

UNIVERSITY OF ESWATINI
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
RE-SIT EXAMINATION
JANUARY 2020

TITLE OF PAPER : **BUSINESS ENVIRONMENT**

DEGREE : **B.COMM**

COURSE CODE : **BUS 305**

TIME ALLOWED : **THREE (3) HOURS**

INSTRUCTIONS : **1.THIS PAPER CONSISTS OF SECTIONS (A) AND (B)**
2. THE CASE STUDY ON SECTION (A) IS COMPULSORY. TOTAL MARKS POSSIBLE: 40 MARKS
3. ANSWER ANY THREE QUESTIONS FROM SECTION (B): TOTAL MARKS POSSIBLE: 60 MARKS

NOTE: **MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN ENGLISH AND FOR ORDERLY PRESENTATION OF WORK**

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SECTION A

Khanya Magagula started his Shisanyama business in response to the demand for a midday snack by workers around the Industrial Site at Matsapa. He sold barbecue chicken, sausages and beef, accompanied with pap and salads. He had a barbecue stand by the roadside and had never bothered with the legalities of establishing a business. Two years into running the business, the number of customers grew significantly and he began to attract the attention of the City Municipality authorities due to the congestion on the road caused by his customers. He was informed that he needed legal documents and proper premises to operate the business. He decided to seek advice from a business consultant who advised him to obtain restaurant premises nearby and establish a Shisanyama business modelled on the famous Shisanyama franchise of South Africa. The consultant calculated that the demand was large enough to carry the business investment and expenses.

Magagula pondered on this advice and decided to formalize his business as per the consultant's recommendation. He had been operating as a sole proprietor but could not afford to finance the recommended operation. He also did not qualify for a bank loan and his brother offered to co-finance the business on condition that he takes him on as a business partner. The total funds they managed to raise was insufficient and this necessitated that they seek for more investors. Khanya was also married in community of property and he and his wife owned a house on title deed land in which the family comprising the parents and two children resided. On his quest for a loan he had been informed that banks could offer him a loan if he agreed to offer the family house as collateral. He was however fearful of losing the house in the event that the business failed and the bank repossessed it.

Khanya and his brother consulted a lawyer on the issue of registering the business who asked them whether they wanted to register it as a partnership or a company. He also informed them that in addition to drawing up registration documents which comprised a partnership agreement or articles and memorandum of association if they wanted a company. They would also need to obtain a trading licence, register the business as a taxpayer, and obtain clearance from the health department, and from the Eswatini Environmental authority. All these processes would take a minimum of three months to be completed and would cost an estimated E10, 000. Khanya went home much desponded and decided to give himself time to consider whether to formalize the business or find ways by which he could continue informally.

Question 1 (Compulsory)

1. Analyse the legal considerations Magagula needs to manage as he strategizes to formalize his business (15 marks)
2. Recommend the legal form it should take and provide justification for your recommendations in light of the considerations above. (15 marks)
3. Apart from the City Municipality obstacle, what other challenges would he have encountered by remaining informal as the business grew? (10 marks)

SECTION B

Question 2

Businesses can assume and register as various legal formations including sole proprietorships, partnerships, private companies, public companies and others. Describe the considerations that businesses have to make in selecting the legal form or structure of a business and the position of a partnership in relation to these considerations.(20 marks)

Question 3

Labour unionism refers to an organized association of workers often in a trade or profession formed to protect the and further their rights and interests. Discuss the position, roles and functions of labour unions as part of the business environment, giving an opinion on the usefulness and necessity of such unions. (20 marks)

Question 4

Issues of the influence of the natural environment on businesses have taken a turn whereby the impact of businesses on the environment is more cause for concern. Discuss examples of some of the negative effects of businesses on the natural environment and make suggestions on how these could be mitigated. (20 marks)

Question 5

Suppliers are an important participant in a business environment and need to be effectively managed. Position suppliers in the business environment and discuss the strategies that businesses may engage to manipulate and manage suppliers. Further discuss the variables that influence the power of suppliers over organizations. (20 marks)