

## CAPS EXAM QUESTIONS II

### Checklist

Make sure you:

- Know the exam format

SECTION	TYPE OF QUESTIONS	MARKS	TIME (minutes)
A	<b>Compulsory</b>	40	30
	Covers <b>ALL TOPICS (20 short questions x 2)</b>  Different types of short and objective questions using various assessment style sand covering the entire curriculum, e.g. multiple-choice, match columns, choose the correct word in brackets, etc.		
B	<b>Choose any THREE questions in this section. (60 mark x 3 questions)</b>	180	90
	<b>FIVE questions will be set. Each question will cover a main topic and the fifth question will cover all four main topics (a miscellaneous question).</b>		
C	<b>Answer any TWO questions in this section. (40 marks x 2 questions)</b>	80	60
	<b>FOUR questions, each covering one of the FOUR topics.</b>  Longer type of questions, such as essay type questions. Higher cognitive questions to assess insight and interpretation of theoretical knowledge in addition to content.		
	<b>TOTAL</b>	<b>300</b>	<b>180</b>

**Exam Questions**
**SECTION B (CONTINUED)**
**Question 5 (BUSINESS VENTURES)**

*(Adapted from various sources)*

5.1 Sizwe is the manager of Best Clothing. He explains work procedures, rewards employees for excellence and punishes them if targets are not met.

5.1.1 Identify the leadership theory described above. (2)

5.1.2 Evaluate the impact of this leadership theory on business operations. (4)

5.2 Study the extract below taken from the payslip of A. Jones an employee of ILS Stores and answer the questions that follow.

Gross Income	R14 500	Income Tax	R3 625
Housing Allowance	R600	UIF	R1 450
Overtime Allowance	R1 950	Clips Medical Aid	R994
		KML Retirement Annuity	R750
		Legal Wise	R45
		<b>Net Salary</b>	<b>?</b>

5.2.1 Calculate the NET SALARY of A. Jones (2)

5.2.2 Name TWO deductions on the above payslip which are NOT compulsory. (2)

5.2.3 Name TWO deductions on the above payslip which are compulsory. (2)

5.3 Distinguish between unit trusts and fixed deposits as forms of investment in terms of: risk, the investment period and the return on investment (ROI). (12)

5.4 Describe the factors that need to be considered when preparing for a presentation. (10)

5.5 Discuss the success/failure of a Private Company and a Partnership under the following headings:

5.5.1 Capacity (4)

5.5.2 Taxation (4)

5.5.3 Legislation (4)

5.6 A shop in the centre of Johannesburg was damaged in a fire. The shop was insured for R250 000 and the damage caused was R45 000. The building was valued at R350 000.

5.6.1 Explain the clause that is applicable to the above scenario. (4)

5.6.2 Calculate the amount of money that will be paid for the fire damage. (Show all calculations) (6)

5.6.3 Discuss the term 'Over-insurance'. (4)

**SECTION C (CHOICE: (2 OUT OF 4))****Question 9**

*(Adapted from 2014 Exemplar, Paper 1, Question 9)*

The King Code provides a framework to corporate governance for best business practices. Business ethics and professional conduct are guided by this code.

Distinguish, with examples, between professional behaviour and unprofessional behaviour. Explain possible reasons why prices in rural areas and unfair advertising are regarded to be unethical business practices. Discuss ways in which professional, responsible, ethical and effective business practice should be conducted.

(40)

**Question 10**

*(Adapted from Feb- Mar 2014, Paper 1, Question 6)*

Joe is a hardworking, self-employed builder. His business is experiencing financial problems and Joe buys building material from suppliers who deliver poor quality products. Joe is struggling to manage both his business and his building projects. He wants to tender for large building contracts in order to create more jobs and expand his business.

Advise Joe on how to become a successful entrepreneur so that he can expand his business.

*You must include the following aspects in your answer:*

- Explain any FIVE entrepreneurial qualities that Joe must have in order to be successful.
- Identify and discuss possible problem areas in Joe's business as indicated in the case study.
- Suggest recommendations for each problem area that is identified.
- Comment on the sustainability and profitability of the business with regard to Joe's plans to apply for tenders.

(40)

**Question 11**

*(Adapted from 2014 Exemplar, Paper 1, Question 8)*

You are the financial advisor who must assist a client who wants to invest R5 million for three years in ONE of the following investment options:

- A fixed-deposit bank account for three years at simple interest of 8,5% per year
- Shares in a well-known listed company at R5 per share. Dividends of 95 cent per share have been paid out in the past two years. The directors have indicated that this amount will not change for the next three years.
- Government retail bonds for three years at 8% per year, compounded annually
- A small shopping centre with 10 shopping outlets (units). Rent per unit will be fixed at R60 000 per year for the next three years.

Support your customer to make the best investment decision by:

- Explaining each investment option listed above
- Describing the risk involved in each option
- Calculating the return on each investment (show calculations clearly)

Recommend the best investment option to your client and motivate your recommendation. (40)

## SOLUTIONS TO CAPS EXAMS QUESTIONS II

### Question 5

5.1.1 Transactional leadership theory

5.1.2 The impact of a transactional leadership theory:

#### Positives

- Encourages employees to work hard because they will receive rewards.
- Improves employees' productivity and morale.
- The goals and objectives of the business can be achieved.
- Employees know what is expected of them.
- Disciplinary action procedures are well communicated.

#### Negatives

- Employees can become bored because they have to follow rules and procedures therefore there is no creativity in the workplace.
- A transactional leader will have to monitor the work performance of the employees to ensure that expectations are met and this can be time- consuming.
- Some employees may be demoralised or unmotivated if they fail to reach/meet targets despite having worked very hard.
- This theory is not suitable for team work because all team members can be punished for poor performance caused by a member of a team.

Max (4)

5.2.1 Gross income – less deductions= net salary  
R17 050- R6 864 = R 10 186 net salary

5.2.2 Any 2

- Medical aid
- Retirement annuity
- Legal assistance ( Legal wise)

5.2.3

- Income tax
- UIF



5.3

ASPECT	UNIT TRUST	FIXED DEPOSIT
Risk	<ul style="list-style-type: none"> <li>- Low/medium risk✓✓,</li> <li>- The portfolio is managed by experts.✓✓</li> </ul> <p style="text-align: right;">(2)</p>	<ul style="list-style-type: none"> <li>- Low risk✓✓</li> <li>- The principle amount, interest rate and period are generally fixed.✓✓</li> </ul> <p style="text-align: right;">(2)</p>
Period of investment	<ul style="list-style-type: none"> <li>- Medium to long term✓✓</li> <li>- Units may be sold at any time✓✓</li> </ul> <p style="text-align: right;">(2)</p>	<ul style="list-style-type: none"> <li>- Short, medium or long term.✓✓</li> <li>- Period can vary from 8 days to a number of years.✓✓</li> <li>- It is determined when a deposit is made and may not be changed after that, unless it is cancelled before the term expires.✓✓</li> </ul> <p style="text-align: right;">(2)</p>
Return on investment (ROI)	<ul style="list-style-type: none"> <li>- Can be dividends, interest, or a combination of both.✓✓</li> <li>- Depends on the form of investment in which the fund has invested.✓✓</li> <li>- Depends on market conditions.✓✓</li> </ul> <p style="text-align: right;">(2)</p>	<ul style="list-style-type: none"> <li>- Interest only✓✓</li> <li>- Interest can be capitalised (re-invested) over the period of the investment✓✓</li> <li>- Compound interest could be used to earn higher returns.✓✓</li> </ul> <p style="text-align: right;">(2)</p>

## 5.4

**Factors when preparing for a presentation:**

- Decide on the purpose of the presentation✓ and list the objectives.
- Establish the main points that you are going to use✓ to have a logical structure.
- Consider the background of the audience✓ and use appropriate methods to address them.
- Visit the venue for the presentation,✓ e.g. to determine what equipment is available.
- Consider the time frame for the presentation✓ so that all important points are covered.
- Plan the format of the presentation✓ e.g. verbal/non-verbal, explanation, discussion.
- Prepare for the feedback session✓ e.g. possible questions from the delegates/audience.
- Prepare graphics✓ such as tables/diagrams/graphs.
- Rehearse✓ so that you are confident.
- Make sure that information is relevant and accurate✓ in order for it to be useful to the delegates/audience.
- Make sure you are fully conversant with the content✓ and the objectives of the presentation.

## 5.5

**PRIVATE COMPANY**

	Success	Failure
5.5.1 Capacity	<ul style="list-style-type: none"> <li>• Normally large and can have any number of owners (one or more).</li> <li>• Has become easy to establish.</li> </ul>	<ul style="list-style-type: none"> <li>• Large capacity of the company can also lead to its downfall in that structures and processes may become costly.</li> </ul>
5.5.2 Taxation	<ul style="list-style-type: none"> <li>• Business pays tax on income earned.</li> <li>• Profit is distributed to shareholders in form of dividends and they pay a secondary tax on that.</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholders pay secondary tax so they need to earn enough profit to make their investment worthwhile.</li> </ul>
5.5.3 Legislation	<ul style="list-style-type: none"> <li>• Must comply with the Companies Act 71 of 2008</li> <li>• Must complete a memorandum of Incorporation, Notice of Incorporation and payment fee to register company.</li> <li>• Limited liability.</li> </ul>	<ul style="list-style-type: none"> <li>• Takes a long time and it is a long process to form a public company.</li> <li>• Can become complicated to follow the correct process and obtain legal documents.</li> </ul>

**PARTNERSHIP**

	Success	Failure
5.5.1 Capacity	<ul style="list-style-type: none"> <li>• The business is easy to control as it is small</li> <li>• Partners provide personal attention and dedication.</li> <li>• Partners are usually active in the business.</li> </ul>	<ul style="list-style-type: none"> <li>• There is no limit to the number of partners (may become complex)</li> <li>• Difficult to continue and grow in the long term.</li> <li>• Partners have to carry out all business functions.</li> </ul>
5.5.2 Taxation	<ul style="list-style-type: none"> <li>• Business doesn't pay tax or company tax.</li> <li>• Partners are each responsible for paying own tax on profits made in personal capacity.</li> </ul>	<ul style="list-style-type: none"> <li>• If the profits get too big many end up paying high tax in personal capacity.</li> </ul>
5.5.3 Legislation	<ul style="list-style-type: none"> <li>• No registration needed.</li> <li>• Partnership agreement needed between partners.</li> </ul>	<ul style="list-style-type: none"> <li>• Unlimited liability.</li> <li>• Personal debts and business debts are one.</li> <li>• Private assets could be sold to pay for debts of business.</li> </ul>

## 5.6.1

**Average clause**

Applies when the goods/property are/is under insured. Then the insurance company will not pay out the full amount of loss.

## 5.6.2

$\frac{\text{Insured amount} \times \text{Loss/Damage}}{\text{Market value}}$

$$= \frac{250\,000}{350\,000} \times R45\,000$$

$$= R32142.86 \text{ (rounded)}$$

## 5.6.3

**Over-insurance**

- Insuring goods/property for an amount more than its actual market value.
- Although they are paying more money on a monthly basis for their premiums they won't receive a larger payout (Won't receive more than the actual market value)





<p>9.2.4 Confidentiality✓</p> <p>(1)</p>	<ul style="list-style-type: none"> <li>- Keep clients' information private and confidential.✓✓</li> <li>- Refrain from criticising clients in front of colleagues and vice versa.✓✓</li> <li>- Not using clients' information to own advantage.✓✓</li> <li>- Any other relevant example of confidentiality to show professionalism.</li> </ul> <p>Max (2)</p>	<ul style="list-style-type: none"> <li>- Gossip about clients.✓✓</li> <li>- Discuss confidential client information with colleagues.✓✓</li> <li>- Use client information for own advantage✓✓</li> <li>- Any other relevant example of confidentiality to show unprofessionalism.</li> </ul> <p>Max (2)</p>
<p>9.2.5 Objectivity✓</p> <p>(1)</p>	<ul style="list-style-type: none"> <li>- Treat people equally.✓✓</li> <li>- Apply laws/rules consistently and properly.✓✓</li> <li>- Remain objective at all times.✓✓</li> <li>- Any other relevant example of objectivity to show professionalism.</li> </ul> <p>Max (2)</p>	<ul style="list-style-type: none"> <li>- Have special preferences for own benefit.✓✓</li> <li>- Have one-sided views.✓✓</li> <li>- Support destructive ideas.✓✓</li> <li>- Any other relevant example of objectivity to show unprofessionalism.</li> </ul> <p>Max (2)</p>
<p>9.2.6 Development✓</p> <p>(1)</p>	<ul style="list-style-type: none"> <li>- Attend skills development programmes✓✓</li> <li>- Learn from senior/experienced colleagues✓✓</li> <li>- Improve knowledge through reading and conducting research✓✓</li> <li>- Any other relevant example of development to show professionalism.</li> </ul> <p>Max (2)</p>	<ul style="list-style-type: none"> <li>- Refuse to attend skills development programmes.✓✓</li> <li>- Have a 'know it all' attitude.✓✓</li> <li>- Refuse to work in teams.✓✓</li> <li>- Disregard the experience of senior workers.✓✓</li> <li>- Any other relevant example of development to show unprofessionalism.</li> </ul> <p>Max (2)</p>

**Pricing of goods in rural areas**

- It is good business practice and professional to have the same price for goods in urban and rural areas.
- Big businesses are reluctant to open outlets in rural areas because of poor returns on their investment.
- It is common practice to pay higher prices for goods of inferior quality in rural areas.
- Prices of goods in these areas are generally based on the personal characteristics of the consumers
- People in rural areas do not have the means to check and compare prices (via the Internet) and are often forced to buy from the one and only local stores.
- Some businesses exploit consumers by adding much more than necessary to their prices. Max (6)

**Unfair advertising**

- The Advertising Standards Authority (ASA) regulates advertising and protects the interests of the public.
- Businesses can make unwise advertising choices when they are under pressure.
- Advertisements should be honest and not abuse consumers' trust or lack of Knowledge.
- Advertisements can contain discriminatory conditions that exclude some sections of the population, e.g. a job advertisement that says 'this job is not suitable for women'.
- Misleading advertising is used to make consumers believe that they can get more value for money if they support certain products.
- Consumers are encouraged to lodge written complaints to the ASA regarding unethical advertising practices.
- Businesses that advertise an item at an extremely low price to attract consumers but when the customer reaches the store, the item is no longer available.
- Advertisements that advertise 'free' products do not always reveal the hidden costs payable by the consumer.
- Examples of unethical practice: advertise second-hand goods as new. Max (6)

**Professional, responsible, ethical and effective business practice methods**

- Businesses should not be started at the expense of someone else
- The aim should never be profit at all cost, as it will always be to the disadvantage of others.
- Businesses should not use other's ideas to enrich themselves
- Putting someone else out of business for own gain, is unethical and a poor moral choice.
- Any other relevant answer related to starting business at the expense of someone else.

Submax (4)

**Payment of fair wages/salaries**

Workers must not be exploited with low salaries just because it is difficult to find a job.

Workers' rights and dignity should be respected.

Employees make a contribution to the success and profitability of the business, therefore they must be remunerated fairly.

Remunerate workers for working overtime and on public holidays.

Any other relevant answer related to payment of fair remuneration.

Submax (4)

**Hiring honest and trustworthy accountant/financial officers with good reputations**

- Businesses should appoint accountants who are known for their ethical and professional reputation and who can prove it with documentation.
- Any other relevant answer related to hiring honest accountants.

Submax (4)

**Regular payment of taxes**

- Businesses should complete tax returns in detail and on time.
- Businesses should not evade tax and honestly declare all income earned.
- Business should pay tax to avoid government penalties and fines.
- Any other relevant answer related to regular tax payments.

Submax (4)

**Transparent processes and procedures**

- Staffing and other processes should be open and transparent.
- Employees should be aware of the employment policy of the business.
- All laws that govern employment should be communicated to workers.
- Any other relevant answer related to transparent processes and procedures.

Submax (4)

**Draw up a code of ethics**

- Ethical codes of conduct should be communicated to workers, so that they know what is expected and what the company stands for.
- Employees should buy into the expectations for ethical norms/conduct as set out in company's code of ethics.
- Any other relevant answer related to drawing up a code of ethics.

Submax (4)

**On-going development and training for all employees**

- Continuous and regular training is necessary to explain the importance of ethical and professional conduct.
- Employees should understand that certain conduct/actions have certain consequences.
- Employees should be encouraged to attend training courses and upgrade their skills.
- Employees promote their own career development and also contribute to an increase in productivity.
- Any other relevant answer related to on-going training and development.

Submax (4)

**Performance management system should be in place**

- Business should evaluate employees' performance against the job description.
- Employees should be acknowledged for good performance.
- Training needs can be based on the results obtained from conducting performance appraisals.
- Management systems should ensure that employees are treated equally to prevent conflict.
- Workers' rights should also be considered when management systems are introduced.
- Any other relevant answer related to performance management systems.

Submax (4)

**Managers must set the tone and example**

- Senior management members must act as role models by ensuring that their actions and decisions are in line with the code of ethics.
- Employees should have a desire to exhibit the behaviour of their managers.
- Any other relevant answer related to the example set by management. Submax (4)

**Adequate internal controls**

- Effective monitoring systems should be in place to monitor usage of all resources.
- Regular meetings/discussions should identify and address potentials problems, in order to be pro-active or re-active.
- Workers should understand the purpose and the processes of internal control.
- Any other relevant answer related to internal control measures. Submax (4)

**Honesty, accountability and transparency in relationships and transactions**

- Transactions/Relationships with all stakeholders, e.g. suppliers, staff, etc. should always be honest and open.
- If transactions are properly documented, a paper trail is created that supports accountability.
- Systems should protect customers, suppliers and employees, especially when dealing with financial transactions.
- Information technology should never be used to manipulate the database or make transactions look so complicated that they are not properly inspected.
- Any other relevant answer related to honest, accountable and transparent transactions and or relationships. Submax (4)

**Protection of the environment**

- All laws and regulations applicable to environmental protection should be taken seriously.
  - Laws and regulations should be adhered to so that profits are not generated at the expense of the environment.
  - Pollution and other environmental issues should always be considered in all business activities, e.g. safe disposal of waste/ dumping of toxic waste, etc.
  - Become involved in environmental awareness programs.
  - Physical working conditions should always be worker friendly, safe and should promote occupational health.
  - Physical working conditions, e.g. adequate lighting, ventilation should be taken care of.
  - Any other relevant answer related to the protection of the environment. Submax (4)
- Any other relevant answers on ways in which professional, responsible, ethical and effective business practice should be conducted. Max (16)

**Conclusion**

- Ethics and professionalism form an integral part of business operations and practices.
  - It is important that a business's dealings and behaviour are in line with its code of ethics and professionalism.
  - Businesses who behave professionally and ethically are usually sustainable and have a good public image.
  - Any other relevant conclusion related to business ethics and professionalism. Any (1 x 2) (2)
- [32]**

- Layout (2)
- Analysis, interpretation (2)
- Synthesis (2)
- Originality, examples (2)
- [40]**





<p>Suppliers' products of poor quality/not up to standard.√√</p>	<ul style="list-style-type: none"> <li>- Cannot afford good quality materials.√√</li> <li>- Joe is buying from unsuitable suppliers.√√</li> <li>- May result in poor quality finished products.√√</li> <li>- Joe might harm his business's image.√√</li> <li>- Any other relevant answer related to suppliers' quality of products.</li> </ul>	<ul style="list-style-type: none"> <li>- Negotiate better credit terms with suppliers.√√</li> <li>- Joe should switch to suppliers that deliver quality materials.√√</li> <li>- Using high quality materials may result in high quality finished products.√√</li> <li>- Ensure high quality finished products to attract customers.√√</li> <li>- Any other relevant answer related to improving the quality of products.</li> </ul>
(2)	Sub max (2)	Sub max (2)
Problem area	Discuss/Explain	Recommendation
<p>Struggling to manage his business and building projects.√√</p>	<ul style="list-style-type: none"> <li>- Joe has few managerial skills.√√</li> <li>- Joe is not able to plan/organise all his projects.√√</li> <li>- Joe may not be able to address problems due to lack of time.√√</li> <li>- Joe may not reach deadlines.√√</li> <li>- Any other relevant answer related to lack of management/organising skills.</li> </ul>	<ul style="list-style-type: none"> <li>- Attend management training courses/workshops.√√</li> <li>- Use management mentoring/coaching services.√√</li> <li>- Time management may enable Joe to handle his business and more projects.√√</li> <li>- Plan thoroughly and administer the business efficiently.√√</li> <li>- Have an action plan.√√</li> <li>- Address problems as they emerge.√√</li> <li>- Proper planning and prioritising in order to reach deadlines.√√</li> <li>- Any other relevant answer related to solving managerial problems.</li> </ul>
(2)	Sub max(2)	Sub max (2)

**NOTE:** The recommendation must be linked to the problem area/case study. (Max) (18)



**Sustainability and profitability of the business with regard to Joe's plans to tender for large contracts**

<p><b>Sustainability of the business</b></p>	<ul style="list-style-type: none"> <li>- Obtaining large tenders may lead to a successful and sustainable business.√√</li> <li>- Joe's business will be able to exist in the long term if he gets large contracts.√√</li> <li>- Obtaining a government tender may expose Joe to other business opportunities.√√</li> <li>- Obtaining large contracts may result in creating more jobs/employment opportunities.√√</li> <li>- Any other relevant answer related to the sustainability of Joe's business</li> </ul> <p style="text-align: right;"><b>Sub max (4)</b></p>
<p><b>Profitability of the business</b></p>	<ul style="list-style-type: none"> <li>- Careful funding of the large projects may ensure a sound return on Joe's business investment.√√</li> <li>- If Joe's business obtains large contracts, he will earn more income resulting in higher profits.√√</li> <li>- Large contracts may attract more investors, which may enable Joe's business to expand.√√</li> <li>- Any other relevant answer related to the profitability of Joe's business</li> </ul> <p style="text-align: right;"><b>Sub max (4)</b></p>

**NOTE:**

1. The above facts must be related to tendering.
2. Candidates could argue from a qualifying/not qualifying (for tenders) point of view.

**Max (8)**

**Conclusion:**

- Joe must manage his business more efficiently so that he can be able to finish his projects on time/reach deadlines.
- Joe will improve the sustainability/profitability of his business, if he organises his projects effectively to take on more contracts.

**Max (2)**

Layout	(2)
Analysis, interpretation	(2)
Synthesis	(2)
Originality, examples	(2)
	<b>[40]</b>

## Question 11

### Introduction (2)

- The customer/investor must seek advice on various investment options in order to make informed investment decisions.
- An investor should consider the advantages and disadvantages of each form of investment and should therefore understand the characteristics of each form of investment.
- The financial advisor should consider the risk involved in different forms of investment as high-risk investments earn higher income.
- Low-risk investments are safer, but provide lower return on investment.

### Body

#### Investment options/opportunities

##### Fixed Deposits:

- Money is deposited in a bank account for a pre-determined period at a fixed interest rate.
- Fixed deposits may not out-perform the effect of inflation over a long period.

##### RISK:

- The risk is very low as the investor will receive his/her investment when the fixed deposit matures/the term expires.

##### RETURN ON INVESTMENT (ROI)

- Is not very high compared to other types of investments.
- Interest may be calculated at single or compound (interest may be paid out annually or capitalised/re-invested).

##### CALCULATION of ROI:

$5\,000\,000 \times 8,5/100$  OR  $8,5\% \times 3$  years  
= R1 275 000 after 3 years

**Shares:**

- When you buy shares in a company, you become a proportional owner/share-holder of that company.
- A shareholder can receive a proportional share in the profits of the company, called dividends.
- Shareholders may vote at a shareholders' meeting.
- Shares can be bought through a registered stock broker or using an online share account on a broker's electronic/internet platform.
- A broker's commission is paid every time shares are bought or sold.

**RISK:**

- The risk of losing your initial investment (or part of it) can be high over the short term if share prices fluctuate/change a lot.

**ROI:**

- The ROI depends on the decision of directors to declare dividends or not.
- Dividends are paid in cash or in the form of additional shares.
- Investors pay tax on dividends earned.

**CALCULATION of ROI:**

$R5\ 000\ 000 = 1\ 000\ 000$  shares  
R5 p. share  
 $= 1\ 000\ 000$  shares  $\times$  R0,95 p.s. $\times$  3 years  
 $= R2\ 850\ 000$  after 3 years

**Government Retail Bonds:**

- The investor lends money to government for a number of years (pre-determined or at a fixed term).
- Government promises to pay back the money at a certain interest rate on a specific date.
- There are two-, three- or five year bonds available.
- Retail bonds are easy to buy or sell at many supermarket chains, post offices, JSE and online.
- There are no administration fees or commissions payable on transactions.
- The government encourage citizens to save and at the same time has capital available for rendering services and improve infrastructure.
- A minimum of R1 000 and a max of R1 million may be invested.

**RISK:**

- No risk is involved in investing in government retail bonds as the investor will receive his investment back at maturity.
- Capital and interest will be paid electronically into the investor's bank account when the period expires.
- Investor can only lose his/her investment in times of war.

**ROI:**

- A market-related interest rate will be determined and this rate is fixed for the investment period.
- Interest is earned half annually on 31 March and 30 September.
- Interest may be capitalised on request (is then compounded).

**CALCULATION of ROI:**

$R5\ 000\ 000 \times (1,08)^3$   
 $= R6\ 298\ 560$  value after 3 years

Interest:  $R6\ 298\ 560 - R5\ 000\ 000$   
 $= R1\ 298\ 560$  (earned over 3 years)

**Business investment in the shopping complex:**

- A capital investment is made when capital goods are bought like land and buildings, in this case the shopping mall.
- Property is bought to rent out or to be sold at a profit in future.
- The location of the shopping mall should be considered as surrounding property values will influence the value of the shopping mall/property.
- This type of investment may not quickly/easily be converted into cash, as it may take time to sell it again.
- High registration fees when purchased and annual property taxes/rates are payable.
- If the shopping mall appreciates in value, capital gains tax will be paid when the property is sold.

**RISK:**

- The property may lose value (depreciate) over time and will have to be sold at lower than the initial investment.

**ROI:**

- Tenants may not pay their rent regularly, so the owner may lose regular income.

**CALCULATION of ROI:**

10 units x R60 000 p.a. x 3 years  
 = R1 800 000 (over 3 years)

**Recommendation**

- Based on the lowest risk, the government retail bonds are the best option to consider.
- Shares rendered the highest return on investment over 3 years, but the risk of this form of investment is fairly high.

**Conclusion (2)**

- When choosing the best investment option, all possible information about different options should be considered as large amounts are at stake and it will influence the future of the investor either positively or negatively.
- An informed choice of investment is a wise choice that will only be to the benefit of the investor.

Details	Maximum	Total
Introduction	2	<b>Max 32</b>
Fixed deposits	10	
Shares	12	
Government retail bonds	12	
Business investment	12	
Recommendation	4	
Conclusion	2	
<b>INSIGHT</b>		
Layout		2
Analysis, Interpretation		2
Synthesis		2
Originality, Examples		2
<b>TOTAL MARKS</b>		<b>40</b>

LASO - For each component:

Allocate 2 marks if all requirements are met.

Allocate 1 mark if some requirements are met.

Allocate 0 marks where requirement are not met at all.