



BOTSWANA  
EXAMINATIONS  
COUNCIL

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**Botswana General Certificate of Secondary Education  
October/November 20XX**

**Specimen Mark Scheme**

**0598/03 COMMERCE**

**Maximum Marks: 100**

**Specimen Commerce Paper 3  
Marking scheme**

- 1 (a) State **two** methods that Gaone might have used to generate the business idea. **[2]**
- Noting a gap in the market: (1) Gaone has realised that there were no restaurants in the community.
  - Brainstorming: (1) He worked with his family to come up with ideas and chose the best one after discussions.
  - Using own expertise: (1) He realised that he had the skill from school/training. (1)

**2 methods stated 2x1=2marks**

- (b) Explain the term limited liability and state **two** benefits of limited liability to prospective investors. **[3]**
- This refers to a situation in which the person who has invested in a business does not lose more than the amount invested in the business and the person is not personally responsible for the amount owed by the business in the event that the amount owed is not paid. (1)

**Benefits of limited liability to prospective investors**

- It offers protection for the investor against a possible lawsuit because the investor is considered separate entity from the company.
- This helps investors to know the maximum amount they can lose. (1)
- If the company gets sued, the personal assets, like bank accounts and real estate of investors are protected (1)
- Personal income are not subject to certain taxes for which the company is liable (1)

**Complete** definition 1 mark

**2 benefits stated 2x1 =2**

**[3]**

- (c) Gaone had the option to establish a sole proprietorship business but decided to incorporate the business as a private limited company. Discuss **one** advantage and **one** disadvantage to Gaone of incorporating the business **[6]**

**Advantages for a business owner**

- the business will take on its own legal identity (1) so that the business can own assets and liabilities in its own right (1) and therefore it is separated from its owners(1)
- It can also face legal action (1) the business can sue any person or entity and can be sued by any person or entity aggrieved by the business (1) this makes the business a legal person (1)
- If the business accrues large debts, Gaone won't be held personally liable, (1) Creditors can't repossess the personal property of Gaone (1). This provides a protective barrier that removes risk for Gaone (1).

- The Gaone only loses the money put into the business, (1) and nothing else and investors can still be held liable for criminal behavior(1) or if they neglect to follow certain rules about business management. (1)
- There is no limit to the number of owners. (1) It can have one member or hundreds of members (1) will allow Gaone to raise more capital for expansion (1)
- The amount of money that owners invested into the business does not need to equal their percentage of ownership. (1)
- An incorporated business is not required to have a board of directors, annual meetings, (1) or strict book requirements. (1)This can free up a lot of time and stress to let you run the business on owners terms (1)

**Disadvantages for a business owner**

- There is additional paperwork to be completed, (1) the business must register with Registrar Companies, (1) produce governing documents (1) the memorandum of association, articles of association and statement of capital (1).
- Owners will lose the direct ownership of assets (1). The assets and revenue, (1)can only be distributed to owners according to the terms of the companies(1)

- 1 advantage and disadvantage with conclusion 2X3= 6 marks**
- 1 advantage and disadvantage no conclusion 2X2 =4 marks**
- 1 advantage or disadvantage with conclusion 2X2 =4 marks**
- 1 advantage and disadvantage listed 2X1= 2 marks**

**(d)** Analyse **two** weaknesses and **two** opportunities of Diababa (Pty) Ltd. **[4]**

<b>OPPORTUNITIES</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>• Financial support (1) from commercial bank- which enables him to have enough start-up capital. (1)</li> <li>• Availability of utilities-(1) which lead to smooth running of the business. (1)</li> <li>• Better infrastructures (1) e.g. tarred roads - (1) which makes it easy for (1) customers and suppliers to access the business. (1)</li> <li>• New technology-(1) which helps in efficient record keeping and stock control. (1)</li> </ul>	<ul style="list-style-type: none"> <li>• Inadequate capital-(1) which made it difficult to buy all the necessary resources to start the business. (1)</li> <li>• Poor business management-(1) Gaone failed to keep proper financial statements which made it difficult to apply for financial support from the commercial bank. (1)</li> <li>• Poor business plan-(1) the plan on how to run and operate the business was not good which made it difficult to operate a business. (1)</li> <li>• Business is operating in rented premises-(1) which make it impossible to renovate the building to make it more attractive. (1)</li> </ul>

- 2 opportunities and weaknesses analyzed 4X2 =8 marks**
- 2 opportunities and weaknesses stated 4X1 =4 marks**

**[Total: 19]**

2 (a) Identify **two** research methods that Gaone might have used to collect data. [2]

- Field research - (1)
- Desk research -(1)

**2 research methods identified or listed 2X1 = 2 marks**

(b) State **two** pieces of information that Gaone collected from the research. [2]

- Prices of various meals/per plate of food (1)
- Type of food to serve (1)
- Number of restaurants in the village (1)
- Where she can locate his business (1)
- Whether there is a market for the food he will cook, and if so, how big it is. (1)
- Who will be the people who will buy the food- so that he meets their standards. (1)
- If there are other restaurants in the area- so that he finds ways of overcoming them. (1)
- The kind of food customers want-so that he cooks what can satisfy them. (1)
- The price per type of food-so that it does not differ much from what is offered by competitors. (1)

**2 pieces of information stated/ listed 2X1 = 2 marks**

(c) Design **two** research questions on each of the following topics: [4]

Price

- How much do you usually pay for a packet of chips? (1)
- How much do you think is the right price for a lunch pack? (1)
- How much do you think is the right price for a lunch pack without soft drink? (1)

Competitors

- Where do you normally buy your lunch pack? (1)
- Is there a restaurant in the area? (1)
- Where you buy your lunch, what do they offer for free as part of the lunch pack? (1)

**2 research questions on each stated 2X2 =4 marks**

- (d) Discuss **three** ways in which the preparation of a business plan about Diababa (Pty) Ltd. might help the long-term success of the business. [9]

A business plan

- It shows prospective investors how serious the business is(1) and how the business will benefit investors: (1) by given better returns to the investors(1)
- It forces Gaone to think and plan ahead(1) because it sets the objectives of the business (1) to enables all stakeholders to appreciate the direction of the business
- It contains vital pieces of information required to estimate likely success (1) and it determines the target market (1); motorists, government departments, students, NGOs. (1) who will buy the products.
- It shows the promotion strategy: (1) leaflets, word of mouth, t-shirts, advertising on taxis (1) that has to be used for promoting the product.
- It shows the pricing strategy: (1)penetration/ cost-plus/ market scheming(1)
- It describes competitors (1); other restaurants, fast food franchises (1) that operates in the area.
- It outlines the methods of selling: (1) cash, free meals on selected days (1) door-to-door delivery.
- It enables Gaone to prepare the sales forecast: (1) e.g. 250XP25 plates per day. (1)
- Stating sources of finance (1) e.g. inheritance from parents: P150 000(1) and loan proportion to the total capital.
- It help to gain finance(1), because it is required by a Bank Manager before agreeing on loans (1)

**NB: Candidates may identify the sections of the plan and explain how knowing these would help the business to succeed.**

**3 ways developed/applied with opinion**

**3X3= max 9 marks**

**3 ways developed/applied with no opinion**

**3X2 = max 6 marks**

**3 ways listed**

**3X1= max 3 marks**

- (e) Identify **three** types of financial records that an incorporated business must keep. Explain why each record is important. [6]

**Cash flow statement (1)**

- Helps to see if the business needs additional capital (1)
- Shows how much surplus the business has at a given time. (1)

**Income statement (1)**

- Shows Gaone and other shareholders how the business is performing (1)
- Can assist the company to obtain finance for growth (1)
- Used to compare income against the costs of goods/services and expenses incurred. (1)

**Statement of financial position (1)**

- Shows assets, (1) capital and liabilities of a business as at a particular date. (1)
- Provides a summary of what a business owns or is owed, and what it owes at a given point of time. (1)

**Income and expenditure (1)**

- Helps to see if the business needs additional capital(1)
- Shows how much surplus the business has at a given time. (1)

**NB Accept any other financial records****3 financial records stated and explained 3X2 =6 marks****3 financial records stated/ listed 3X1 =3 marks****[Total: 23]**

3 (a) What is meant by insurance? **[2]**

Protection given against a risk that one is not sure will occur (1) but if it does occur may cause a financial loss to the person or business (1).

**A clear explanation of insurance 2 marks**

(b) State **two** reasons why a business should have insurance. **[2]**

- To arrange compensation
- To be able to use the policy as collateral to acquire funds
- To act as an investment plan which will be cashed in the future
- To provide some financial protection for the business in case of accident

**2 reasons stated 2X1 = 2 marks**

(c) Gaone wishes to advertise to increase sales and raise the business image as advised by Local Enterprise Authority (LEA). Assess whether it would be better for Gaone to advertise using local radio or leaflets. Explain the reasons for your recommendation. **[9]**

**Local radio**

- caters for the majority of the population in the whole community (1) since it has sound impact (1) however it is expensive to use (1)
- the voice (1) may attracts customers (1) however the person whose voice is being projected may not be heard in other areas due to system failure (1)

**Leaflets**

- can cover a larger area (1) since they can be distributed door to door (1) even though they can easily be destroyed by people (1)
- are cheaper than television (1) since many can be printed at a time (1) however may not be detailed for the customers to understand (1)
- it lasts longer (1) which leads to the advert being seen by both motorists and pedestrians (1) however it is expensive (1)

**3 points developed/applied with opinion****3X3 = max 9 marks****3 points developed/applied with no opinion****3X2 = max 6 marks****3 points developed not applied with opinion****3X2 = max 6 marks****3 points listed****3X1 = max 3 marks**

**NB – Candidate has assessed both options, made a recommendation and has given the reasons for the recommendation.**

- (d) Gaone could either arrange the advertising himself, or he could use the services of an advertising agency.

Discuss both options. Which would you recommend for Gaone? Give **three** reasons for your recommendation. **[9]**

#### **Should use the services of an advertising agency**

- Have skilled manpower- (1) who has expertise to design appropriate advertising material (1) hence high quality of advertising message (1)
- Have equipment – (1) have production studio for making advert e.g. (1) drawing, filming. (1) and could lead to increase in the target market (1)
- Allows Gaone to concentrate on core business (1) which saves Gaone's time (1) which allows time to concentrate on the customers of a restaurant to gain their loyalty. (1)
- Advice and information (1) the agency does market research on market size and competition (1) and this could lead to better ways of designing the message (1)
- It is economical(1) Gaone does not have to operate an advertising department as it will mean employing skilled personnel and buying expensive equipment (1) and this will lead to a reduction in advertising cost (1)

#### **Arrange own advertising**

- It could be of high quality message (1) personnel hired is to protect the image of the business (1) but might not have the necessary skills to design the quality message (1)
- Adverts might take too long to produce (1) because there is no hurry since there is job security (1) this could lead to low viewing rate and high cost (1)
- Gaone won't have control over the choice of media (1) agency may give biased advice on choice of media. (1)
- It is likely to be cheaper (1) because it is done in house with already hired personnel (1) and this also motivates the workers to produce more. (1)

#### **Alternative method of response**

- An advertising agency can negotiate on price and rate. (1) Once you hire people internally, you can't negotiate their salaries (1)
- Agencies don't have job security. (1) You can fire an agency very easily; (1) however, firing the entire department and getting a new one would be very expensive. (1)
- Agencies work on many different industries, (1) the learnings of which are sometimes transferred to other clients as the good agencies learn how to share knowledge from client to client. Internal departments only learn from their own mistakes.
- Agencies are focused on delivering advertising services, (1) so their processes are developed and tested to be competitive. (1)
- Businesses compete with one another for business. Internal departments don't have to compete with anybody. (1)
- Working on the same creative day-in and day-out becomes monotonous and boring. Agencies attract great talent because they get more opportunities to do interesting work. (1)

**3 points developed/applied with opinion**

**3 points developed/applied with no opinion**

**3 points developed not applied with opinion**

**3 points listed**

**3X3= max 9 marks**

**3X2 = max 6 marks**

**3X2 = max 6 marks**

**3X1= max 3 marks**

**[Total: 22]**

## 4 DIABABA (PTY) LTD'S INCOME STATEMENT FOR THE YEAR ENDED 31 JULY 2017

	P	p	P
Revenue			160 000
Less returns inward			<u>15 000</u>
			<b>145 000</b>
Opening inventory		50 000	
Add Purchases		<u>40 000</u>	
		<u>90 000</u>	
Less closing inventory		<u>60 000</u>	
Cost of sales			<b>30 000</b>
Gross profit			115 000
Commission earned			<u>2 000</u>
			<b>117 000</b>
Wages	30 000		
Rent/Rates	30 000		
Insurance	15 000		
Other operating expenses	<u>5 000</u>		
Total expenses			<b>80 000</b>
Profit for the year			<b>37 000 OF</b>

(a) Complete the above Income Statement by calculating the values of the following. [5]

- (i) V  $P160\ 000 - P15\ 000 = P145\ 000(1)$   
(ii) W  $P90\ 000 = P60\ 000 = P30\ 000(1)$   
(iii) X  $P115\ 000 + P2\ 000 = P117\ 000(1)$   
(iv) Y  $P30\ 000 + P30\ 000 + P15\ 000 + P5\ 000(1) = P80\ 000(1)$   
(v) Z  $P117\ 000 - P80\ 000(1) = P37\ 000(1)$  **OFR**

**NB** The abbreviation OFR means "Own Figure Rule" OFR is applicable in the calculations.

(b) Explain **one** way how Diababa (Pty) Ltd business activities might affect the community. [2]

- Creation of employment (1) leading to better standards of living (1)
- Bringing fast foods closer to the people (1) hence satisfaction of their needs (1)
- littering (1) the used plastic bags and paper plates from the restaurant may make the environment untidy (1)
- Offering sponsorships (1) hence better relations with the villagers (1)

**2x1 explain way = max 2 marks**



(c) Diababa (Pty) Ltd has been violating the environmental regulations set by the Local Council. The Local Council could make Diababa (Pty) Ltd. obey the environmental regulations in the community by adopting one of the following programmes.

- education
- administrative actions
- judicial actions

Discuss each programme. Which programme would you recommend the local council to use? Give reasons for your recommendation. [9]

#### Education

- visitation of business premises to educate (1) health inspectors can regularly check Diababa (Pty) Ltd to ensure that they follow health and safety measures (1) hence customers getting healthy foods (1)
- Public education on by inviting companies to an environmental seminar or conferences (1) for them to learn how to protect the environment, but could be expensive(1)
- Printing of posters, advertising on radio, TV (1) on the environment awareness (1) but most customers might not see them. (1)

#### Administrative actions

- Civil administrative actions(1) such as a notice of violation or an order(1) directing Diababa (Pty) Ltd to take action to comply with regulations. (1)
- enforcement of the law/policing (1) health inspectors can regularly check Diababa (Pty) Ltd to ensure that they follow health and safety measures (1) hence customers getting healthy foods (1)
- Denying Diababa (Pty) Ltd a licensing (1) to operate the restaurant (1) as a form of punishment and this might cause the close down. (1)
- Penalties (1) will be paid by Diababa (Pty) Ltd if further violation or noncompliance of the regulation. (1)

#### Judicial actions

- Imposition of civil judicial actions on Diababa (Pty) Ltd (1) that the company has failed to comply with statutory or regulatory requirements. (1) this might lead to cancelation/suspension of operating license(1)
- Instituting a criminal action (1) against Diababa (Pty) Ltd for any serious violations (1).
- Injunctive relief (1) which will require Diababa (Pty) Ltd to refrain from damaging the environment (1) and also to bring Diababa(Pty) Ltd into compliance with environmental laws (1)
- Imposition of criminal penalties (1) e.g. local fine (1) by a Judge on Diababa (Pty) Ltd.
- Diababa (Pty) Ltd may also be ordered to pay restitution (1) to the community if violation continues (1).
- Diababa (Pty) Ltd may be ordered to pay a local environmental pressure group, the cost of responding to and containing a hazardous waste spill. (1) or contributing to local environmental fund (1)

**3 programmes developed/applied with opinion**  
**3 programmes developed/applied with no opinion**  
**3 programmes listed**

**3X3= max 9 marks**  
**3X2 = max 6 marks**  
**3X1= max 3 marks**

[Total: 16]

**NB: Candidate has discussed each programme and has given a reasoned recommendation for the programme the Local council to use.**