

Tutorial Letter 202/2/2018

Business Management IIA

BSM2601

Semester 2

Department of Business Management

IMPORTANT INFORMATION:

This tutorial letter contains important information about your module.

BAR CODE

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1 INTRODUCTION

Dear Student

This is the second of the two 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 **Oct/Nov 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 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.

QUESTIONS	MODEL ANSWERS TO THE QUESTION
1	<p>Briefly explain the demographic variables in the social environment and macro environment as presented below. Make use of one (1) example of each demographic variable from the case study to motivate your answer. (10)</p> <p>1.1 Size and composition of the population. (2)</p> <p>1.2 Market composition. (2)</p> <p>1.3 Changing lifestyles. (3)</p> <p>1.4 Economic environment. (3)</p> <p>Size and composition of the population</p> <ul style="list-style-type: none"> • Size and composition of the population they are directly influenced by the population growth of the country, some countries have negative birth-rate.✓ • Example • <i>The expansion of Woolworths shows that it has more customers in South Africa.✓</i> <p>Market composition</p> <ul style="list-style-type: none"> • This is the composition of the market in terms of ethnic groups and need to be considered by the enterprise. Different groups have distinct culture cultures and lifestyles that must translate into different needs and preferences.✓ • Example • <i>Woolworths opened stores in Africa, Australia and Middle-East to cater for the needs of people in these different countries.✓</i> <p>(One mark for description and one mark for example)</p> <p>Changing lifestyles</p> <ul style="list-style-type: none"> • There is changing lifestyles of consumers and their needs as the results of them being quality conscious. Safety is the main concern for consumers and they prefer products that are environmentally friendly.✓ • Examples • <i>The company believed that the key to its success lay in providing customers with high-quality fresh produce and convenience foods, and clothing that had a reputation for being a cut above everything else in value and quality.✓</i>

	<ul style="list-style-type: none"> • <i>The company's core values were quality and style, value for money, service, innovation, integrity, energy and sustainability.√</i> <p>Economic environment</p> <ul style="list-style-type: none"> • Economic environment is that part of the macro-environment consisting of factors that influence the personal disposable income. This includes interest rates, inflation and trade cycle.√ • Examples • <i>Woolworths is in the prosperity phase because since 2000, Woolworths had pursued an aggressive expansion programme, opening over 230 new stores.√</i> • <i>By 2009, it had 408 retail stores (including 161 franchise stores), making it one of the largest retail chains in the country (Woolworths Holdings Ltd).√</i> <p>(One mark for each explanation and one mark for each relevant example).</p>
	<p>REFERENCE TO THE PRESCRIBED BOOK</p> <p>Chapter 1: Section 1.6.5.1 pages 20 and 21</p>
2	<p>Use the information in the Woolworths case study and calculate the answer for each ratio below. Once you have done your calculations, provide an interpretation of what the answer means. (10)</p> <p>2.1 Gross profit margin. (5)</p> <p>2.2 Current ratio. (5)</p> <p>Gross profit margin = $\frac{\text{Total revenue} - \text{Cost of goods sold}}{\text{Total revenue}}$√</p> <p style="margin-left: 40px;">Total revenue</p> <p style="margin-left: 40px;"><u>39944 - 24209</u>√</p> <p style="margin-left: 40px;">39944</p> <p style="margin-left: 40px;"><u>15735</u></p> <p style="margin-left: 40px;">39944</p> <p style="margin-left: 40px;">0.39√</p>

	<p>The profit margin is acceptable because the profit covers the cost of goods sold.√√</p> <p><i>(One mark for formula, one mark for calculations, one mark for answer and two marks for interpretation).</i></p> <p>Current ratio = $\frac{\text{Current assets}}{\text{Current liabilities}}$√</p> <p style="padding-left: 40px;">$\frac{6201}{5523}$√</p> <p style="padding-left: 40px;">1.12√</p> <p>This means the current assets are able to cover the current liabilities.√√</p> <p><i>(One mark for formula, one mark for calculation, one mark for correct answer and two marks for interpretation).</i></p> <p>REFERENCE TO THE TEXTBOOK</p> <p>Chapter: 3 pages 88 and 90</p>
3	<p>Discuss the credit management process and indicate how Woolworths Financial Services (WFS) applied it. Make use of examples from the case study to motivate your answer. (12)</p> <p>3.1 Promotion describes any effort to encourage product sales or to increase number of customers using credit purchase options.√</p> <p style="padding-left: 40px;">Example</p> <ul style="list-style-type: none"> • <i>To accelerate the In-store card portfolio acquisition and stimulate growth, WFS took the strategic decision to focus a greater amount of its energy on “below-the-line” direct marketing campaigns, which were focused on new consumer prospects to the WFS business.√</i> <p>3.2 Initial screening is the effort of the credit department to make quick, cost effective checks to see if the applicant meets the basic criteria for opening a credit account.√</p>

	<p>Example</p> <ul style="list-style-type: none"> • <i>WFS turned to Experian-Scorex to accurately predict and control future credit risk and performance behaviour. ✓</i> <p>3.3 Credit assessment is to assess the creditworthiness of the customer and decide if credit is granted. ✓</p> <p>Example</p> <ul style="list-style-type: none"> • <i>Using recent Woolworths' application data, Experian-Scorex used the salary provided on recent previous application forms, to build a bureau-based salary prediction model that could be used to set the pre-approved credit limit. ✓</i> <p>3.4 Collection of debts is one of the primary functions of the credit department. This is to encourage customers to pay their accounts timeously. ✓</p> <p>Example</p> <ul style="list-style-type: none"> • <i>WFS turned to Experian-Scorex to develop a methodology for new customer acquisition that allowed WFS to acquire new relationships at a manageable rate. ✓</i> <p>3.5 External control deals with extension and collection credit. ✓</p> <p>Example</p> <ul style="list-style-type: none"> • <i>WFS is a Joint Venture with Absa Bank that supports the Woolworths retail business by providing in-store credit in the form of the Woolworths Store Card. ✓</i> <p>3.6 Internal control deals with the methods of monitoring the level of debtors within the business. ✓</p> <p>Example</p> <ul style="list-style-type: none"> • <i>WFS provide credit to over 1.5 million consumers through financial services products covering personal loans, unit trusts, visa credit cards and in-store cards. ✓</i> <p>(one mark for each explanation, one mark for each example)</p>
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	<p>REFERENCE TO THE PRESCRIBED BOOK</p> <p>Chapter: 4 page 131</p>
4	<p>Define corporate citizenship and discuss how it is applied at Woolworths as part of its corporate citizenship programme. Make use of examples from the case study to motivate your answer. (10)</p> <p>4.1 Corporate citizenship is the contribution a company makes to society through its core business activities, its social investment and philanthropic programmes, and its engagement in the public policy.√√</p> <p>Examples</p> <ul style="list-style-type: none"> • <i>After investigating what international retailers were doing in the area of sustainability, particularly Wal-Mart in the USA and Marks & Spencer in England, Woolworths stepped into the sustainable development arena with the launch of the Good Business Journey on 19 April 2007.√</i> • <i>“The ethos behind it was that we have a responsibility to our communities and the environment of the business. This is embedded in the Woolworths values – we have an inherent desire to do the right thing.”√</i> • <i>The Good Business Journey consisted of a comprehensive five-year plan (from 2007 to 2012) aimed at improving the company’s sustainability performance, which included measuring and reducing the company’s carbon footprint.√</i> • <i>This incorporated a range of targets centred on four key priorities, which had been identified in accordance with the concept of the triple bottom line: transformation of the business according to employment equity and BEE requirements, social development, the environment, and climate change.√</i> • <i>True sustainable development, therefore, had to meet the triple bottom line by ensuring that the pursuit of profit was not at the expense of the planet and its people.√</i> • <i>Woolworths had recently identified ten key risk areas that impacted on the achievement of its original goals.√</i> • <i>Woolworths subscribes to the United Nation’s Report of the World Commission on Environment that meets the needs of the present without compromising the ability of future generations to meet their own needs and the promotion of values that encourage</i>

	<p><i>consumption standards that are within the bounds of the ecologically possible and to which all could reasonably aspire.</i>√</p> <ul style="list-style-type: none"> • <i>Woolworths began to realise that social and environmental concerns were becoming increasingly relevant to financial performance, and that organisations showing superior management of these issues gained an edge over their competitors.</i>√ <p>(Two marks for definition and one mark for each example)</p>
	<p>REFERENCE TO PRESCRIBE BOOK</p> <p>Chapter: 5 page 157</p>

TOTAL MARK [40]

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

Do not 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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