GRADE 12

BUSINESS STUDIES

TEACHER NOTES
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## TEACHER NOTES

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SESSION 3

TOPIC 1: LEGISLATION - SKILLS DEVELOPMENT ACT (NO. 97 OF 1998)

Teacher Note: Learners have to be informed that businesses have to comply with all relevant legislation or face the consequences of the law. Let them see the link of legislation to the macro environment as a business has no control over it. They should also see the link between CSI and the Skills Development Act. Learning the notes provided on provisions of this Act is essential in order to answer the exam based questions.

LESSON OVERVIEW

1. Introduction: 5 min.
2. Learners to answer questions: 40 min.
3. Go through solutions and hints with learners: 10 min.

SECTION A: TYPICAL EXAM QUESTIONS: TOPIC 1

QUESTION 1: 35 minutes 40 marks (DOE Preparatory Exam 2008)

The Skills Development Act has the potential to change the lives of millions of previously disadvantaged people who were deprived of opportunities in education during the Apartheid era.

You are a front-runner for the development of skills as the human resource manager of your company. Convince management about the aims and benefits of this Act and inform them about the purpose and roles of SETAs. [40]

HINTS

Hint 1: This is an essay question. Structure is important: Introduction, body and conclusion.
Hint 2: Learners should not write in paragraph style. Use full sentences but in point form.
Hint 3: Sub-headings are important as they count for analysis.

QUESTION 2: 5 minutes 8 marks (DOE Nov. 2010)

How does the National Skills Development Strategy (NSDS) deal with the shortage of skills in the labour market? Motivate your answer. [8]

HINTS: The motivation in this question means that learners have to use examples. 2 marks for fact and 1 mark for motivation.

SECTION A: TYPICAL EXAM QUESTIONS: TOPIC 2

QUESTION 1

The following questions are based on SETA (Sector Education and Training Authority):

1.1 Explain the contribution of SETAs towards ensuring that quality skills development takes place. Illustrate by using any TWO examples. (8)

1.2 Describe how SETAs are funded. (2)

HINTS: Learners have to give names of SETAs for examples.

QUESTION 2: 20 minutes 20 marks (DOE Preparatory 2008)

Zandile was awarded a license to extract timber from the Ngodini forest near Nelspruit. She uses 100 trucks to transport the timber and has 1 500 employees. The monthly salary and wage bill of Zandile’s business is R6 400 000. The factory processes the timber into semi-finished products in the form of planks which are sold to furniture manufacturers as well as the building industry.

2.1 Does Zandile’s business qualify for paying the Skills Development Levy? Motivate. (5)

2.2 Use the information above to calculate the amount that Zandile’s factory will pay for skills levy every month. (Show ALL the calculations.) (4)

2.3 Explain the procedures to be followed if a dispute arises between Zandile’s business and the SETA. (10)

2.4 To which economic sector would the extraction of timber be classified? (1)

HINTS: All businesses who have a gross wage and salary bill of more than R500 000 p.a. (June 2010), are liable for contributing and the contribution is 1% of their total bill.

QUESTION 3: 10 minutes 10 marks (Various sources)

Discuss the objectives of The National Skills Development Strategy. [10]
SECTION B: SOLUTIONS AND HINTS TO SECTION A: TOPIC 1

QUESTION 1

Introduction

SETA - Sector Education and Training Act. ✓
SETAs are here to stay and it is only to the benefit of employers to make use of the training programmes which are offered by the various SETAs. ✓
Any other relevant comment ✓ (Any 1 x 3) (3)

Content / Body

The aim of the Skill Development Act no. 97:
• Rectify the imbalances of the past. ✓✓
• To improve the level of investment in educating and training in the workforce. ✓✓
• To use the work place as a learning environment. ✓✓
• To encourage to take part in leadership. ✓✓
• To improve employment opportunities of disadvantaged people. ✓✓
• To ensure quality training and education in the work place - this implies. ✓✓
  that any training programme to be offered, must first be accredited. ✓✓
• Assist job seekers to find work, retrenched workers to return to labour market. ✓✓
• To provide and regulate employment services. ✓✓
• To encourage employers to participate in learnerships. ✓✓
• Any other relevant answer. ✓✓ (Any 6 x 2) (12)

Benefits of the Skills Development Act No. 97

• It ensures core levels of training to be consistent with the skill requirements of the labour market. ✓✓
• It alleviates the free-rider problem thereby ensuring that all businesses contribute to the cost of training. ✓✓
• It improves collection efficiency - collection of the levy by South African Revenue Services will improve compliance. ✓✓
• It promotes training effectiveness and efficiency. ✓✓
• It ensures multipartite participation from employers and employees in the Governance of training and education funds. ✓✓
• Any other relevant answers. ✓✓ (Any 5 x 2) (10)

Purpose of SETAs

• SETAs were established as implementing agencies of the skill development strategies ✓✓✓ or
• to replace the Industry Training Boards. ✓✓✓ (Any 1 x 3) (3)
Roles of SETAs

• To collect funds. √√
• To distribute the funds to the National Skill Fund and various SETA’s. √√
• To implement learnerships and skill programmes that replaced the tradition as apprenticeship. √√
• To develop a sector skills plan. √√
• To report to the Director General. √√
• To support the development of training material. √√
• Any other relevant answer. √√ (Any 5 x 2) (10)

6.3 Conclusion

The services which SETAs offer do not only benefit the employees but also the employer. √√ (2)

Breakdown of mark allocation:

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<th>Marks</th>
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<tr>
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Insight:

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<th>Marks</th>
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<td>Synthesis</td>
<td>2</td>
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<tr>
<td>Analysis and Interpretation</td>
<td>2</td>
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<td>Originality, examples and recency</td>
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QUESTION 2

Option 1

- Use skills development. √√
  - Promote sustainable livelihood and employability. √
- Providers of education and training. √√
  - Should comply with the minimum quality assurance standards when they offer skills programs and workshops. √
- Ensures that quality training takes place in the workplace. √√
  - Requires reports.
  - Assist people who want to be self-employed. √√
  - Acquires the necessary skills. √
- To ensure critical skills for development. √√
  - Sustainable growth and equity. √
- Promote economic growth. √√
  - This leads to job creation and poverty alleviation. √
- Creates a database. √√
  - Assists in identifying skills related to market demand. √
- Provides for the establishment of SETAs. √√
  Implementation of learnerships. √
- Unlike the Manpower Act, √√
  Skills Development is now enhanced by SETAs for all sectors. √
- Any other relevant answer related to the
  objectives/purpose/benefits of the National Skills Development
  Strategy.
- Consider relevant information from the Skills Development Act

(Any 3 x 3) (9)
Max. [8]

Option 2:

By providing skills development more people will be skilled or any rationale on NSDS.

Rationale: Promotes skills development or any rationale on NSDS.

Motivation:
- Use skills development. √√
- Providers of education and training. √√
- Ensures that quality training takes place in the workplace. √√
- Assist people who want to be self employed. √√
- To ensure critical skills for development. √√
- Promote economic growth. √√
- Creates a database. √√
- Provides for the establishment of SETAs. √√
- Any other relevant answer related to the objectives/purpose/benefits of the
  National Skills Development Strategy.

Rationale: (2)
Motivation (Any 3 x 2) (6)
Max. [8]

SECTION B: SOLUTIONS AND HINTS – TOPIC 2

QUESTION 1

1.1 Explain the contribution of SETAs towards ensuring that quality skills development takes place. Illustrate by using any TWO examples.

- Manage the learnerships and training in each SETA sector. √√
- Ensure that skills requirements of different sectors are identified. √√
- Ensure that training is of the appropriate quality. √√
- Responsible for skills programmes to improve skills of current workers. √√
- Assist unemployed people to enter the job market by providing skills programmes. √√
- Provide accreditation to facilitators and training providers.
- Any other relevant skills development programme. √√

(Any 2 x 2) (4)
EXAMPLES:
SETA
- Engineering which provides training and skills development in the engineering field e.g. Electronic engineering. √√
- Office Administration which provides training and skills development to Secretaries and Office Assistants in office work. √√
- MQA – Mining Qualifications Authority. √√
- INSETA – Insurance Sector. √√
- FOODBEV – Food and Beverages Manufacturing Sector. √√
- FASSET – Financial and Accounting Service Sector. √√
- CTFL – Clothing, Textile, Footware and Leather Sector. √√
- CETA – Construction Sector. √√
- PSETA – Public Sector. √√
- SERVICES SETA – Services Sector. √√
- THETA – Tourism and Hospitality and Sport Sectors. √√
- W & R SETA – Wholesale and Retail Sector. √√
- CHIETA – Chemical Industry Education Training Authority. √√
- ISETT- Information System, Electronic and Telecommunication Technology. √√
Any other relevant SETA.
ACCEPT: Acronyms or Full details.

1.2 Describe how SETAs are funded
Receive 80% of the funds collected from the Skills Development Levy that qualifying businesses must pay. √√
- Employers pay a monthly levy equivalent to 1% of the total salary and wage expense of the business. √√
- Increase in income from services rendered by Setas. √√
- Grants, donations and bequests. √√
- Funding from the National Skills Development Fund. √√
- Income from surplus funds invested. √√
Actual percentage is not necessary. (Any 2 x 2) (4)
Contributions Max 4
Example Max 4

QUESTION 2
2.1 Yes √√
Motivation – Her monthly wage bill is R6 400 000 √√√

2.2 Monthly salary and wage bill X skills levy of 1%
6 400 000 \times \frac{1}{100} = R64 000 √√
Answer only without any calculations; allocate 2 marks.
2.3
• Any party who wants to declare a dispute, must refer in writing to the CCMA. √√
• The party who declares the dispute must satisfy the Commission that a copy of the referral has been served on all the other parties involved in the dispute. √√
• The Commission must attempt to resolve the dispute through conciliation. √√
• If the dispute remains unsolved, any party may request that the dispute be resolved through arbitration as soon as possible. √√
• Legislation related to the lawfulness and unfair dismissal must be applied. √√

(5 x 2) (10)

2.4 Primary Sector √ (1)

QUESTION 3
• Prioritising and communicating critical skills for sustainable growth, development and equity. √√
• Improving the quality and relevance of provision of training and education and skills development. √√
• Promoting and accelerating quality training for all in the workplace. √√
• Assisting designated groups to acquire critical skills to enter the labour market and self-employment. √√
• Promoting employability and sustainable livelihoods through skills development. √√

(5 x 2) [10]
SECTION C: HOMEWORK

QUESTION 1: 5 minutes 6 marks (Sunday Times Avusa 2009)

Four possible options are provided as answers to the following questions. Choose the correct answer and write only the letter (A – D) next to the question number, for example 1.7 B

1.1 1% of the wage bill of every business must go towards …
A. Skill Development Act  
B. Employment Equity  
C. SETA  
D. BEE (2)

1.2 This organisation is responsible for developing standards and qualifications criteria for the National Qualifications Framework (NQF).
A. SETAs  
B. FET colleges  
C. Learnerships  
D. SAQA (2)

1.3 Learnerships in insurance is offered by the …..
A. South African Reserve Bank (SARB).  
B. Industrial Development Corporation (IDC).  
C. Sector Education and Training Authority (SETA).  
D. Manpower Commission. (2)

QUESTION 2: 15 minutes 12 marks (DOE Exemplar 2008)

Explain the purpose of the Skills Development Act, 1998 (Act 97 of 1998) and comment on the progress of this Act in industry. [12]

QUESTION 3: 10 minutes 12 marks (Various Sources)

Discuss the objectives of The Human Resource Development Strategy. [10]
SECTION D: SOLUTIONS TO HOMEWORK SESSION 3

QUESTION 1

1.1 A √√ (2)
1.2 A √√ (2)
1.3 C √√ (2)

[6]

QUESTION 2:

Purpose of the Skills Development Act 97 of 1998
- Improve the level of investment in education and training. √√
- Use the workplace as a learning environment. √√
- Encourage employees to take part in learnership and skills training programmes. √√
- Ensure quality training and education in the workplace. √√
- Create Employment opportunities for disadvantaged people. √√

(Any 4 x 2) (8)

Comment on the progress of this Act
- Clear evidence that designated workers have acquired the necessary skills through training programmes. √√
- Previously disadvantaged workers with the necessary skills became eligible for promotion. √√
- Companies that are non compliant are being fined. √√
- Many learnerships are now available for capacity building and sectoral training but businesses are slow in taking advantage of this opportunity. √√

(Any 4 x 2) (8)

[12]

QUESTION 3

- Improving the foundation for human development. √√
- Improving the supply of skills. √√
- Increasing employer participation in lifelong learning. √√
- Supporting employment growth through innovation and research. √√
- Ensuring that the four objectives are linked. √√

(5 x 2) [10]
SECTION D: SOLUTIONS TO HOMEWORK

QUESTION 1
1.1 C √√ (2)
1.2 D √√ (2)

QUESTION 2
2.1
- Mazwe had a vision for business. √√
  e.g. a career in fashion design. √√
- Positive, committed and self-motivated. √√
  e.g. self-starter who has joined the community-based project, training women to sew. √√
- Creativity and the ability to be innovative. √√
  e.g. the uniqueness of his clothing designs. √√
- Vision of the future. √√
  e.g. sets his sights on becoming a top South African designer. √√
- Communication skills. √√
  e.g. Networking with Shakunda Foundation √√
- Advertising. √√
  e.g. Flyers and customers. √√
- Innovativeness/self-starter/uniqueness. √√
  e.g. 100% original. √√
- Financial acumen/investment skills √√
  Profits put aside √√
- Any other entrepreneurial quality with an example from the case study.
  NB: The examples must be drawn from the case study. The quality must be related to the application/example in the case study.

  Fact (2)  Example (2)  (Any 3 x 4) (12)

2.2
- Acquired the basic training and skills of cutting and sewing fabrics at the community sewing centre. √√
- The start-up business opportunity that was provided by Shanduka Foundation in the form of a domestic sewing machine, industrial sewing machine and an over-locker. √√
- His marketing strategy is unique where he uses his personal trade name "Tom's Fashion Design" on his products. √√
- The uniqueness of the clothing that Mazwe Tom is designing. √√
- To have a dream of making a success. √√
- Growth of customer base. √√
- Any other relevant answer regarding success factors from the case study.  (Any 2 x 2) (4)
2.3
- Draw up a cash budget. √√
- Draw up a credit policy. √√
- Apply strict credit terms √√
- Charge interest on overdue accounts. √√
- Send monthly statements of accounts to remind customers of the amounts due. √√
- Sell for cash only. √√
- To put down a substantial deposit/lay-by. √√
- Regular auditing. √√
- Bulk buying to receive quantity discounts. √√
- Allow discount for early payment. √√
- Seeking financial advice √√
- Factoring of debtors. √√
- Cut down on unnecessary costs. √√
- Engage debt collectors. √√
- If the learner separate the issues e.g. cash flow management and poor client payment, mark separately to a maximum of 4 marks each.
- Any relevant answer relating to ways to overcome these challenges.

(Any 4 x 2) (8)

[24]
SESSION 5

TOPIC 1: INSURANCE

Teacher Note: Learners should be informed of the importance of having insurance in today’s times. They should be told of compulsory and non-compulsory insurance. Not all risks are insurable, and these non-insurable risks should be mentioned.

LESSON OVERVIEW

1. Introduction: 5 min.
2. Learners to answer questions: 40 min.
3. Go through solutions and hints with learners: 10 min.

SECTION A: TYPICAL EXAM QUESTIONS – 1

QUESTION 1: 10 minutes 8 marks (DOE. Nov. 2010)

The property of Turbo Distillers has a current market value of R300 million. The warehouse was partly damaged by fire. Damages were assessed at R60 million. The insurance company is not prepared to pay the full amount of the claim because Turbo Distillers insured the property for only R200 million.

1.1 Which principle of insurance is applicable to the above claim? (2)
1.2 Calculate the compensation that Turbo Distillers will receive from the insurance company. Show ALL the calculations. (6) [8]

HINTS: Learners need to know the formulae to calculate what compensation will be paid. Although the memo accepts indemnity as an alternative answer, explain to the learners why this is not correct. The word principle should not confuse them.

QUESTION 2: 15 minutes 16 marks (DOE. Nov. 2010)

The following questions are based on the Unemployment Insurance Fund (UIF):

2.1 Define the nature of the fund. (2)
2.2 Describe how it is funded. (4)
2.3 List THREE benefits of the fund for employees. (6)
2.4 Does the UIF benefit the employer? Motivate your answer. (4) [16]

HINTS: In Question 2.1 learners should say what this fund is all about. The mark allocation should determine how much to write for each of the questions above. Remember 2 marks for a full fact. 2.3 wants them just to list. Benefits are advantages or the provisions of UIF. 2.4 No marks allocated with no motivation.
QUESTION 3:  15 minutes  6 marks  (DOE. Nov. 2010)
State THREE provisions of the Road Accident Fund (RAF).  [6]

QUESTION 4:  10 minutes  8 marks  (DOE. Nov. 2008)
Bongani’s General Dealer business is not insured. You are an insurance broker. Bongani
approaches you to advise him on insurance. You complete a proposal form for Bongani’s
business. The monthly premium is calculated at R2 800 on a total value of goods amounting
to R2 800 000.

4.1 Identify the type of insurance that Bongani needs and give ONE reason why this(insurance is beneficial to him.  (4)

4.2 Bongani states that the premium of R2 800 per month is not within his budget. What
advice would you offer? Provide TWO suggestions.  (4)

HINTS:
4.1 – 2 marks for identifying the type of insurance and 2 marks for an advantage.
4.2 Any acceptable suggestion for 2 marks. This is open-ended as long as the learners’
answer makes sense.

SECTION A: TYPICAL EXAM QUESTIONS - 2

QUESTION 1:  30 minutes  40 marks  (DOE Mar. 2009)
Just as your home and car needs insurance cover, your business also requires protection
against theft, damage and liability. A major burglary or a fire can cause an uninsured or
under-insured business to go bankrupt. Minimising risks and losses is one of the pillars of
business success especially for small businesses.
[Source: Succeed, December 2006 (adapted)]

Write a report indicating whether you agree or disagree with the above statement. Your
report must clearly establish the reasons/significance for insurance, show a distinction
between compulsory and non-compulsory insurance, as well as be able to illustrate each
type using examples.  [40]

HINT:
Remind learners that this is an essay question.
Structure is important. Introduction, body and conclusion.
Sub-headings are important to use as they count for analysis.
They should not write in paragraph style. Use full sentences but in point form.
They should use current examples of entrepreneurs to obtain marks for originality.
QUESTION 2: 10 minutes  12 marks  (DOE Exemplar 2008)

Classify each of the following descriptions under COMPULSORY INSURANCE or NON-COMPULSORY INSURANCE. Write the appropriate category next to the question number, and give a reason for your answer.

2.1 Safety of passengers travelling in a taxi on a public road
2.2 Business premises destroyed by fire
2.3 Protection of employees against injury in a factory employing 60 workers [12]

HINT: Learners should answer the question in the same manner as per example.
Example: Shoplifting – Non-compulsory
Reason: The owner reserves the right to absorb the risk.

SECTION B: SOLUTIONS AND HINTS TO SECTION A – 1

QUESTION 1

1.1 Under-insurance. √√ (accept indemnity). √√ (2)
1.2 Compensation = Insured amount × Loss/damage
Market value
= 200 m × 60 m
300 m
= R 40 million. √

Award full marks if the answer is correct (no workings shown), otherwise part marks for the understanding of the concept/process/procedure up to a maximum of 2 marks.

QUESTION 2

2.1 Money paid out of the fund to contributors (workers) who become unemployed or for any other legitimate reason. √√
Any other relevant definition on the nature of UIF. (2)

2.2 Workers who work for more than 24 hours per month make a contribution of 1% of the earnings they receive from the employer. √√
The employer also makes an equal contribution of 1% of the worker's earnings to the fund. √√ (4)

2.3 Unemployment benefits. √√
Sick benefits. √√
Maternity benefits. √√
Death benefits/dependant benefits. √√
Adoption benefits. √√
If financial benefits is given allocate a maximum of 2 marks.
Any other relevant benefits related to UIF. (3 x 2) (6)
2.4 - Yes √√
The employer does not have to make full monetary payments if the employee is sick.√√
The employer does not have to make full monetary payments if the employee is pregnant. √√
The employer does not have to make a full monetary contribution if the employee dies.√√
No sudden lump sum payment that is not budgeted for. √√
Any other relevant answer related to the benefits of the UIF to the employer.

Yes (2) Motivation (1 x 2) (2) Max 4
No√√
Not tax deductible√√
Reduces the cash flow (1%) √√
Increases expenses/cost to the company√√

No (2) Motivation (1 x 2) (2) Max 4

Yes or No without motivation award zero marks.

QUESTION 3
A levy is charged on the sale of petrol and diesel to fund the Road Accident Fund. √√
The main provision of the RAF is to compensate innocent victims who were injured in motor vehicle accidents. √√
The claim for loss of income or support shall not exceed R 160 000 per year. √√
The protection afforded to the injured party is that compensation will be paid whether the negligent driver is rich or poor, insured or uninsured. √√
The RAF pays compensation to drivers, passengers and pedestrians who are injured in accidents provided that the accident is as a result of someone else’s negligent driving. √√
The RAF indemnifies drivers to compensate for losses due to bodily injuries or death of a person and not for damage to property. √√
Claims for emotional shock like witnessing a road accident is no longer considered. √√
Any other relevant answer regarding the provisions of Road accident Fund. (Any 3 x 2) [6]

QUESTION 4
4.1 Non-compulsory insurance / Short term insurance / Fidelity insurance / Insurance of stock. √√
Insurance protects Bongani against possible losses he may suffer as a result of fire, burglary, theft, storm damage, etc. Therefore, if he is insured he will be indemnified for losses by the insurance company. √√
Any relevant answer on non compulsory insurance.
Do not accept any answer regarding Long Term Insurance.
Advantage must be relevant to scenario.

Type (2) Reason (2) (4)
4.2 Under-insurance is an option to suit his budget. √√
Bongani should reduce his stock. √√
Obtain a quote from another broker. √√
Precautionary measures to reduce risk. √√
Reduce operational costs / unnecessary costs. √√
Ability to absorb risks. √√
Any other relevant answer relating to viable options. √√

(2 x 2) (4)

SECTION B: SOLUTIONS AND HINTS TO SECTION A – 2

QUESTION 1

Introduction:
- I agree/disagree with the statement. √
- Many businesses are faced with risks such as fire, theft, burglary, storm damage etc. √
- Should any of these perils/dangers occur and the business is not insured, then the businessperson could suffer major financial losses. √
- Any relevant contribution towards introduction. (Any 3 x 1) (3)

Reasons/significance/purpose:
- Transfer of the risk from the businessperson to the insurance company. The transfer of the risk is subject to the terms and conditions of the contract. √√
- The business will be compensated for the insurable losses e.g. destruction of the property through fire or the loss of life. √√
- Insurance protects the businessperson against future losses. The size of the loss is reduced considerably. Businesspersons do not have control over fire, floods, storms etc. √√
- Replacement costs for damaged machinery and equipment are very high because of inflation.
- Insurance against these losses is essential. √√
- Protects the business against the loss of earnings as a result of natural disasters such as floods, storm damage and fire. E.g. Strikes by employees result in losses worth millions of rand. Therefore, the enterprise can purchase insurance for protection against loss of earnings. √√
- Insurance can be taken against the life of partners in a partnership business as well as key personnel within the organisation. √√
- Should the services of these key personnel be lost as a result of accidents or death, the proceeds of the insurance policy are paid out to the business. √√
- It is also possible for a business to insure against bad debts i.e. debtors who default on the payment of their accounts. √√

Max. 8
Distinction between compulsory insurance and non-compulsory insurance

Compulsory insurance
- In South Africa there are three types of insurances that are compulsory by law. √
- Premiums are contributed by the business into a common fund which is administered by Government. √

Non-compulsory insurance
- The following types of insurance are voluntary since the organisation can decide whether or not to make use of it. √√ Max. 4

Types/examples:

Compulsory insurance
(a) Workers Compensation Fund (WCF) √√
- Workers who are injured on duty are entitled by law to compensation from the Workmen's Compensation Fund. √√
- This fund insures the workers for medical expenses that they incur as a result of being injured or contracting any illness as a result of performing their occupational duties. √√
- This fund also compensates workers financially for any disability that may arise as a result of accidents while performing their duties in the workplace. √√ Max. 6

(b) Unemployment Insurance Fund (UIF) √√
- It is compulsory for the employer and the employee to contribute to the UIF. √√
- This fund provides benefits to workers who have been working and are now unemployed. √√
- Benefits are also paid to the dependants of deceased contributors. √√
- UIF also provides benefits to people who are not working as a result of illness or are on maternity leave. √√ Max. 6

(c) The Road Accident Fund (RAF) √√
- The Government levy that all motorists pay when they buy petrol or diesel ensures that there is sufficient funds to be paid against claims. √√
- Compensation is paid when a person is disabled or injured in a road accident and to the dependants of the individual killed in a road accident. √√ Max. 6 Max. 12

Non-compulsory Insurance
Examples:
(a) Fire Insurance√√
- This refers to losses incurred by fire to a business. √√
- Fire damages the property and assets of the business. √√ Max. 4

(b) Theft Insurance√√
- Losses that result from burglaries and robberies. √√
- Insurance in this regard protects the business by compensating for the losses as well as the cost of repairing any damage to property during the burglary. √√ Max. 4
(c) Life Assurance √√
- The death of key personnel such as partners, management personnel etc. may cause serious problems and financial losses to the enterprise. √√
- Therefore, it is possible for the enterprise to take life assurance against the death of such key personnel. √√ Max. 4

(d) Motor Car Insurance √√
- Most business enterprises have assets such as motor vehicles. √√
- Losses as a result of theft, hijacking and accidents are for the cost of the enterprise. √√
- Therefore, most business enterprises insure their vehicles. √√ Max. 4

(e) Public Liability Insurance √√
- This type of insurance protects the business from claims arising out of injuries to an individual on the business premises. √√ Max. 4
- Any other relevant example of non-compulsory insurance Max. 12

Conclusion
- From the above discussion it is clear that insurance is more a need rather than a luxury in the business environment. √
- There is a growing trend for business to protect themselves adequately against all the risks mentioned above. √ (2)

Sub Total 41: Max 32

Insight:
Structure 2
Synthesis 2
Analysis and Interpretation 2
Originality, examples and recency 2 8 (Max. 8) [40]

QUESTION 2

2.1 Compulsory insurance. √√
   This refers to the Road Accident Fund (RAF) which is a compulsory insurance paid by motorists through the fuel levy legislated by Government. √√

2.2 Non compulsory insurance. √√
   This depends on the ability of a business to overcome the losses resulting from fire. This could be shifted to insurance companies; which is optional. √√

2.3 Compulsory insurance. √√
   This refers to the Workmen’s Compensation Act nr. 130 of 1993, which is applicable to all enterprises employing more than fifty workers. √√ (3 x 4) [12]
SECTION C: HOMEWORK

QUESTION 1: 10 minutes 12 marks (DOE Preparatory 2008)
Classify the following cases of insurance under COMPULSORY INSURANCE or NON-COMPULSORY INSURANCE. Give reasons for each answer.
1.1 Insuring one's own life
1.2 Safety of passengers travelling in a bus on a public road
1.3 A factory insuring itself against any injury that occurs to employees on duty [12]

QUESTION 2: 10 minutes 10 marks (Sunday Times AVUSA 2009)
Business must take out compulsory insurance for employees. What is this insurance called, and what benefits does it offer the employees? [10]

QUESTION 3: 10 minutes 7 marks (DOE Nov. 2009)
Study the following scenario regarding insurance and answer the questions that follow:
Karen Jones owns a retail outlet at the Century City Shopping Centre in Cape Town. She sells imported ladies' garments. The business is insured against fire for R800 000. The market value of her business enterprise is R1 000 000 (one million rand). Fire caused damage to her business, which was assessed at R300 000.
3.1 Calculate the compensation that Karen Jones will receive from the insurance company. (5)
3.2 Give a reason for using the calculation method in QUESTION 3.1 above. (2)

[7]
SECTION D: SOLUTIONS TO HOMEWORK

QUESTION 1

1.1 Insuring one's own life.
Non – compulsory insurance \( \checkmark \) Life insurance policy which is not compulsory. \( \checkmark \)

1.2 Safety of passengers travelling in a bus on a public road.
Compulsory insurance \( \checkmark \) Road Accident Fund which is a compulsory insurance paid by motorists through the fuel levy legislation by government. \( \checkmark \)

1.3 A factory insured itself against any injury that occurs to employees on duty.
Compulsory insurance \( \checkmark \) Every business (factory) must pay workmen’s compensation. \( \checkmark \)

[12]

QUESTION 2

It is compulsory for all business to take out Unemployment insurance for all staff members. \( \checkmark \)
This insurance ensures that employees have a limited income if they lose their job for some reason. \( \checkmark \)
The total cost of Unemployment Insurance is 2% of the employee’s salary. \( \checkmark \)
This can be paid entirely by the employer or half can be paid by the employer and half by the employee. \( \checkmark \)

[10]

QUESTION 3

3.1 Compensation = \( \frac{\text{Insured amount}}{\text{Market value}} \) \( \times \) Loss \( \checkmark \)
\[ = \frac{R\,800\,000}{R\,1\,000\,000} \times R\,300\,000 \]
\[ = R\,240\,000 \] \( \checkmark \)

If answer is incorrect allocate a maximum of 4 marks for understanding of concept, method and procedure:
Formula only = 1 mark
Formula + application = 4 marks
Application of formula = 3 marks
Only correct answer of R240 000 = 5 marks
80% of R300 000 only = allocate 2 marks

3.2 Under-insurance OR average clause. \( \checkmark \) or
He was not insured for the full amount therefore he was under-insured and he cannot be paid the full amount of his claim. \( \checkmark \)

[7]
SESSION 5

TOPIC 2: INVESTMENTS

Teacher Note: Inform learners about investing money and its importance. We allow the money to generate wealth and income and, therefore, grow. This should happen without labour effort. Money not invested will lose value. Investments generate passive income. Savings are not investing. A business invests surplus funds. Businesses make use of investment managers to make sure that the business’s money is invested in the best possible way.

LESSON OVERVIEW

1. Introduce investments and its importance: 5 min.
2. Learners to answer questions: 40 min.
3. Go through solutions and hints with learners: 10 min.

SECTION A: TYPICAL EXAM QUESTIONS – 1

QUESTION 1: 10 minutes 8 marks (DOE Mar. 2010)

Basil invested R10 000 of his annual bonus in a fixed-deposit account at Standard Bank, earning an interest rate of 12% p.a.

1.1 Using the simple interest method, calculate the return earned by Basil over a period of 12 months. (4)

1.2 Give TWO reasons why Basil's investment in a fixed-deposit account is good. (4)

HINTS: Inform the learners that the quickest way to calculate interest is by using the formulae. Remember that it is simple and not compounded interest. They should show their calculations as they can get part marks if their final answer is incorrect.

QUESTION 2: 10 minutes 12 marks (DOE Mar. 2010)

Economists describe the Johannesburg Securities Exchange as the 'heartbeat' of South Africa's economy.

2.1 List any FOUR functions of the Johannesburg Securities Exchange (JSE). (8)

2.2 Assume that you are given R200 per month as pocket money and you want to invest most of it in the JSE. Suggest TWO ways in which this investment can be done. (4)

HINTS: Explain to learners that the question is asking for investment in companies listed on the JSE.
QUESTION 3:  10 minutes  9 marks  (DOE Nov. 2009)

Zamisa Zulu bought 100 000 ordinary shares at R2 per share from a public company listed on the Johannesburg Securities Exchange. At the end of the financial year, he received his first dividend cheque of R40 000 from the company.

3.1 Calculate the percentage return on investment received by Zamisa Zulu.  
3.2 Will Zamisa Zulu be happy with his return on the investment? Motivate your answer.

HINTS:
3.1 – Learners need to use the formulae for calculating return on investment. They should show calculations as they can get part marks if their final answer is incorrect.
3.2 – No motivation no marks awarded.

QUESTION 4:  10 minutes  12 marks  (DOE Mar. 2009)

Describe each of the following investment opportunities and evaluate whether you consider it to be a low, medium or high risk investment:

4.1 Shares  
4.2 Unit trusts

HINTS: Learners should remember not to forget the risk factor. The golden rule is that the better the return, the higher the risk. The returns on shares are higher.

SECTION A: TYPICAL EXAM QUESTIONS - 2

QUESTION 1:  30 minutes  26 marks  (DOE Nov. 2008)

Study the following scenario and answer the questions that follow.

Investment Opportunities and Returns

Three family members, Bob, Sam and Rina, received R400 000, R200 000 and R300 000 respectively from their deceased grandfather’s estate in January 2005. Bob immediately invested his R400 000 in fixed property in Ballito, a coastal resort in KwaZulu-Natal. In September 2007, the local government gave the go-ahead for the construction of the new King Shaka International Airport and this boosted the demand for residential property in the surrounding area. In December 2007, Bob received an offer of R500 000 from an estate agent and sold his property.

Sam, on the other hand, invested his R200 000 in Gold Reef Shares. He purchased 20 000 shares at R10 each in January 2005. In December 2007 Sam sold all his shares at R20 each.

Rina invested her R300 000 for two years in a fixed deposit account at a commercial bank at an interest rate of 15% p.a.
1.1 Analyse each family member’s investment in terms of the risk factor for the two-year period. (6)

1.2 Determine which investment earned the highest return. Show calculations to substantiate your answer. (10)

1.3 Name the institution that buys and sells shares in South Africa. (2)

1.4 Name TWO functions of the institution mentioned in QUESTION 1.3. (4)

1.5 Recommend TWO ways of investing in this institution. (4)

HINTS: Learners will need to use the formula to calculate the return on investment. They must remember that the return is usually dependent on the risk factor. Remind the learners that all answers in a case study are not in the case study. The answers to 1.3, 1.4, 1.5 are not in the case study. They need to study their notes.

QUESTION 2: 10 minutes 9 marks (DOE Exemplar. 2008)

Read the case study below and answer the questions that follow.

New Township Salon
Thandiwe Ntombela opened the New Age Hair Salon in Bisho in 2003. She provided employment for five staff members who travelled from the local township, which is 50 kilometres from work. They worked long hours. They started work at 08:00 and finished at 19:30, seven days a week. Thandiwe was not well equipped because she was making use of old and slow hairdressing equipment in her salon. On 1 July 2007 Thandiwe bought new hairdressing equipment and a computer to use as a database for clients. This was financed through a loan of R40 000 from ABSA Bank at 17.5% p.a. interest, linked to the prime interest rate of the South African Reserve Bank (SARB).

During October 2007 the governor of the SARB announced an increase of 1% in the prime interest rate.

Thandiwe was still excited about her plans for the business for the future. She wanted to explore the possibility of opening a branch in the neighbourhood.

2.1 Explain the term prime interest rate. (2)

2.2 Calculate the interest that will have accrued on the loan on 31 December 2007. (3)

2.3 The prime interest rate has increased by 1% to 18.5%. What strategic options does Thandiwe have with regard to this increase in the interest rate? Explain. (4)

HINTS: Remember mark allocation. 2.3 is for 4 marks. Learners need to write at least two facts.
SECTION B: SOLUTIONS AND HINTS TO SECTION A - 1

QUESTION 1

1.1 Interest = P x R x T
= R10 000 √ x 12 √ x 12
   100  12
= R1 200 √

NOTE:
(a) Allocate maximum marks if only the answer of R1 200 is given (max 4).
(b) Allocate a maximum of 2 marks if procedure and method are correct but the final answer is incorrect.

1.2 Low risk because return is guaranteed. √√
The return of 12% may be better than other forms of investment. √√
(Any other relevant answer related to the reasons why the investment is good.) (4)

QUESTION 2

2.1 Serves as a link between investors and entrepreneurs. √√
Serves as a barometer for economic conditions. √√
Enables financial institutions to invest their funds in shares. √√
Publishes share prices daily – so as to keep investors informed about tendencies in the market. √√
Encourages small investors to obtain a share in the economy by buying shares. √√
Employs experts who help in assessing company shares. √√
Any other relevant answer related to the functions of the JSE. (4 x 2) (8)

2.2 Buy endowment policies that focus on investment in shares. √√
Invest in unit trusts. √√
Invest in accredited financial institutions. √√
Use brokers who are accredited financial service providers. √√ (2 x 2) (4)

QUESTION 3

3.1 Return on Investment = Return x 100% √
Amount invested
= R 40 000 √ x 100% √
R 200 000 √
= 20% √

If answer is incorrect, allocate a maximum of 4 marks for understanding of concept, method and procedure.
Formula only = 1 mark
Formula + application = 4 marks
Application of formula = 3 marks
Only correct answer 20% = 5 marks (Max. 5)
3.2 Yes. √√
   The return on his investment in shares is much higher than on alternative forms of
   investment, e.g. fixed deposits and notice deposits at commercial banks. √√
   Higher than inflation rate. √√
   OR
   No. √√
   Returns fell below similar shares in the market. √√
   Accept relevant options that relate to returns.
   Yes/no only without motivation, no marks allocated. (4)

QUESTION 4

4.1 Shares

Description
Shares are sold by companies to raise capital. √√
People have an opportunity to buy shares in a company. √√
Shareholders receive profits from the company in the form of dividends for their investment. √√
Shares could be bought or sold in the immediate/medium or long term. √√
Government owned enterprises are now been listed in the JSE as public companies. These
shares are offered well below its market value to the previously disadvantaged. √√ (1 x 2) (2)

Risk
Investment in shares is generally regarded as low, medium or high risk. √√
(Accept if nature of risk is explained or implied. Write risk and indicate 2 ticks (√√) ) (2)

Motivation
If the company goes bankrupt, the shareholders lose only their investment portion of their
money. √√
May receive a portion in the form of dividends if the company is liquidated. √√
The concept of limited liability applies in terms of the companies act whereby the
shareholder loses only the amount invested in shares. √√
Any relevant motivation on risk (1 x 2) (2)

4.2 Unit trusts

Description
Unit trusts refer to the pooling of investors money that can be invested in a wide
portfolio of shares or equity. √√
Investments can be made in three main categories, i.e. general funds, specialist
funds and income funds. √√
Usually a medium or long term investment. √√ (Any 1 x 2) (2)

Risk
Investment of funds in unit trusts is regarded as low or medium risk. √√ (2)
(Accept if nature of risk is explained or implied. Write risk and indicate 2 ticks √√)
Motivation
Unit trusts are managed by portfolio experts who understand the unit trust market before making an investment decision. \(\sqrt{\text{2}}\)
Any relevant motivation on risk

Allocation of marks for each: Description 2 marks
Risk 2 marks
Motivation 2 marks
Max 6 marks for each

SECTION B: SOLUTIONS AND HINTS TO SECTION A – 2

QUESTION 1

1.1 Bob - This is a low / absolute risk-investment. \(\sqrt{\text{2}}\)
Sam - This is a high / relative or medium risk investment. \(\sqrt{\text{2}}\)
Rina - There is little or no risk / low / absolute attached to fixed deposits at a bank. \(\sqrt{\text{2}}\)
Alternative answer:
Learners who have ranked the risk correctly, allocate full marks. (3 x 2) (6)

1.2 The following formula must be applied by the candidates:
Percentage return = \(\frac{\text{Profit}}{\text{Initial investment}} \times 100\)

Bob’s investment:
Profit = R500 000 – R400 000
= R100 000. \(\sqrt{\text{2}}\)
Percentage return = \(\frac{100 000}{400 000} \times \frac{100}{1}\) \(\sqrt{\text{2}}\)
= 25 % \(\sqrt{\text{2}}\)
Allocate maximum if answer is 25% OR R 100 000 (Max. 3) (3)

Sam's investment:
Profit = R400 000 (20 000 x R 20) - R200 000
= R200 000 \(\sqrt{\text{2}}\)
Percentage return = \(\frac{200 000}{200 000} \times \frac{100}{1}\) \(\sqrt{\text{2}}\)
= 100 % \(\sqrt{\text{2}}\)
Allocate maximum if answer is 100% OR R 200 000 (max. 3) (3)

METHOD 1: Rina’s investment
Interest = \(\frac{15 \times 300 000}{100}\)
= R 45 000 \(\sqrt{\text{2}}\) (Learners may show this calculation)
Percentage Return = \(\frac{45 000 \times 100}{300 000} \times 2\)
= 30 % \(\sqrt{\text{2}}\)

OR
Allocate full marks if the learner writes 30% OR R 90 000. (3)
METHOD 2: Rina’s Investment

Year One = \( 15 \times 300\,000 \sqrt{100} \)

\[ = R\ 45\,000 \sqrt{\text{(Learners may show this calculation)}} \]

Year Two = \( 15 \times 345\,000 \sqrt{100} \)

\[ = R\ 51\,750 \sqrt{\text{}} \]

Percentage Return = \( \frac{96\,750 \times 100\%}{300\,000} \)

\[ = 32\% \sqrt{\text{(3)}} \]

(Award full marks if the learner writes 32% or R 96 750 √√√

(Award full marks if answer is correct, otherwise, part marks for the understanding of the concept/process/procedure up to a maximum of 1 mark for each member.)

OR  

(Alternative answer)

The profits could be used as an alternative to demonstrate the investment that earned the highest return.

Bob - R 100 000 (3 marks)

Sam - R 200 000 (3 marks)

Rina - R 90 000 or R 96 750 (3 marks)

Sam’s investment in Gold Reef Shares earned the highest rate of return. √√

(2)

Calculations (9) Sam’s investment (2) (Max. 10)

1.3 The Johannesburg Securities Exchange. √√

OR

JSE or JSE LTD or Johannesburg Stock Exchange

OR

Banks √√

Stockbrokers √√

Private Company √√

Public Company √√

Insurance Company √√

Broker √√

(2)

NB. 1. Do not accept “STRATA” as an answer.

2. Must be linked to buying and selling shares.
1.4  - To keep investors informed by publishing share prices in the newspapers. √√
- Small investors are given an opportunity to invest in the economy and growth of the country. √√
- Mobilises the funds of insurance companies and other institutions. √√
- Financial redevelopment sector. √√
- Regulated market for dealing with shares. √√
- Venture capital market. √√
- Raising primary capital. √√
- Orderly market for securities. √√
- Encourage new investment. √√
- Channel funds into Commerce and Industry and keep investors informed. √√
- Link between investor and entrepreneur.
- Any other relevant function of the JSE. √√

Note: If learner gave Banks or another answer – Mark relevant answer according to the institution in Question 1.3 above. (2 x 2) (4)

1.5  - Buying unit trusts √√
- Through financial institutions √√
- Other registered financial service providers, e.g. brokers. √√
- Investing online. √√
- Buying shares in public companies. √√

NB. Will depend on the name of the institution (Q 1.3)

Please note: Q 1.3 to 1.5 is linked. (2 x 2) (4) [26]

QUESTION 2

2.1  The prime rate is the interest that the Commercial Banks charge their preferential clients / best clients. √√ (2)

2.2  

\[
\text{Interest} = R \frac{40000 \times 17.5 \times 6}{100 \times 12} \\
= R \ 3 \ 500. \ √√
\]

(3)

2.3  Example:
- Pay off the loan as quickly as possible so that the interest burden is reduced √√
- Curtail borrowing. √√
- Admit a new partner so that the cash flow is improved. √√
- Any other relevant answer. (4) [9]
Four possible options are provided as answers to the following questions. Choose the correct answer and write only the letter (A – D) next to the question number, for example 1.7 B

1.1 Zapiro buys 1 000 shares at R5 each. The return he receives from this investment is in the form of …
   A interest.
   B dividends.
   C premiums.
   D unit trusts.

1.2 Income earned from investment in fixed property is called …
   A rent.
   B annuity.
   C interest.
   D real estate.

1.3 Of the four listed, this form of investment carries the highest risk:
   A Shares
   B Property
   C Unit trusts
   D Fixed deposit

1.4 Jane borrows R20 000 from ABSA bank for one year at a rate of 18% p.a. The total amount payable would therefore be …
   A R36 000.
   B R3 600.
   C R20 018.
   D R23 600.

1.5 Patricia won R50 000 in the Lotto draw. She invested the money in a fixed deposit account for two years, earning an interest rate of 14% p.a. compounded annually. The maturity value of her investment is …
   A R46 270.73.
   B R85 000.
   C R64 980.
   D R35 000.  

(5 x 2) [10]
QUESTION 2: 20 minutes 18 marks  

(DOE Exemplar 2008)

Study the following information on share trading and answer the questions that follow.

<table>
<thead>
<tr>
<th>FOOD PRODUCERS</th>
<th>Close</th>
<th>High</th>
<th>Low</th>
<th>DM</th>
<th>YM%</th>
<th>DY</th>
<th>PE</th>
<th>DV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illovo</td>
<td>1 915</td>
<td>1 945</td>
<td>1 900</td>
<td>+15</td>
<td>14,9</td>
<td>3,8</td>
<td>12,7</td>
<td>124 075</td>
</tr>
<tr>
<td>Oceana</td>
<td>1 650</td>
<td>1 670</td>
<td>1 650</td>
<td>-20</td>
<td>10,7</td>
<td>4,5</td>
<td>14,6</td>
<td>4 700</td>
</tr>
<tr>
<td>Rainbow</td>
<td>1 660</td>
<td>1 660</td>
<td>1 650</td>
<td>+3 68,5</td>
<td>3,6</td>
<td>11,0</td>
<td>738</td>
<td>672</td>
</tr>
<tr>
<td>TigerBrands</td>
<td>18 250</td>
<td>18 507</td>
<td>18 000</td>
<td>-25</td>
<td>3,2</td>
<td>3,3</td>
<td>15,1</td>
<td>416 285</td>
</tr>
<tr>
<td>Tongaat</td>
<td>12 850</td>
<td>13 200</td>
<td>12 750</td>
<td>+50</td>
<td>33,1</td>
<td>4,3</td>
<td>19,3</td>
<td>161 123</td>
</tr>
</tbody>
</table>

[Source: Business Report, Tuesday 10 April 2007]

**Close**: Market close; **High**: Day's high; **Low**: Day's low; **DM**: Daily move; **YM%**: Last 12 months' percentage move; **DY**: Dividend yield; **PE**: Price-earnings ratio; **DV**: Day's volume

2.1 Which institution publishes this type of information in the newspapers? (2)
2.2 Name TWO functions of the institution mentioned in QUESTION 3.4.1. (4)
2.3 Explain what happened to Tiger Brands' shares during the day’s trading on 10 April 2007. (2)
2.4 What was the price of Illovo shares at the end of the market day? (2)
2.5 How does regular information, as given in the table above, assist you in deciding which shares to buy? Substantiate your answer. (4)
2.6 Would you prefer to buy shares or unit trusts? Motivate your answer. (4)
SECTION D: SOLUTIONS TO HOMEWORK

QUESTION 1

1.1 B √√ (2)
1.2 A √√ (2)
1.3 A √√ (2)
1.4 D √√ (2)
1.5 C √√ (2)

[10]

QUESTION 2

2.1 The Johannesburg Securities Exchange. √√ (2)

2.2 - To keep investors informed by publishing share prices in the newspapers. √√
- Small investors are given an opportunity to invest in the economy and growth of the country. √√
- Mobilises the funds of insurance companies and other institutions. √√
  Any other relevant function. ( 2 x 2) (4)

2.3 Tigerbrands shares traded at the highest price of 18 507c and at the lowest price of 18 000c. The price at the close of business was 18 250c√√ (2)

2.4 R 19.15 or 1915 cents. √√ (2)

2.5 - Guided by dividend yield. The higher the dividend yield the better the returns from investment in shares. √√
- Identifies shares that are stable. √√ (4)

2.6 Unit Trusts √√
  Unit trusts are controlled by fund managers who are specialists. √√
  Balanced portfolio of funds ranging from low to high performance. √√
  The risks are spread. √√
  Less risky than shares. √√

OR
  Shares. √√
  Possibility of a high return in choosing one company’s shares. √√
  Returns are immediate. √√ (2 + 2) (4)

[18]