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Tutorial Letter 202/1/2018

Business Management IIA

BSM2601

Semester 1

Department of Business Management

IMPORTANT INFORMATION:

This tutorial letter contains important information about feedback to assignment 2 and examination guidelines

BAR CODE

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1 INTRODUCTION

Dear Student

This is the first of the 200-series tutorial letters you will receive during the course of the semester. The purpose of this tutorial letter (TL202) is to provide you with feedback on Assignment 02. This tutorial letter also contains your examination guidelines.

The assignments and feedback on these assignments constitute a vital part of your learning and will assist you in preparing for the examination. Assignments 01 and 02 covered learning units 1, 2, 3 and 4 of the study guide and chapters 1, 3, 4 and 5 of the prescribed book. These assignments covered a lot of work and required proper time management on your part. If you really want to succeed in this module, you have to study at least **seven** hours a week until you sit for your examination in **May/June 2018**. Do not memorise the given answers in this tutorial letter for examination purposes, because the examination consists of completely new questions.

Marking and giving feedback on assignments are important teaching activities. Moreover, you need to revise your work several times before you actually sit for your final examination.

Consult the brochure *Study @ Unisa* for more information on the amount of time you need to spend on your studies every day or week or for each module you have registered for.

2 COMMENTS ON ASSIGNMENT 02

Assignment 02 contained four essay-type questions worth a total of 40 marks. The model answers to the questions are given in the table, which follows. The table further provides you with references to the prescribed book as well as an explanation. Please study the comments carefully and compare your answers to the model answers.

QUESTION	MODEL ANSWER TO THE QUESTION
1	<p><i>Briefly explain the variables in the business environment, as presented below. Make use of one (1) example from the case study for each environment to motivate your answer.</i></p> <p>1.1 Micro environment (3)</p> <p>1.2 Market environment (3)</p> <p><i>Please note: no marks will be awarded for merely listing all the variables</i> [6]</p> <p>Micro (internal) environment (Any three(3) variables)</p> <ul style="list-style-type: none"> • Mission statement and goals of the business: This is what the business hopes to achieve and the way in which it can be achieved. √ ½ • Example • <i>The first Woolworths store opened its doors to the public in Cape Town in October 1931. √ ½</i> • The business's functions: These include the following functions: general management, operations, purchasing (supply chain), marketing, financial, administrative, human resources and public relations. √ ½ • Example • <i>By 2009 the store has 408 retail stores (including 161 franchise stores. √ ½</i> • The production factors or resources of the business: The production factors or resources include labour, raw materials (natural resources such as minerals, timber and water), capital and entrepreneurship. √ ½ • Example • <i>Since 2003 the store pursued an aggressive expansion, opening over 230 stores. √ ½</i> • The influence of management on the micro-environment: The management of a business exerts a direct influence on the mission statement and objectives of the business. Management itself decides where the business is going and what it will do to get there. √ ½ • Example • <i>The brand has remained true to its core values of quality and style, service, integrity, value, energy, innovation and sustainability. √ ½</i> • The micro-environment is the heart of a business. It also indicates to what extent a business is able to utilise opportunities or oppose threats in the external environment. √ ½ • Example

- *Woolworths success was the drive to build lifetime relationships with its customers.* $\sqrt{1/2}$

Market environment (Anyone of the three(3) variables)

- Variables in this environment differ from business to business. $\sqrt{1/2}$
- **The market:** concerns consumers and his/her needs.
- Business must be geared towards satisfying consumers' needs. $\sqrt{1/2}$
- Consumers have certain rights in their interaction with the business within the market place. $\sqrt{1/2}$
- **Example (Anyone of the three)**
- *Food division target consumers in the middle-to-upper bracket.* $\sqrt{1/2}$
- *Woolworths set a trend by starting to sell pre-prepared convenient food in 1993.* $\sqrt{1/2}$
- *Marketing of Good Food Journey by providing consumers with food that was safe and nutritious (organic food).* $\sqrt{1/2}$

Competition: Various businesses compete with one another to sell the same product or service to the customer. $\sqrt{1/2}$

- Choice of different products indicate the presence of competition in the market. $\sqrt{1/2}$
- The business must take full account of the influence and force of competition in the business environment to mitigate actions of competitors. $\sqrt{1/2}$
- Business advertise their products and services to persuade the consumer to buy their products. $\sqrt{1/2}$
- **Example**
- *In 2000 clothing division suffered because of the proliferation of cheaper imported clothing.* $\sqrt{1/2}$
- **Suppliers of resources and services:** A business decides as to which products to market, in what quantity and how much capital will be invested in the specific project. $\sqrt{1/2}$
- **Example (Anyone of the three)**
- *In 2003 Woolworths introduced clothing range such as W Collection, Stone cherries, Maya Prass, Stephen Quatember and Trenery.* $\sqrt{1/2}$
- *Opening stand-alone store in convenient locations.* $\sqrt{1/2}$
- *Opening different store formats, Full-line store, Clothing store and Food store at selected Engen fuel store.* $\sqrt{1/2}$

REFERENCE IN THE PRESCRIBED BOOK

Chapter 1, Pages 12 – 19

Note: ($\frac{1}{2}$) mark for briefly discussing each of the three (3) variables ($\frac{1}{2}$) mark for each examples.

	MODEL ANSWER TO THE QUESTION
2	<p>Use the information in the Woolworths' case study and calculate the answer for each ratio. Once you have done your calculations, provide an interpretation of what the answer means.</p> <p>2.1 Working capital (4)</p> <p>2.2 Debt to equity ratio (4)</p> <p>[8]</p> <p>Working capital = $\frac{\text{Current assets} - \text{Current liabilities}}{\text{Current assets}}$ ✓ $\frac{6201 - 5523}{6201}$ ✓ $\frac{678}{6201}$ ✓</p> <p>Woolworths has a positive working capital because its current assets are greater than the current liabilities, it means it is able to pay off its short-term liabilities with its current assets. ✓</p> <p>Debt to Equity Ratio = $\frac{\text{Total liabilities}}{\text{Owner's equity}}$ ✓ $\frac{7764}{6629}$ ✓ 1.17 ✓</p> <p>Woolworths has lower debt-to-equity ratio, which means that it uses less leverage and has more equity. ✓</p> <p>REFERENCE IN THE PRESCRIBED BOOK Chapter 3, page 88-91</p>
	<p>Note: one (1) mark for each formula, one (1) mark for calculation, one (1) mark for each correct answer and one mark for each interpretation</p>

	MODEL ANSWER TO THE QUESTION
3	<p><i>Make use of the information in the case study to answer the following questions:</i></p> <p><i>Briefly discuss the credit management introduced by Woolworths Financial Services.</i></p> <p><i>Make use of one (1) example from the Woolworths case study per sub question to substantiate your answer.</i></p> <p><i>Use the following sub-questions to structure your answer:</i></p> <p>3.1 Discuss the role of the credit manager at Woolworths. (6)</p> <p>3.2 Explain debtor management at Woolworths. (6)</p> <p style="text-align: right;">[12]</p> <p>(Any three points with an example of each point.)</p> <ul style="list-style-type: none"> • Credit management comprises risk management and cash flow management.√½ • Example • <i>To accurately predict and control future credit risk and performance behaviour.√½</i> • Credit manager must ensure that functions relating to credit sales promote profitable sales, whilst keeping risk at a minimum.√½ • Example • <i>WFS chose low –risk segment with pre-approved In-store card offer through the campaign called “card in the post”.√½</i> • This safeguards and accelerates cash flow.√½ • Example • <i>Experian-Scorex used the salary prediction model to set pre-approved credit limit.√½</i> • Assist management to operate with confidence.√½ • Example • <i>To stimulate the In-store card portfolio acquisition and stimulate growth.√½</i> • Caring for accounts receivable.√½ • Example • <i>WFS recognises the need to improve customer acquisition and share of wallet.√½</i> • Assisting with customer relations management.√½ • Example • <i>Use of Experian-Scorex to acquire new relationships at a manageable rate.√½</i>

	MODEL ANSWER TO THE QUESTION
	<p><i>Explain debtor management at Woolworths.</i></p> <p>(Any three points with an example of each point.)</p> <ul style="list-style-type: none"> • Debtors arise when an organisation sells on credit to its clients. $\sqrt{1/2}$ • <i>Example</i> • <i>Woolworths Financial Services (WFS) in Joint Venture with ABSA introduced in-store credit in form of the Woolworths Store Card.</i> $\sqrt{1/2}$ • Debtor management is a strategy that involves the process of designing and monitoring the policies that govern how a company extends credit to its customer base. $\sqrt{1/2}$ • <i>Example</i> • <i>Woolworths also offered a range of financial services including a visa card, a Woolworths "cash" card and a revolving- and fixed term loans.</i> $\sqrt{1/2}$ • Debtor management is complex because on the one hand, too much money can be tied up in debtors because of an extremely liberal policy in giving trade credit. On the other hand the liberal trade policy could help enlarge income from sales. $\sqrt{1/2}$ • The organisation should be able to convert their current assets into cash as quickly as possible (within one year or less). $\sqrt{1/2}$ • <i>Example</i> • <i>Woolworths caters for the top end of the market, which has shown more flexibility. Its book is also of better quality because its clients can repay their debts.</i> $\sqrt{1/2}$ • The debtors forms a major area of the business where funds are tied up. $\sqrt{1/2}$ • <i>Example</i> • <i>Since 1993 WFS has been providing credit through its flagship "In-Store " private label card that allows consumers to purchase Woolworths goods and services on credit.</i> $\sqrt{1/2}$
	<p>REFERENCE IN THE PRESCRIBED BOOK</p> <p>Chapter 4, pages 122 to 141</p>
	<p>Note: 3.1 $\frac{1}{2}$ mark for each credit management role, $\frac{1}{2}$ mark for each example.</p> <p>3.2 $\frac{1}{2}$ mark for each debtor management reason, $\frac{1}{2}$ mark for each example.</p>

4	<p>Woolworths launched the Good Business Journey on 19 April 2007. Indicate the reason for the Good Business Journey and the importance of corporate citizenship. Make use of one (1) example from the case study to motivate your answer.</p> <p><i>Use the following headings to structure your answer:</i></p> <p>4.1 <i>The reasons for the launch.</i> (9)</p> <p>4.2 <i>Corporate citizenship</i> (5)</p> <p style="text-align: right;">[14]</p> <p><i>The reasons for the launch.</i></p> <ul style="list-style-type: none"> • The ethos behind it was that Woolworths has a responsibility to its communities and the environment of the business.✓ • Good Business Journey consisted of a comprehensive five year plan.✓ • Inherent desire to do the right thing.✓ • To improve the company's sustainable performance.✓ • Measuring and reducing the company's carbon footprint.✓ • Transformation of business according to employment equity and BEEE requirements.✓ • Addressing the issue of triple bottom line that include social, environment and climate change.✓ • WFS has identified ten key areas that impacted on the achievement of its original goals.✓ • Buying textile from local suppliers.✓ <p><i>Corporate citizenship</i></p> <ul style="list-style-type: none"> • True sustainability development had to meet the triple bottom line by pursuing profit not at the expense of the planet and its people.✓ • Business leaders began to realise that social and environmental concerns were becoming relevant to financial performance.✓ • Controlling bodies for social development had sprung all over the world.✓ • Creation of a set of standards against which sustainability programme could be measured.✓ • Providing consumers with food that was safe and nutritious.✓
	<p>REFERENCE IN THE PRESCRIBED BOOK</p> <p>Chapter 5, pages 159 to 170.</p>
	<p>Note: 4.1 One (1) mark for each reason (9)</p> <p>4.2 One (1) mark for examples (5)</p>

3 GUIDELINES FOR THE EXAMINATION

Congratulations on completing both assignments for the module BSM2601.

Compare the feedback on Assignments 01 and 02 with your own answers to help you prepare for the format of the questions that you will encounter in the examination. A good athlete is the one who strives to set a new record by breaking the existing one every time he/she competes. I hope that you will do the same by improving on your previous performance.

You need to peruse the brochure, *Study @ Unisa*, as well as the examination section of Tutorial Letter 101 for more information on the administration of examinations. Your examination for this module counts out of 70 marks. It is a closed-book examination and the duration of the examination is 2 hours. Marks are distributed evenly across the four learning units or chapters that are covered in this module.

Take note that when preparing for your examination, you must strive to obtain at least 17 marks from each learning unit or chapter or section in the examination. This will only happen if you are actively engaged with us (your e-tutor and myself) on myUnisa discussion forum.

You need to study ALL the learning units and the corresponding chapters in the prescribed book for the examination. If you do not study from the prescribed book you are setting yourself up for failure.

Formative assessments, such as assignments, have been designed to develop your skills. They are meant to assess whether you are still on the right path towards mastering the specific outcomes for the module. They will also help you prepare for the summative assessment, in this case, the final examination. You are therefore urged to compare your assignment answers with the suggested guidelines provided in Tutorial Letters 201 and 202. This will enable you to determine which questions you have answered correctly and the areas that require improvement. Focus on this in your preparation for the examination. This review will point you in the right direction in mastering the specific outcomes for the module and preparing thoroughly for the final examination.

The examination paper consists of two compulsory sections:

Section A: 30 multiple-choice questions worth 1 mark each to be answered on the mark-reading sheet to be provided during the examination.

Section B: Case study with 4 paragraph questions worth 40 marks in total

General examination instructions:

- Please indicate the correct **student number** and **unique number** (of the paper) on the mark-reading sheet.
- Manage your time carefully.
- Do not be dishonest by bringing unauthorised notes with you into the examination venue.
- Read through and analyse the questions **properly** so as to answer them correctly.

3.1. Learning units and chapters prescribed for examination purposes

For this module, BSM2601, you need to master the following material for the examination:

LEARNING UNIT IN STUDY GUIDE	TOPIC	CHAPTER IN PRESCRIBED BOOK
1	What is Business Management?	1
2	Financial Management	3
3	Credit Management	4
4	Corporate Citizenship	5

Don't forget to review the learning outcomes for each learning unit and chapter. You will find them in your prescribed book and study guide.

3.2. Guidelines for answering essay-type questions

Long questions are designed to test more than your basic knowledge of a topic. Your mark will be determined by how well you demonstrate knowledge of the facts within the greater context of the topic.

You must focus your answer by **first providing the theory** and then **describing (often quoting from the case study) the context**. You will lose valuable marks if you only quote from the case study and do not include the theory. Remember that when quoting (rewriting words directly taken from the passage) you must enclose your quotation in quotation marks.

Plan your answers and write as legibly, concisely, and quickly as possible. Do not start your answer by rewriting the question asked; this wastes time. Proofread your answer and correct any errors in grammar, spelling or syntax.

4 CONCLUDING REMARKS

I trust that you will find the comments provided in this tutorial letter helpful in your preparation for the examination. Please feel free to contact me should you have any enquiries relating to this module.

All the best for the forthcoming examinations!

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Unisa 2018