnostic; shortlist
4. psychological; diagnostic

Read the following extract from an interview that a consultant had with an NCX Pharmaceuticals employee and answer Questions 31 and 32 that follow.

Consultant:

What is it about NCX Pharmaceuticals that gives you the most satisfaction?

Thabo:

I really enjoy my work. I have always been interested in sales and marketing and the pharmaceutical industry is so diverse and challenging.

31. According to **Herzberg**, which type of motivation does Thabo have?

1. horizontal motivation
2. internal motivation
3. vertical motivation
4. external motivation

32. If NCX Pharmaceuticals were to offer Thabo a petrol allowance and a loan subsidy for buying a house, these could be classified as _____ **compensation**.

1. direct
2. job
3. indirect
4. rewards

Read the following extract from an interview that a consultant had with an NCX Pharmaceuticals employee and answer Question 33 that follows.

Consultant:

How does your performance management system work?

Simon:

The supervisor rates the employee on 1 March and 1 September each year. The supervisor then discusses the rating with the employee. After the supervisor and employee have signed the evaluation, the supervisor sends it to the HR department. The document is then placed on the employee's file. If promotions come up, the cumulative ratings are taken into account in reaching a decision. The ratings are also supposed to be used when raises are given.

- 33.** As a result of the many problems that arise out of the traditional performance appraisal method mentioned in the interview above, a new approach was developed where the supervisor is no longer the sole source of performance appraisal information. Instead, feedback from various colleagues and constituencies is obtained and given to the manager, who then interprets the feedback from the various sources. This approach is known as the _____ system.
1. review
 2. appraisal
 3. 360°
 4. ABC

SMALL BUSINESS MANAGEMENT QUESTIONS

Some of the questions refer to the case study in Chapter 1.

1. The process by which a business chooses the most suitable person for the advertised position from the list of applicants is known as
 1. recruitment
 2. selection
 3. employment
 4. placement
2. The **Act** that aims to promote and achieve equality in the workplace by encouraging equal opportunity among all workers is called the _____ Act.
 1. Basic Conditions of Employment
 2. Employment Equity
 3. Labour Relations
 4. Skills Development
3. The three parties to consider in labour relations are
 1. labour, management and government
 2. labour, management and contractors
 3. labour, government and contractors
 4. management, government and contractors

4. The process whereby entrepreneurs acquire the necessary experience, management skills and aptitudes to function successfully is known as
1. a job description
 2. a job specification
 3. orientation
 4. development
5. Who is responsible for identifying the training needs of the two seamstresses?
1. Cindy
 2. Cyril
 3. Fatima
 4. Pauline
6. Fatima and Pauline are responsible for answering the telephone, handling enquiries and complaints, placing orders, receiving deliveries, record-keeping and filing. These duties refer to their
1. job descriptions
 2. job specifications
 3. development
 4. training specifications
7. In the advertisement of the new administrative position, Cindy would specify the _____ when she compiles the advertisement.
1. training plan
 2. job specification
 3. development plan
 4. indirect remuneration programme
8. Because there were no internal candidates for the new administrative position, Cindy would have to make use of external recruitment sources and methods, such as
1. job posting
 2. proficiency surveys
 3. references
 4. training institutions
9. Indicate which information should NOT be included in the advertisement of the new administrative position.
1. the job title
 2. the salary

3. the development plan
4. the application procedures

10. Who represents the union in Chetty's Curtain Creations?

1. Cindy
2. Cyril
3. Fatima
4. Pauline

SUGGESTED SOLUTIONS TO THE FIRST FIVE QUESTIONS OF THE CHAPTER

Q	A
1	3
2	1
3	3
4	4
5	3

Marketing is one of the central activities in any business today. Marketing research provides managers and business owners alike with valuable information on potential and current customers. The marketing concept is the code that the marketing department follows in order to fulfil its tasks. In order to market a product or service to the right market, segmentation should be used. Marketers need to know how customers typically make decisions, so that possible needs can be identified and fulfilled with the use of the marketing mix. The marketing mix includes:

- product
- price
- promotion
- distribution.

MULTIPLE-CHOICE QUESTIONS

1. Nirvashni (a bride-to-be) sees an advertisement for traditional Indian bridal wear. She excitedly tells her mother about the advertisement. However, she did not pay attention to the advertisement on burial services that followed the bridal wear advertisement. Nirvashni has shown that _____ plays an important role in **customer behaviour**.
 1. motivation/need
 2. attitude
 3. perception
 4. learning
2. The marketing team of Toyota South Africa is in the process of developing a new affordable electric two-seater vehicle. The idea for the new vehicle has been developed and screened to determine its viability from a marketing and financial point of view. Unprofitable product ideas have also been eliminated. The next step in **the new product development process** would be to
 1. develop a prototype of the new electric two-seater vehicle
 2. develop a marketing strategy for the new electric two-seater vehicle
 3. test the market's reaction to the new electric two-seater vehicle in the Johannesburg area

4. introduce the new electric two-seater vehicle to the market
 5. develop a promotional campaign for the new electric two-seater vehicle.
3. The **decision** to give coverage of a news release in a newspaper depends on the
1. newspaper editor
 2. head of public relations
 3. executive manager
 4. news reporter
4. Which one of the following is **not** a relevant factor in the choice of **packaging design**?
1. reusable packaging
 2. packaging materials
 3. the shape of the package
 4. packaging sizes
5. Cosmetic samples that will be distributed to consumers are a form of
1. sales promotion
 2. advertising
 3. publicity
 4. personal selling

Read the following scenario and answer Questions 6 to 8 that follow.

Rebecca Molefe is the marketing manager of a large ladies clothing enterprise called Fashion Wear. A new range of fashionable clothing has just been designed and after the market segmentation process, Rebecca Molefe describes the selected/identified market segment as follows: 'unmarried, liberal women between 18 and 28 years of age, with an income of more than R130 000 per year, and who live in the Western Cape'. Rebecca and her marketing team decide to sell the new range of clothing at a high price and to distribute it through two outlets, namely Boutique 4U and Boutique Michelle.

6. Which of the following **segmentation criteria** were used to identify this market segment?
1. demographic, psychographic and behavioural
 2. geographic, demographic and psychographic
 3. demographic, behavioural and geographic
 4. psychographic, geographic and behavioural
7. What type of **pricing** is Rebecca using?
1. penetration pricing
 2. leader pricing
 3. skimming pricing

4. bait pricing
8. What type of **market coverage** has Rebecca chosen?
1. intensive
 2. exclusive
 3. speciality
 4. selective
9. A new jewellery store, Q Jewellery, has recently opened in the middle of a busy shopping centre. As the store hopes to penetrate the market rapidly, the initial prices of its products are quite low. Even though the prices are rather low, the blue and silver packaging in which the jewellery is sold is quite unique. Which **one** of the following statements would apply to Q Jewellery?
1. It sells speciality products, in family packaging, at skimming prices.
 2. It sells convenience products, in speciality packaging, at leader prices.
 3. It sells shopping products, in speciality packaging, at market penetration prices.
 4. It sells speciality products, in reusable packaging, at bait prices.
10. A young man named Joey sees an advertisement for Heineken beer on TV. His interpretation is that drinking Heineken demonstrates masculinity and he goes to the liquor store to buy a six-pack of the beer. Which **one** of the following individual factors of **consumer behaviour** influences Joey's behaviour?
1. attitude
 2. perception
 3. personality
 4. lifestyle
11. Pick n Pay sponsors various educational and charitable events. The retail group is very visible in athletics, sponsoring the Comrades Marathon and the Cape Argus Pick n Pay Cycle Tour. This is an illustration of Pick n Pay adhering to the **principle** of _____ of the **marketing concept**.
1. consumer orientation
 2. social responsibility
 3. organisational integration
 4. product orientation
12. In its promotion campaign, the Tommy Hilfiger perfume 'True Star' featured the well-known singer Beyoncé Knowles using the perfume. Beyoncé is a reference person who admirers will look to when taking consumer decisions. This is an example of a(n) _____ factor which makes use of _____ to influence

consumer purchasing patterns.

1. group; reference groups
2. group; cultural group
3. group; opinion leaders
4. individual; opinion leaders

13. Marketing management has to make decisions about certain variables, known as **marketing instruments**. Which of the following are these variables?

- a. raw materials
- b. the product itself
- c. the distribution of the product
- d. the marketing communication methods to be used
- e. the value of the product to the consumer

1. a, b, e
2. a, c, d
3. b, c, d, e
4. b, c, e

14. Which of the following statements concerning **target market selection** are correct?

- a. The objectives and resources of the enterprise have to be carefully considered before a target market can be selected.
- b. A market offering is developed for each target market chosen.
- c. Target market selection can reach numerous individual target markets.
- d. An enterprise does not own target markets.

1. a, b
2. a, d
3. a, c, d
4. a, b, c, d

15. The principle of **consumer orientation** entails, among other things, that the enterprise

- a. must provide the consumer with correct and sufficient information
- b. must always try to satisfy all of the consumer's needs
- c. should satisfy the consumer only within the limits of the profit objective
- d. should contribute to the welfare of the community in which the consumers live

1. a, b, c
2. a, c
3. b, c, d

4. c, d

16. A market segment for luxury, upmarket furniture can be selected according to various criteria. Match the **criteria** in Block A with the possible **variable** in Block B.

BLOCK A
Criteria
a. Demographic
b. Geographic
c. Psychographic
d. Behaviouristic

BLOCK B
Possible variable
(i) Consumers in upmarket areas of the different provinces, for example Clifton in Cape Town and Sandton in Johannesburg
(ii) Consumers with ambitious personality traits from affluent social groups
(iii) Consumers who are looking for the benefit of prestige
(iv) Consumers in the higher income bracket with a professional occupation

1. a (iv); b (i); c (iii); d (ii)
2. a (ii); b (i); c (iv); d (iii)
3. a (ii); b (iv); c (i); d (iii)
4. a (iv); b (i); c (ii); d (iii)

Read the scenario below and answer Questions 17 and 18 that follow.

Maxo, a large computer company has experienced a decline in its computer sales. The company has decided to conduct a survey to determine the cause of the sales decline.

17. Arrange in the **correct order** the first five steps that Maxo should follow when conducting a survey.

- a. investigating the hypotheses
 - b. testing the questionnaire
 - c. describing the problem
 - d. formulating probable explanations and causes
 - e. compiling the questionnaire
1. a, b, c, d, e
 2. b, d, c, a, e
 3. e, a, b, d, c

4. c, d, a, e, b

18. Which of the following behavioural criteria are relevant in **market segmentation**?

- a. product usage
- b. brand loyalty
- c. post-purchase evaluation
- d. reverse price sensitivity

1. a, c

2. a, b, d

3. b, c, d

4. a, b, c

Read the scenario below and answer Question 19 that follows.

Beauty Care is a new cosmetics company situated in Gauteng. The marketing manager has decided to develop a marketing communication campaign to make consumers aware of Beauty Care's cosmetics and to persuade consumers to purchase its cosmetics. A decision has been taken to train sales representatives on the company's products. Sales representatives will be expected to visit retailers and sell directly to consumers. They will be expected to distribute samples of the cosmetics to consumers as well as dealers. A competition will also be developed where consumers will be asked to design a logo for the company. In addition to the above marketing communication activities, it was also decided that Beauty Care would be one of the sponsors of the Miss South Africa competition and that diaries with the company name on them would be distributed to as many people as possible.

19. Which of the following **marketing communication methods** does Beauty Care **not** make use of?

- a. personal selling
- b. direct marketing
- c. advertising
- d. publicity
- e. sales promotion

1. a, b, e

2. a, d

3. b, c

4. b, d, e

20. In terms of the **marketing concept** and the principle of **social responsibility**, which two of the following statements are **correct**?

- a. Marketing management has a responsibility towards the community.
- b. It is not the responsibility of marketing management to initiate sponsorship projects.
- c. A sponsored event is the responsibility of the public relations department.

- d. A merit of the marketing concept is that it purposely exploits consumers for higher profits.
- e. A business is entitled to its profit to offset the risks involved in developing products.

1. b, d

2. a, e

3. c, d

4. b, c

21. The South African liquor market is divided into different segments. Distell targets consumers of spirits and flavoured alcoholic beverages, known as FABs. Brandhouse targets the malt beer, spirits and FABs' market segments. United National Breweries targets the sorghum beer market. Which type of **segmentation strategy** is being used by United National Breweries?

1. mass market or market aggregation

2. single-segment approach

3. multi-segment approach

4. focused segmentation

22. Heineken has followed a diversification strategy in the past. Which one of the following strategies aptly describes the **diversification strategy** followed by the group?

1. Heineken beer is available in almost any country in the world.

2. Heineken today is the most valuable international premium beer brand.

3. Heineken is a major manufacturer of beer and cider products in various countries in the world.

4. Heineken has the major market share in the premium beer market.

23. There are a number of variables that Heinken's marketing management team must consider as part of the marketing process. Which of the following are **variables** they need to consider?

a. Raw materials such as malted barley

b. The beer itself

c. The distribution of the beer across the globe

d. The marketing communication methods to be used

e. The value of the product to the consumer

1. a, b, e

2. a, c, d

3. b, c, d, e

4. b, c, e

- 24.** The various brands of beer that SABMiller markets include: Castle Lager, Castle Light, Carling Black Label and Hansa Pilsner, to name a few. The packaging for these various brands is very similar with only the individual labels being different. SABMiller is making use of _____ **packaging**.
1. reusable
 2. speciality
 3. family
 4. economic
- 25.** **Samples** of beer are handed out at clubs over weekends. This refers to _____.
1. sales promotion
 2. advertising
 3. publicity
 4. personal selling
- 26.** Amanda wants to purchase a microwave oven. She is not at all knowledgeable about the various kinds of microwave ovens. She has visited several stores including Pick n Pay, Checkers and Makro. She compares various brands for their suitability, quality, features and price. Microwave ovens are known as
1. convenience products
 2. shopping products
 3. impulsive products
 4. speciality products
- 27.** The perfume producer, Issey Miyake, packages its perfume for women in a cylindrical bottle with a metallic lid. The perfume is usually further packaged in an oddly shaped box, making it an interesting gift. This is known as _____ **packaging**.
1. family
 2. kaleidoscopic
 3. reusable
 4. speciality

Read the case study below and answer Questions 28 to 30 that follow.

Toyota sells a variety of motor vehicles, one of them being the Toyota RAV4, which is an SUV with four tyres, a spare tyre, seating capacity for five adults and an engine capacity of 2.4 litres. It has a three-year or 75 000 km warranty and a motor plan for the first five years. These vehicles are sold at all Toyota dealers across the country. Toyota also sells Lexus cars that are advertised in prestigious magazines and sold at exclusive dealerships at a much higher price than that of the RAV4.

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- 28.** The RAV4's four tyres, a spare tyre, seating capacity for five adults and an engine capacity of 2.4 litres refer to the _____ **product**.
1. core
 2. formal
 3. need-satisfying
 4. total
- 29.** The RAV4's three-year or 75 000 km warranty and motor plan for the first five years refer to the _____ **product**.
1. core
 2. formal
 3. need-satisfying
 4. total
- 30.** Lexus cars are advertised in prestigious magazines and sold at exclusive dealerships at a much higher price than that of the RAV4. This represents the
1. total product
 2. generic brand
 3. product image
 4. need-satisfying product

SMALL BUSINESS MANAGEMENT QUESTIONS

Some of the questions refer to the case study in Chapter 1.

1. The role of marketing and the character of marketing activities within a business are strongly influenced by its _____ and orientation.
 1. product
 2. price
 3. philosophy
 4. distribution
2. The gap between the time of production and the time of consumption refers to a _____ gap.
 1. space
 2. time
 3. information
 4. value

3. The activity that closes the time gap is known as
1. standardisation
 2. grading
 3. financing
 4. storage
4. The entrepreneur should not only look inwards at the micro-environment to identify internal environmental variables, but also look outwards to identify _____ variables.
1. external
 2. integration
 3. product
 4. price
5. The new focus of Chetty's Curtain Creations is known as a _____ business focus.
1. sales-oriented
 2. marketing-oriented
 3. price-oriented
 4. product-oriented
6. If Chetty's Curtain Creations do not inform the customers of their decision to concentrate on the manufacturing of curtains and blinds according to the designs and preferences of consumers, it will lead to a/an _____ gap.
1. space
 2. value
 3. time
 4. information
7. A disagreement between a client and Chetty's Curtain Creations over the price of the curtains to be manufactured can result in a/an _____ gap.
1. value
 2. ownership
 3. time
 4. space
8. More and more consumers wanted curtains made according to their individual tastes and preferences, and the younger, more modern ones, preferred to use blinds instead of curtains. This relates to the _____ segment of Chetty's Curtain Creations' total potential market.

1. geographic
 2. demographic
 3. psychographic
 4. behaviouristic
9. Cyril and Cindy had to estimate how often consumers would buy new curtains and blinds. This relates to the _____ segment of Chetty's Curtain Creations' total potential market.
1. geographic
 2. demographic
 3. psychographic
 4. behaviouristic
10. Chetty's Curtain Creations' competitors included linen shops such as The Linen Closet and Linens R Us, and chain stores such as Edgars, Woolworths and Sheet Street. Cyril and Cindy, however, had a competitive advantage because they ...
1. sold their curtains at lower prices than their competitors.
 2. offered a greater variety of curtains than their competitors
 3. offered custom-made curtains and blinds
 4. sold ready-made curtains

SUGGESTED SOLUTIONS TO THE FIRST FIVE QUESTIONS OF THE CHAPTER

Q	A
1	3
2	1
3	1
4	1
5	1

Financial management

Financial management is the area of a business that is concerned with planning and managing the business's funds in order to achieve its objectives. This department must acquire the necessary funds to run the business and must ensure the best use of these funds over the short and long term. The financial management department has three main functions:

- analysing the financial position of the business
- managing the assets of the business
- managing the liabilities of the business.

MULTIPLE-CHOICE QUESTIONS

1. Which of the following options are correct? **Shareholders' interest** consists of ...
 - a. owners' equity
 - b. long-term debt
 - c. preference share capital
 - d. net working capital
 1. a, b, c, d
 2. a, c
 3. a, b
 4. b, c, d
 5. c, d
2. Which one of the following options from the **income statement** correctly completes the following statement? Net income (sales) less _____ is gross profit.
 1. returns and cash discount
 2. cost of goods sold
 3. operating costs
 4. interest
 5. reserves
3. The _____ implies that the business must be able to capitalise on **good opportunities**.
 1. transaction motive

2. precautionary motive
 3. speculative motive
 4. profit motive
4. Which of the following statements on the **profit objective** when managing stock are **correct**? The profit objective is to
- a. keep the lowest possible supply of stock
 - b. keep the stock turnover as high as possible
 - c. keep as much stock as possible to ensure that the business is never without stock
 - d. ensure that production interruptions never occur
1. a, b
 2. a, c
 3. a, b, c
 4. a, b, d
 5. c, d
5. _____ is the ability of a business to satisfy its **short-term** obligations as they become due.
1. Solvency
 2. Liquidity
 3. Debt
 4. Profitability

You have been given the following information extracted from the balance sheet of TBS & Sons Ltd. Use this information to answer Questions 6 to 8 below.

Cash and cash equivalent	R15 000
Debtors or receivables	R250 000
Inventories	R420 000
Creditors	R120 000
Accruals	R280 000

6. The **net working capital** is _____.
1. R325 000
 2. R285 000
 3. R380 000
 4. R450 000
7. The **current ratio** is _____.
1. 2:1

2. 1,51:1
3. 1,71:1
4. 1,1:1

8. The **acid-test ratio** is _____.

1. 1:1
2. 0,9:1
3. 1,1:1
4. 0,7:1

Use the following information to answer Questions 9 and 10 below.

Teba Ltd, a soccer ball manufacturing company, produced 2 500 units at R17 per unit. At the end of their financial year, their financial statements reflect the following costs:

Salaries	R10 000
Rent of factory	R15 000
Materials	R 7 500
Depreciation	R 5 000

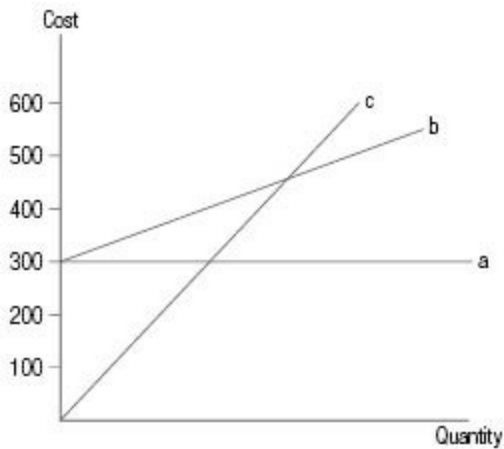
9. Which one of these costs is classified as **variable** cost?

1. salaries
2. factory rental
3. materials
4. depreciation

10. What is the **profit/loss** of Teba Ltd?

1. R35 000
2. R27 500
3. R12 500
4. R 5 000

Study the graph below and then answer Questions 11 and 12.



11. In the above graph, (a) represents _____ and (b) represents _____.

1. total fixed cost; total variable cost
2. total variable cost; total fixed cost
3. total cost; total fixed cost
4. total fixed cost; total cost

12. What amount in the graph constitutes **total fixed cost**?

1. R200
2. R300
3. R500
4. R600

13. Calculate the **total present value** of the following cash flow amounts received at the end of each year. The interest rate is 10%.

YEAR	CASH FLOW
1	R3 000
2	R2 000
3	R5 000

	FUTURE VALUE FACTORS		
Periods (n)	5%	10%	15%
1	1,0500	1,1000	1,1500
2	1,1025	1,2100	1,3225
3	1,1576	1,3310	1,5209
4	1,2155	1,4641	1,7490
5	1,2763	1,6105	2,0114

	DISCOUNTING FACTORS		

Periods (n)	5%	10%	15%
1	0,9524	0,9091	0,8696
2	0,9070	0,8264	0,7561
3	0,8638	0,7513	0,6575
4	0,8227	0,6830	0,5718
5	0,7835	0,6209 0	0,4972

1. R8 137
2. R7 409
3. R7 513
4. R8 990

14. Given the following information, which of the following calculations are correct concerning **cost-volume-profit relationships**?

Selling price per unit = R20

Total variable costs = R1 000

Fixed costs per unit = R3

Total fixed costs = R600

- a. Number of units sold = 200 units
- b. Total profit generated = R2 400
- c. Number of units to break even = 50 units
- d. Marginal income per unit = R15

1. a, b
2. a, b, d
3. c, d
4. b, c, d
5. a, b, c, d

15. On 1 January 2009, a person deposits R3 000 in a savings account at a rate of return of 10% per annum. On 1 January 2011, he deposits another R1 000 in that account. On 31 December 2011, he closes the account and invests the total proceeds in another account on 1 January 2012 at a rate of return of 15%. How much money will he have in the account on 31 December 2013?

FUTURE VALUE FACTORS			
Periods (n)	5%	10%	15%
1	1,0500	1,1000	1,1500
2	1,1025	1,2100	1,3225
3	1,1576	1,3310	1,5209

4	1,2155	1,4641	1,7490
5	1,2763	1,6105	2,0114

DISCOUNTING FACTORS			
Periods (n)	5%	10%	15%
1	0,9524	0,9091	0,8696
2	0,9070	0,8264	0,7561
3	0,8638	0,7513	0,6575
4	0,8227	0,6830	0,5718
5	0,7835	0,6209	0,4972

1. R6 735,49
2. R6 255,42
3. R6 162,53
4. R5 723,30

The following information was gathered by an analyst from RMB about Timbuktu Ltd. Make use of this information to answer Questions 16 and 17.

CAPITAL STRUCTURE	COST
30% Equity	17%
70% Debt	12%

16. Assuming a tax rate of 35%, what is Timbuktu's **after tax cost of debt**?

1. 5.00%
2. 7.80%
3. 11.05%
4. 12.00%

17. What is Timbuktu's **weighted average cost of capital (WACC)**?

1. 10.56%
2. 11.12%
3. 12.50%
4. 13.50%

18. You have been given the following information about project X and project Y. The discount rate for both projects is 10%.

		PROJECT X	PROJECT Y
	Initial investment	R100 000	R180 000
Year	Time	Net cash flow	Net cash flow

1	T=1	R20 000	R90 000
2	T=2	R30 000	R150 000
3	T=3	R50 000	R60 000
4	T=4	R10 000	R30 000

The **NPV** for project X and project Y is

1. –R10 000 and –R150 000
2. R86 748 and R269 484
3. R89 484 and –R13 252
4. –R12 631 and R91 347

19. Based on your answer, it is advisable to ...

1. accept both projects
2. accept project X and reject project Y
3. accept project Y and reject project X
4. reject both projects

20. The following information is given: Bid Best Ltd has a marginal tax rate of 30% and the following book values for its capital structure:

CAPITAL COMPONENTS	
Owners' equity	R400 000
10% preference shares	R100 000
Long-term debt [10% debentures]	R300 000

The cost of owners' equity is 15% and the cost of debentures is before tax.

The **WACC** is

1. 11.7%
2. 12.5%
3. 7%
4. 11.4%

Read the scenario below and answer Questions 21 and 22 that follow.

Teba Ltd, a soccer ball manufacturing company, produced 2 500 units at R17 per unit. At the end of their financial year, their financial statements reflected the following costs:

Salaries	R10 000
Rent of factory	R15 000
Materials	R7 500
Depreciation	R5 000

- 21.** Which one of the following costs is classified as a **variable cost**?
1. Salaries
 2. Factory rental
 3. Materials
 4. Depreciation
- 22.** What is the **profit/loss** of Teba Ltd?
1. R35 000
 2. R27 500
 3. R12 500
 4. R5 000
- 23.** Which of the following **financial ratios** are **correct**?
- a. The acid test ratio should be used in combination with the current ratio.
 - b. The current ratio reflects the relationship between the value of current assets and the extent of current liabilities.
 - c. The liquidity ratio indicates the ability of the business to repay its debts from the sale of its assets upon liquidation.
 - d. Solvency ratios provide an indication of the ability of a business to meet its short-term obligations as they become due without curtailing or ceasing its normal activities.
1. a, b, c, d
 2. a, c, d
 3. b, d
 4. a, b
- 24.** The process for the calculation of **future values** is known as _____ while the process for the calculation of **present values** is known as _____.
1. discounting; compounding
 2. compounding; depreciating
 3. compounding; discounting
 4. discounting; depreciating

Read the scenario below and then answer Questions 25 to 27 that follow.

Sarah has her own perfume shop where she designs perfumes based on client preferences. She is busy preparing her financial analysis for the past financial year and has drawn up the following figures:

Sales price of perfume	R250 per bottle
Variable cost	R75 per bottle

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Total fixed cost	R40 000 per annum
Number of bottles manufactured and sold	520 bottles for the year

- 25.** Calculate the **profit** that Sarah would make for the financial year based on the information given above.
1. R130 000
 2. R90 000
 3. R91 000
 4. R51 000
- 26.** Sarah is expecting a decline in her sales due to the economic recession. Calculate the **break-even point** Sarah must reach by using the information provided in the scenario. Answers should be rounded off to the nearest unit.
1. 229
 2. 160
 3. 181
 4. 235
- 27.** If Sarah decides to invest R100 000 into an account for future expansions, what is the **future value of the amount** if she invests it for three years at an interest rate of 5% per annum?
1. R115 760
 2. R105 000
 3. R130 000
 4. R112 576

Use the following information about Trendy Clothing Limited to answer Questions 28 and 29.

Cash	R100 000
Inventory	R300 000
Debtors	R250 000
Trade creditors	R150 000
Bank overdraft	R100 000
Owner's equity	R90 000
Total debt	R500 000
Total Assets	R1 500 000

- 28.** The **current ratio** at Trendy Clothing is _____.
1. 2,4:1
 2. 3,6:1

3. 2,6:1

4. 3,5:1

29. The **acid-test ratio** at Trendy Clothing is _____.

1. 1,3:1

2. 3,1:1

3. 1,4:1

4. 3,5:1

30. The **debt ratio** at Trendy Clothing is _____.

1. 35%

2. 33%

3. 43%

4. 42%

IBM's balance sheet for 2010 is given below. Answer Questions 31 to 32 about IBM.

Balance Sheet			
(US\$ '000)			
Period Ending	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
Assets			
Current Assets			
Cash And Cash Equivalents	10,661,000	12,183,000	12,741,000
Short-term Investments	990,000	1,791,000	166,000
Net Receivables	29,789,000	28,523,000	29,097,000
Inventory	2,450,000	2,494,000	2,701,000
Other Current Assets	4,226,000	3,946,000	4,299,000
Total Current Assets	48,116,000	48,935,000	49,004,000
Long-term Investments	16,326,000	16,023,000	12,757,000
Property Plant and Equipment	14,096,000	14,165,000	14,305,000
Goodwill	25,136,000	20,190,000	18,226,000
Intangible Assets	3,488,000	2,513,000	2,878,000
Accumulated Amortization	—	—	—
Other Assets	3,068,000	3,001,000	3,536,000
Deferred Long-term Asset Charges	3,220,000	4,195,000	8,818,000
Total Assets	113,452,000	109,022,000	109,524,000
Liabilities			
Current Liabilities			
Accounts Payable	22,204,000	20,990,000	20,960,000
Short/Current Long-term Debt	6,778,000	4,168,000	11,236,000
Other Current Liabilities	11,580,000	10,845,000	10,239,000
Total Current Liabilities	40,562,000	36,002,000	42,435,000
Long-term Debt	21,846,000	21,932,000	23,391,000
Other Liabilities	24,204,000	24,772,000	26,791,000
Deferred Long-term Liability Charges	3,666,000	3,562,000	3,441,000
Minority Interest	126,000	118,000	—
Negative Goodwill	—	—	—
Total Liabilities	90,405,000	86,385,000	96,058,000

31. Which of the following will **not** appear on IBM's **liabilities** side of their balance

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sheet?

- a. Long-term liabilities
 - b. Shareholders equity
 - c. Fixed assets
 - d. Short-term liabilities
 - e. Direct and indirect costs
- 1. a, b, c
 - 2. c, e
 - 3. c, d, e
 - 4. d, e

32. Which of the following are examples of **fixed cost** items for IBM?

- a. Depreciation
 - b. Salaries
 - c. Office rent
 - d. Telephone costs
 - e. Office furniture
- 1. a, b, c
 - 2. a, b, c, e
 - 3. b, c, d
 - 4. c, d, e

33. When determining their **cost of sales**, IBM should take the following into consideration

- a. direct cost of material
 - b. direct production cost
 - c. direct labour cost
 - d. indirect cost of material
 - e. indirect production cost
 - f. depreciation
- 1. a, c, e
 - 2. a, c, d, e
 - 3. b, c, f
 - 4. d, e, f

34. Which one of the following is the **correct formula** for calculating the **debt ratio** of IBM?

- 1. $(\text{debt}/\text{assets}) \times 100$

2. $(\text{gross profit/debts}) \times 100$
3. $(\text{current assets/current liabilities}) \times 100$
4. $(\text{owners' equity/liabilities}) \times 100$

SMALL BUSINESS MANAGEMENT QUESTIONS

Some of the questions refer to the case study in Chapter 1.

1. A balance sheet indicates the ...
 - a. financial health of a business
 - b. net profit of a business
 - c. position of the business on a specific date or at a specific point of time
 - d. position of the business over a specific period
 1. a, b
 2. b, c
 3. a, c
 4. a, d
2. A basic principle of accounting requires that a balance sheet should balance. This rule can be illustrated by means of the following formula:
 1. $\text{Assets} = \text{Owner's equity} - \text{Liabilities}$
 2. $\text{Assets} = \text{Owner's equity} + \text{Liabilities}$
 3. $\text{Assets} = \text{Owner's equity} \times \text{Liabilities}$
 4. $\text{Assets} = \text{Owner's equity} \div \text{Liabilities}$
3. The current ratio, quick ratio and working capital ratio are examples of the _____ ratios.
 1. liquidity
 2. profitability
 3. activity
 4. debt
4. The sales level at which a business recovers all its costs or expenses, or the level of operations at which the business neither makes a profit nor sustains a loss, refers to _____ as a tool that can be used for financial planning.
 1. a pro forma cash-flow statement
 2. a ratio analysis
 3. the break-even analysis
 4. pricing formulas and policies

5. Cyril invested R200 000 of his pension money into the business. When they compile Chetty's Curtain Creations' balance sheet, they would indicate this amount as
1. a fixed asset
 2. a current asset
 3. a liability
 4. owner's equity
6. They bought the building for R500 000 and the cost of the alterations was R100 000. Although Cyril invested R200 000 of his pension money, they had to borrow the other R400 000. They would indicate the loan of R400 000 as a _____ in their balance sheet.
1. fixed asset
 2. current asset
 3. current liability
 4. non-current (long-term) liability
7. To determine the gross profit of Chetty's Curtain Creations, Cyril and Cindy have to deduct the cost of sales from the sales figure. They would indicate the _____ as cost of sales.
- a. fabric and cotton to make the custom-made curtains and blinds
 - b. curtain fabric, ready-made curtains and accessories
 - c. sewing machines and overlockers
 - d. workbenches, chairs and tools
1. a, b
 2. b, c
 3. c, d
 4. b, d
8. In order to calculate their _____ ratio, Chetty's Curtain Creations would divide their profit after tax by the amount of owner's equity.
1. gross profit margin
 2. return on equity
 3. net profit margin
 4. return on assets
9. When Cyril and Cindy do their short-term financial planning, they will concentrate on the effective management of their working capital. They can calculate their net working capital by deducting
1. current liabilities from fixed assets

2. non-current liabilities from fixed assets
3. current liabilities from current assets
4. non-current liabilities from current assets

10. If Cyril and Cindy want to buy their ready-made curtains on credit from the factories in Cape Town, the factories would first evaluate their credit application. The factories would consider

- a. Chetty's Curtain Creations' ability to pay
- b. Chetty's Curtain Creations' willingness to pay
- c. the potential profitability of the account
- d. Chetty's Curtain Creations' credit history

1. a, b, c, d

2. b, c, d

3. a, c, d

4. a, b, c

SUGGESTED SOLUTIONS TO THE FIRST FIVE QUESTIONS OF THE CHAPTER

Q	A
1	2
2	2
3	3
4	1
5	2

Purchasing and supply management

Purchasing and supply management involves selecting suppliers, determining the form that the acquired material has to take, timing purchases, determining prices and controlling quality. Essentially, purchasing management involves buying goods and services of the right quality and quantity, from the right supplier, at the right price and time. After the transformation process is complete, the goods and services have to be moved to customers. Purchasing and supply management involves:

- obtaining materials, goods or services
- arranging how these get from suppliers to the organisation that needs them
- transportation
- warehousing
- handling materials.

MULTIPLE-CHOICE QUESTIONS

1. MTN uses _____ as a **tool** for laying down standards to measure the performance of the purchasing and supply function.
 1. benchmarking
 2. decentralised practices
 3. profit-leverage effect
 4. budgets
2. The reasons for **holding inventory** include
 - a. continuous production
 - b. economical purchasing quantities
 - c. reduced ordering costs
 - d. warehouse capacity utilisation
 1. a, c, d
 2. b, d
 3. a, b, c
 4. a, b, c, d
3. The **purchasing function** should perform which of the following activities?
 - a. choosing suppliers

- b. comparing the prices with those of competitors in the same field
 - c. warehousing of products purchased
 - d. determining the quality of materials
 - 1. a
 - 2. a, c, d
 - 3. a, b, c
 - 4. b, d
4. A _____ is particularly suited to a business that comprises of **geographically dispersed** plants where purchases are made from a variety of geographically dispersed suppliers.
- 1. centralised purchasing structure
 - 2. decentralised purchasing structure
 - 3. combination of centralisation and decentralisation
5. Which one of the following is the **most important** in the purchasing of packaging materials for the special product lines?
- 1. quality
 - 2. timing
 - 3. service
 - 4. price
6. You are the new purchasing and supply manager of Dairy Belle Cheese & Butter Ltd. You are requested by top management to clarify the **activities of purchasing and supply management** by writing a report. Which of the following issues should be included in your document?
- a. selecting suppliers
 - b. advertising products to customers
 - c. expediting and receiving materials
 - d. controlling warehousing and inventory holding
 - 1. a, b, c
 - 2. b, c, d
 - 3. a, b, d
 - 4. a, c, d
7. The purchasing manager of a toy company decides that when there are only 20 Snow White Barbie dolls in stock, he will order 50 new Barbie dolls. Which **inventory control system** does this refer to?
- 1. cyclical ordering system

2. just-in-time (JIT) system
 3. materials requirements planning system
 4. fixed order quantity system
8. Which of the following statements on **purchasing planning** are correct?
- a. purchasing is a service function
 - b. purchasing planning is subject to business planning
 - c. purchasing objectives are subordinate to business objectives
 - d. purchasing planning should be conducted in consultation with other functions
1. a, b
 2. b, d
 3. a, c, d
 4. b, c, d
 5. a, b, c, d
9. Which of the following are **disadvantages** of **too much inventory**?
- a. operating capital is tied up
 - b. losses in terms of depreciation
 - c. more urgent orders
 - d. bigger insurance premiums
1. a, b
 2. a, b, d
 3. a, c, d
 4. c, d
 5. a, b, c, d
10. Purchasing and supply management have certain aids at their disposal to facilitate executing the management functions of planning, organising and control. Which one of the following options lists **all** of these aids?
1. benchmarks, purchasing and supply budgets, purchasing and supply policy
 2. purchasing and supply strategy, materials budget, administrative budget
 3. purchasing and supply policy, purchasing and supply budgets, financial statements
 4. benchmarks, purchasing and supply strategy, purchasing and supply budgets
 5. purchasing and supply budgets, purchasing and supply strategy, purchasing and supply policy
11. Which one of the following statements about **productivity** is **incorrect**?
1. Productivity is the successful application of the economic principle.

2. Productivity indicates how efficiently labour, capital and other inputs are combined to produce goods and services.
3. Productivity improvement is the increase of the output-input ratio between two periods.
4. Productivity is the amount or value of goods and services produced in a period.

12. Swisschoc incurs a number of different **inventory costs**. The opportunity costs, insurance costs and depreciation of inventory are examples of

1. inventory carrying costs
2. administrative costs
3. inventory ordering costs
4. inventory ordering shortage costs

13. **Inspecting material** is part of the _____ phase while **handling documentation** is part of the _____ phase in the purchasing and supply cycle.

1. order; post-order
2. post-order; notification
3. notification; selection
4. post-order; selection

14. Match the **steps** in the purchasing cycle in Block A with the **appropriate document** in Block B required for the step.

BLOCK A	
Steps	
a.	Development and description of need
b.	Issuing the order
c.	Paying for the order
d.	Closing the order

BLOCK B	
Documents	
(i)	Cheque
(ii)	Requisition
(iii)	Specifications
(iv)	Proof of receipt

1. a (i); b (ii); c (iii); d (iv)
2. a (iv); b (i); c (ii); d (iii)
3. a (iii); b (ii); c (i); d (iv)

4. a (ii); b (iii); c (iv); d (i)

15. Place the **last four basic steps** in the purchasing cycle in the correct order.

- a. receipt, distribution and inspection
 - b. handling errors and discrepancies
 - c. closing the order
 - d. paying for the order
- 1. a, b, c, d
 - 2. a, c, b, d
 - 3. a, b, d, c
 - 4. b, a, c, d

16. The **steps in the purchasing cycle** can be divided into certain **phases**. Identify these phases.

- a. notification phase
 - b. order phase
 - c. post order phase
 - d. paying phase
- 1. a, b, c
 - 2. a, b, d
 - 3. c, d
 - 4. a, b, c, d

17. ABC Fashions is a clothing store where materials are used on an irregular basis or acquiring materials can be planned far in advance on the basis of sales forecasts. Which of the following **inventory control systems** will be the best one to use in this enterprise?

- 1. the system of fixed order quantities
- 2. the materials requirements planning system
- 3. the just-in-time system
- 4. the quick response and automatic replenishment system
- 5. the cyclical ordering system

18. Which of the following are the **main policies** that affect the **scheduling** or **timing** of purchases?

- a. scheduling purchases according to needs
- b. advance purchasing
- c. speculative purchasing
- d. minimum purchases

1. a, b, c, d
2. b, c, d
3. a, c
4. d

19. Which of the following documents do other departments use to convey their **requirements** to the purchasing department?

- a. economic order quantity
- b. materials list
- c. order chart
- d. specification list
- e. requisition

1. a, b
2. a, e
3. a, b, c
4. b, c, d
5. b, c, d, e

20. Which of the following are **sub-policies** of the **purchasing policy**?

- a. a policy that deals with ethical purchasing practices
- b. a policy that deals with internal purchasing matters
- c. production policy
- d. supplier policy

1. a, b, c
2. b, c, d
3. c, d
4. a, b, d

21. Smart Computers are aware of the importance of controlling their purchasing and control function. Which of the following are **control points** that they can use to gauge the **effectiveness** of their purchasing and supply activities?

- a. workload
- b. inventory-holding
- c. price proficiency
- d. timeliness

1. c and d
2. a and b
3. b, c and d

4. a, b, c and d

- 22.** The practice of allowing a purchaser to cooperate on a team with colleagues in other functional management areas so as to perform numerous tasks such as supplier selection and the development of cost-reduction strategies, is known as _____ **teams**.
1. assisted sourcing
 2. functional purchasing
 3. cross-functional sourcing
 4. internal purchasing and sourcing
- 23.** Purchasing and supply consists of several steps or cycles. Which one of the following is generally considered to be the **first step** in the **purchasing process**?
1. Choosing the suppliers
 2. Researching price and availability
 3. Developing and describing the need
 4. Issuing the order and concluding the contract
- 24.** Thabo has his own IT Company that has branches in various regions in Gauteng. The head office is in Johannesburg where Thabo lives. The purchasing and supply manager and his personnel, who are also based at the company's headquarters, are responsible for the purchasing and supply function. Thabo's company is an example of a _____ **purchasing and supply function**.
1. decentralised
 2. centralised
 3. tactical
 4. strategic
- 25.** There are various internal and external factors that influence the time at which purchases should be made. The **internal factors** that influence timing are:
- a. market conditions
 - b. the lead time and reliability of suppliers
 - c. business policy
 - d. the availability of storage space
1. a, b
 2. b, c
 3. c, d
 4. b, d

- 26.** The management of Printmate, a large printing company view purchasing and supply

planning throughout the company as very important. Printmate's **planning** at _____ **level** involves aspects such as the development of human resources, negotiation and purchasing and supply methods.

1. operations
2. tactical
3. top management
4. strategic

27. Printmate's **planning** at _____ **level**, involves elements such as supplier alliances, supplier development, supply-chain process integration, availability forecasting and purchasing and supply policy.

1. operations
2. tactical
3. middle management
4. strategic

28. **Stores reception** is part of the _____ step while the **handling of documentation** is part of the _____ step in the purchasing and supply cycle.

1. receipts, inspection and distribution; closing of order
2. paying; handling errors
3. receipts, inspections and distribution; paying
4. closing of order; paying

29. _____ is the normal process to control quality.

1. Inspection
2. Choosing suppliers
3. The just-in-time system
4. The system of fixed order quantities

30. Inbus Ltd is looking for an IT company to develop a software program for the company's very specific needs. Which **price determination method** should be used to identify the potential IT service provider to develop this customised programme?

1. affirmative purchasing
2. brochures and catalogues
3. published price lists
4. quotations and tenders

31. Toyota aims to keep their inventory to the minimum. This means nothing is produced until the customer requests it, and subsequently nothing is purchased until the production process begins and materials are requested from the supplier. What is the

system used by Toyota called?

1. system of fixed order quantities
2. cyclical ordering system
3. materials-requirements planning (MRP) system
4. just-in-time (JIT) system

32. Which two of the following are **reasons** why a company such as Toyota should make use of **inventory holding**?

- a. It helps to ensure that the operations process can continue without interruptions resulting from shortages of materials.
- b. Products and services that were formerly produced by Toyota may be outsourced.
- c. A certain preference percentage may be accorded when comparing prices to other suppliers.
- d. It allows Toyota to utilise cost savings through longer production runs and volume discounts.

1. a, b
2. c, d
3. a, d
4. b, c

33. The JIT system at Toyota SA is complicated by the fact that some of their suppliers are overseas. In order to make a **JIT system** work, _____ are needed.

1. fixed order quantities
2. cyclical ordering
3. supplier alliances
4. automatic replenishments

SMALL BUSINESS MANAGEMENT QUESTIONS

Some of the questions refer to the case study in Chapter 1.

1. Advantages of applying the 'just-in-time' principle entail that

- a. the business does not have to carry large inventories
- b. less money is tied up in inventory
- c. less money has to be paid for insurance and warehousing costs
- d. the business can experience cash flow problems

1. a, b, c
2. b, c, d

- 3. a, b, c, d
 - 4. a, b, d
2. The purchasing function will use the purchasing budget as _____ tool.
- 1. a planning
 - 2. an organising
 - 3. a leading
 - 4. a controlling
3. Key performance indicators which can be used to gauge the efficiency of the purchasing activities are the price, cost savings, the relationship with the supplier, the relationship with the other functions in the business and
- a. supplier performance
 - b. timeliness
 - c. inventory holding
 - d. the workload
- 1. a, c, d
 - 2. b, c, d
 - 3. b, c
 - 4. a, b, c, d
4. Before the purchasing function pays the order, they must check the inspection report and the _____ to confirm that the quantities, quality, price, discounts and calculations are correct.
- a. delivery note
 - b. marketing report
 - c. invoice
 - d. order
- 1. a, c, d
 - 2. b, c, d
 - 3. b, d
 - 4. a, b, c, d
5. Cyril suggested that they use only local suppliers for the fabric, to save the costs of ordering and delivery from Cape Town. The first step that they had to take in finding a new supplier, was to
- 1. evaluate the performance of the supplier
 - 2. compile a list of possible suppliers
 - 3. make a shortlist of potential suppliers

- 4.** select a specific supplier
- 6.** When Chetty's Curtain Creations selected their new supplier, they had to keep the quality of the fabric in mind. The quality of the fabric would influence the
- a.** image of Chetty's Curtain Creations
 - b.** quality of their curtains
 - c.** satisfaction of the clients that ordered the curtains
 - d.** ability of the marketing function to sell the curtains
- 1.** a, b, c
 - 2.** b, c, d
 - 3.** a, b, c, d
 - 4.** a, c, d
- 7.** Clients could choose the quality and design of the fabric by means of
- 1.** specifications
 - 2.** standardisation
 - 3.** samples
 - 4.** market grades
- 8.** The timing of purchases often determines the price of the materials. Chetty's Curtain Creations' clients choose the fabric of their choice from samples, which Cyril then orders from the suppliers of the fabric. Chetty's Curtain Creations uses _____ as a policy to schedule their purchases.
- 1.** purchasing according to needs
 - 2.** advanced purchasing
 - 3.** minimum purchasing
 - 4.** seasonal purchasing
- 9.** In order to exercise inventory control, the purchasing function of Chetty's Curtain Creations has to determine an optimum stock level for each of the product groups in the shop. The optimum stock level represents the stage where the
- a.** total inventory cost is at its lowest level
 - b.** possibility of running out of stock is high
 - c.** possibility of running out of stock is low
 - d.** total inventory cost is at its highest level
- 1.** a, b
 - 2.** b, c
 - 3.** a, d
 - 4.** a, c

10. Chetty's Curtain Creations would check the curtain fabric, ready-made curtains and accessories in the shop at fixed intervals and place a variable order for each item to replenish the inventory level. Their purchasing function therefore uses a _____ system to control their inventories.

1. fixed-order quantity
2. cyclical ordering
3. just-in-time
4. quick response

SUGGESTED SOLUTIONS TO THE FIRST FIVE QUESTIONS OF THE CHAPTER

Q	A
1	1
2	3
3	2
4	2
5	2

Information management for small businesses

No business can survive without accurate information. The right information at the right time in the right form is essential for making informed decisions. The information management function plays a very important role in this regard, since it is concerned with the collection, processing, retrieval, distribution and storage of usable information. This function therefore renders a service to the other enterprise functions, by supplying information to promote and support the decision-making process.

SMALL BUSINESS MANAGEMENT QUESTIONS

Some of the questions refer to the case study in Chapter 1.

1. Incomplete or insufficient information . . .
 - a. is often the cause of wrong decisions
 - b. can lead to loss of money, time and labour
 - c. is essential for the survival of the business
 - d. can lead to the failure of a business
 1. a, b, c
 2. a, b, c, d
 3. a, b, d
 4. b, c, d
2. Making data usable by means of classification, grouping and sorting, forms part of the _____ stage of processing.
 1. collection
 2. processing
 3. distribution
 4. discarding
3. Data can be processed by making summaries and . . .
 - a. making calculations
 - b. drawing comparisons
 - c. doing evaluations

- d. creating graphics**
 - 1. a, b, d**
 - 2. b, c, d**
 - 3. a, b, c, d**
 - 4. a, c, d**
- 4. The deliberate destruction of documents or files that no longer have any value to the users is known as**
 - 1. processing of data**
 - 2. retrieval of information**
 - 3. storage of information**
 - 4. discarding of information**
- 5. Fatima and Pauline were responsible for record-keeping and filing. Before they could destroy any information, they should determine what the retention obligations are. They should keep in mind that accounting records and registers should be kept for _____ years.**
 - 1. five**
 - 2. six**
 - 3. seven**
 - 4. fifteen**
- 6. Before Cyril and Cindy could make a final decision on implementing Cyril's idea to manufacture custom-made curtains and blinds, they needed information to be able to**
 - 1. formulate tactical plans and objectives**
 - 2. implement operational plans**
 - 3. make strategic decisions**
 - 4. control the daily operations of Chetty's Curtain Creations**
- 7. Fatima would need information in order to**
 - a. formulate tactical plans and objectives**
 - b. implement operational plans**
 - c. make strategic decisions**
 - d. implement Cyril and Cindy's strategies and objectives**
 - 1. a, d**
 - 2. b, c**
 - 3. a, c**
 - 4. a, b**

8. To assist Cyril and Cindy with their decision on implementing the manufacturing of custom-made curtains and blinds, the financial function of Chetty's Curtain Creations would need information on
1. the needs and preferences of the consumers
 2. capital sources and interest rates
 3. potential suppliers of fabric
 4. the salary scales of the seamstresses
9. Using information management systems would support Chetty's Curtain Creations in the management of needs and general business operations. To serve the operational level of the business, Chetty's Curtain Creations would make use of the _____ system.
1. transaction processing
 2. decision support
 3. management information
 4. executive support
10. Fatima and Pauline used computers for the office administration, and electronic mail (email) to place orders with suppliers and to communicate with their consumers and suppliers. Using electronic mail would enable Chetty's Curtain Creations to
- a. communicate quickly
 - b. increase telephone bills
 - c. reduce the cost of postage
 - d. communicate easier and more efficient
1. a, b, c, d
 2. a, c, d
 3. a, b, d
 4. b, c, d

SUGGESTED SOLUTIONS TO THE FIRST FIVE QUESTIONS OF THE CHAPTER

Q	A
1	3
2	2
3	3

4	4
5	4