

## EXTERNAL INTEGRATED SUMMATIVE ASSESSMENT

### EXEMPLAR 2A

<b>STUDENT NAME &amp; SURNAME</b>	
<b>ID NUMBER</b>	
<b>EISA REGISTRATION NUMBER</b>	
<b>ASSESSMENT CENTRE</b>	
<b>ASSESSMENT CENTRE ACCREDITATION NUMBER</b>	
<b>QUALIFICATION</b>	<b>OCCUPATIONAL CERTIFICATE: RETAIL MANAGER GENERAL (RETAIL STORE MANAGER)</b>
<b>SAQA ID</b>	<b>91789</b>
<b>CREDITS</b>	<b>507</b>
<b>PAPER</b>	<b>1A (there are 2 papers to be written: 1A and 1B)</b>
<b>DATE OF EISA</b>	DD/MM/YYYY
<b>DURATION</b>	<b>4 HOURS</b>
<b>TOTAL MARKS</b>	<b>120</b>

#### GENERAL EISA RULES

1. Students are **only** allowed to use the supplied EISA booklets.
2. Students are **only** allowed to use a black pen for their answers.
3. Students to ensure that their name, surname and EISA registration number appears on the front of your EISA booklet.
4. This is a closed book examination; therefore, no other material or belongings are to be brought into the assessment centre. Should you bring any other material or belongings into the assessment centre, you will be required to leave such at the front of the assessment centre examination room. The assessment centre will not be held liable for any loss or damage to property brought into the assessment centre examination room.
5. All EISA booklets must be handed back to the invigilator intact. No pages may be torn off from the EISA booklet. The removal of EISA booklets from the examination room is prohibited.
6. Students may make use of a calculator in this EISA.
7. Unless this is an online examination where access to a computer will be made available to you; the use of any communication devices, including smart watches, cell phones, tablets, i-Pads, head phones and laptops are prohibited.
8. All cell phones are to be switched off for the duration of the EISA.
9. The invigilator will not assist you with the explanation of questions related to the EISA.
10. Students are prohibited from conversing in any manner with other students.
11. Students may not leave the examination venue within one hour of the start of the examination and in the last 10 minutes of the allotted examination period.
12. Students who are found to be disruptive and unruly in the assessment centre will be requested to leave the assessment centre by the invigilator.

I HEREBY CONFIRM THAT I HAVE READ THE ABOVE EISA RULES AND DECLARE THAT I UNDERSTAND AND ACCEPT THE RULES.

\_\_\_\_\_  
**SIGNATURE OF STUDENT**

## **CANDIDATE INSTRUCTIONS**

- Candidates must complete all questions in this EISA.
- Candidates must ensure that they use only a black pen when completing this EISA.
- Should you require additional space to complete your answer, please request additional paper from your invigilator. Ensure that you indicate your name, surname and EISA registration number at the top of the additional paper. Also ensure that the question number is clearly marked on your additional paper.

### **Question 1**

#### **Managing Stakeholder Relations and Communications in Retail**

**(31 Marks)**

Tito Power is an electronics appliance retailer with over 20 stores in Mpumalanga Province. The company sells electronic goods such as refrigerators, televisions, washing machines, radios and so on. Most of the goods sold by Tito Power are imported from China. Last week at one of the Tito Power branches in Nelspruit, members of the community forced the store to close down and threatened to raze it to the ground. The community was accusing the store of selling sub-standard goods at exorbitant prices. The community also accused the store taking time to refund or exchange any goods that would have been found not to be in good working order. If a customer returns a product on the basis that it is not working properly, the store does not refund or exchange the product on the spot. They despatch the returned product to China and the customer must wait until feedback comes back from the Chinese supplier. The company's Chinese supplier accepts all the returned stock but the whole process takes about three months to be completed and this raises the ire of Tito Power's customers. As the branch manager at the closed store, you are required to do the following:

- 1.1 Create a communication strategy to convince Tito Power's customers that the company cares for its customers and that it is willing to address all their concerns. Your strategy must also detail the medium to be used when communicating with the company's customers.

**(8 marks)**

**Allocate six marks for a detailed description of the communication strategy and two marks for the identification of the media to be used.**

The communication media may include:

- Radio
- Television
- Newspapers
- Meetings
- Posters
- Internet

The communication strategy must reassure the stakeholders that the company is committed to its customers and will do all its best to ensure that they do not sell sub-standard goods and that the returns process is efficient and customer-focussed.

The company can start the response strategy by issuing a press statement re-assuring customers and committing to dealing with all their concerns.

Community engagement – The company can engage with the community through the community's leadership structures by conducting meetings, sending out posters and communications in print and electronic media.

Social media platforms – the company can run communication campaigns on its social media platforms such as Facebook, Twitter, Instagram and so on.

- 1.2 Draw up an action plan to be communicated to the store operational staff informing them about the current situation and how the company will deal with it.

**(4 marks)**

**Allocate one mark for the inclusion of any of the following up to a total of four marks.**

Use discretion to allocate marks for any other relevant points that may be given by the students.

An action plan helps the employees to adopt a focused approach during emergency situations. The action plan elaborates the actions to be taken by the management as well as the employees to save organization's reputation and standing in the community.

- Meetings with operational staff to explain the problem at hand in detail and how the company will deal with it.
- Explanation of management's commitment to the business and to resolving the problem.
- Provision of a platform to the staff to also share their views on the situation.
- Operational staff need to have adequate information about the company and its products/services.
- Operational staff may need to go for some PR training so as to equip them with the necessary skills set to communicate with the public on matters regarding the company's position.
- Engagement with local stakeholders early to establish expectations.
- This is to establish clear and agreed-upon expectations between local stakeholders and the organization.

The action plan must also detail the following:

- What specific actions need to be taken and these must be listed in order of priority
- When will these actions be taken and by who?
- What resources will be required?
- What is the envisaged outcome?

1.3 Using an appropriate medium, communicate the action plan to the store operational staff.

(4 marks)

**Allocate one mark for the identification of the appropriate medium and three marks for the content of the communication.**

The action plan can be communicated to staff using any of the following medium:

- Staff meetings
- Memorandum to all staff
- Posters

**Below is an example of a memorandum to all staff:**

Memorandum to staff

To: All Staff

Date: xxxx

From: Shop Manager

Subject: Closure of our Nelspruit Branch

As you are all aware that our Nelspruit Branch has been closed as a result of protests by the community, management has made a firm commitment to engage with all key stakeholders to ensure that the community's concerns are addressed and that the branch reopens as soon as practically possible.

As management of Tito Power, together with your support, we are all committed to ensure that we operate in a way that satisfy the needs and expectations of our customers. Management will therefore adopt the following action plan in order to manage and resolve this crisis:

1. Set up a meeting with all branch operational staff and management.
2. Identify the key stakeholders including community leaders and conduct meetings to hear their concerns.
3. Issue press statements to reaffirm the company's commitment to resolve the crisis and reopen the branch.
4. Engage with our Chinese suppliers to address issues of product quality and returns procedures.

Once more, I would like to re-assure you that we are committed to resolving this crisis and that we will do our outmost best to address the issues being raised by the community.

Signed.....

1.4 Write a one-page report to senior management advising them of the actions that you are going to take in order to ensure that your store creates a good relationship with its customers.

**(6 marks)**

**Allocate up to 6 marks for a report that has the following:**

- Report title.
- Properly structured with an introduction, body and conclusion
- Detailed explanation of the strategies to be implemented. These include:
  - Ensuring that all staff are informed of the current situation through constant internal communications.
  - Sending out positive messages in the media such as radio, television, newspapers, fliers and on social media.
  - Having meeting with community leaders
  - Engagements with the company's suppliers in China

1.5 Using the communication strategy that you created in Question 1.1 above, describe how you would present this strategy to staff members at different levels at the company.

**(9 marks)**

**Allocate three marks for the identification of the different levels and then allocate six marks for a detailed description of how the strategy will be presented to the different levels.**

- The different levels at the store include the store operational staff level, the supervisors level and the management level.
- The strategy can be presented to the staff as follows:
  - Operational staff – through general staff meetings and information posted on notice board.
  - Supervisors – through emails, operational reports, staff meetings and information posted on notice board.
  - Store management – through management meetings, emails, management reports, company website etc.

**(Total Marks for Question 1 = 31)**

**Question 2:**

## Retail Financial Management

**(45 Marks)**

Please analyse McCarthy Hardware's financial reports for the months of March, April and May 2019 respectively and answer the questions that follow.

<b>Income Statement</b>	<b>March R '000</b>	<b>April R '000</b>	<b>May R '000</b>
Sales	R9 200	R8 800	R8 500
Cost of goods sold	R5 371	R6 120	R5 880
<b>Gross profit</b>	<b>R3 829</b>	<b>R2 680</b>	<b>R2 620</b>
Selling expenses	R1 750	R1 330	R1 300
<b>Operating profit</b>	<b>R2 079</b>	<b>R1 350</b>	<b>R1 320</b>
Discounts	R10	R12	R15
Telephone	R30	R35	R40
Stationery	R15	R18	R20
Admin expenses	R50	R60	R80
Shrinkage	R160	R180	R190
<b>Income before tax</b>	<b>R1 814</b>	<b>R1 045</b>	<b>R975</b>
Tax expense	R435	R75	R215
<b>Net income</b>	<b>R1 379</b>	<b>R970</b>	<b>R760</b>
<b>Balance Sheet</b>			
<b>Assets</b>	<b>March R '000</b>	<b>April R '000</b>	<b>May R '000</b>
Cash	R350	R150	R100
Accounts receivable	R1 600	R1 100	R920
Inventory	R1 920	R1 600	R1 330
<b>Total current assets</b>	<b>R3 870</b>	<b>R2 850</b>	<b>R2 350</b>
Fixed assets	R4 840	R3 400	R3 080
<b>Total assets</b>	<b>R8 710</b>	<b>R6 250</b>	<b>R5 430</b>
<b>Equity and Liabilities</b>			
Accounts payable	R900	R930	R860
Bank loan	R700	R320	R300
<b>Total current liabilities</b>	<b>R1600</b>	<b>R1 250</b>	<b>R1 160</b>
Bonds payable	R1 100	R1 230	R1 260
<b>Total liabilities</b>	<b>R2 700</b>	<b>R2 480</b>	<b>R2 420</b>
Common stock (130 000 shares)	R400	R350	R280
Retained earnings	R5 610	R3 420	R2 730
<b>Total liabilities and equity</b>	<b>R8 710</b>	<b>R6 250</b>	<b>R5 430</b>

- All figures must be rounded off to two decimal numbers where applicable.

**Additional information:**

The stock shrinkage in units for the three months was as follows:

Month	Shrinkage Stock in Units
March 2019	3200
April 2019	3600
May 2019	3800

Use the financial information above to answer the questions below. Please note that as you calculate the ratios, you need to reflect the following:

- The definition/purpose of the ratio.
- The application formulae.
- Round off all answers to the second decimal.

- 2.1 Determine the profitability situation of McCarthy Hardware by calculating the gross profit and net profit margins for the company for each of the three months. As part of your answer identify and prioritise areas requiring improvement.

**(10 marks)**

**Allocate 1 mark for the correct calculation of the gross profit margin and the net profit margin of each of the three months. Allocate four marks for an explanation of the areas requiring improvement.**

		March	April	May
Gross profit margin	$\frac{\text{Gross profit}}{\text{Sales}}$	$\frac{3829}{9200} = 0.42 = 42\%$	$\frac{2680}{8800} = 0.30 = 30\%$	$\frac{2620}{8500} = 0.31 = 31\%$
Net profit margin	$\frac{\text{Net profit}}{\text{Sales}}$	$\frac{1379}{9200} = 0.15 = 15\%$	$\frac{970}{8800} = 0.11 = 11\%$	$\frac{760}{8500} = 0.09 = 9\%$

Areas requiring improvements:  
Reduce expenses for profitability to improve

- 2.2 Calculate the liquidity position of the company for each of the three months using the current ratio only.

**(6 marks)**

**Allocate two marks for the correct answer for each of the three months.**

		March	April	May
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{3870}{1600} = 2.42$	$\frac{2850}{1250} = 2.28$	$\frac{2350}{1160} = 2.03$

2.3 Advise McCarthy Hardware’s management on the company’s liquidity position using the acid test ratio and recommend appropriate action.

(4 marks)

**Allocate one mark for the correct calculation of the acid test ratio for each of the three months and allocate one mark for the recommendation of the appropriate action that needs to be taken.**

		March	April	May
Acid ratio	$\frac{\text{Current assets -inventory}}{\text{Current liabilities}}$	$\frac{3870-1920}{1600} = 1.22$	$\frac{2850-1600}{1250} = 1$	$\frac{2350-1330}{1160} = 0.88$

Recommended action:

The company liquidity for March and April is in line with the norm of 1:1. However, for May, the company’s liquidity is below the norm meaning that the company is not liquid and may not be able to pay off its short term debts as they fall due.

The company can improve its position by:

- Early invoice submission in order for customers to settle their bill early.
- Switch from short-term debt to long-term debt: use long-term debt to finance the business instead of short-term debt.
- Get rid of useless assets.
- Control the company’s overhead expenses.
- Negotiating with the company’s creditors for longer payment cycles.

2.4 After analysing the company’s profitability and liquidity position, compile a one-page report to senior manager communicating detailing the actions needed to improve the situation.

(10 marks)

**Allocate up to 6 marks for a report that has the following:**

- Report title.
- Properly structured with an introduction, body and conclusion
- Detailed explanation of the current profitability and liquidity position of the company.
- A detailed explanation of what action needs to be taken

The company can improve its position by:

- Early invoice submission in order for customers to settle their bill early.
- Switch from short-term debt to long-term debt: use long-term debt to finance the business instead of short-term debt.
- Get rid of useless assets.
- Control the company’s overhead expenses.
- Negotiating with the company’s creditors for longer payment cycles.



2.5 Develop an action plan to communicate the company's financial situation to store's operational staff.

(7 marks)

**Allocate nine marks for a detailed communication action plan that includes the following information:**

- Identification of the purpose of your communication
- Identification of the audience
- Planning and design of the message
- Consideration of the available resources
- Plan for obstacles and emergencies
- Strategy of how to connect with the media and others who can help in spreading the message
- Create an action plan
- Communication evaluation plan

Communication can take many forms, including:

- Word of mouth
- Memorandum
- Article in both print and broadcast media
- Press releases and press conferences
- Posters, brochures, and fliers
- Meetings, workshops etc
- Special events and open houses that your organization holds

2.6 Calculate the following ratios:

a) return on investment for March and May 2019 respectively.

(2 marks)

**Allocate one mark for the correct calculation of the ratio for March and another mark for the ratio for May 2019 respectively.**

Ratio	Formula	March 2019	May 2019
Return on investment	$\frac{\text{Net profit} \times 100}{\text{Total assets}}$	$\frac{1379}{8710} = 0.16 = 16\%$	$\frac{760}{5430} = 0.14 = 14\%$

b) inventory turnover ratios for April and May 2019 respectively.

(2 marks)

Allocate a mark for the correct calculation of the ratios for each of the two months.

Ratio	Formula	April 2019	May 2019
Inventory turnover ratio	$\frac{\text{Cost of sales}}{\text{Inventory}}$	$\frac{6120}{1600} = 3.83$	$\frac{5880}{1330} = 4.42$

c) Selling expenses to net sales ratios for March and May 2019 respectively.

(2 marks)

Allocate one mark for the correct calculation of the selling expenses to net sales ratios for March and another mark for May 2019 respectively.

Ratio	Formula	March 2019	May 2019
Selling expenses to net sales ratio	$\frac{\text{Selling expenses}}{\text{Sales}} \times 100$	$\frac{1750}{9200} = 0.19 = 19\%$	$\frac{1300}{8500} = 0.15 = 15\%$

d) Inventory shrink percentages for March and April respectively.

(2 marks)

Allocate one mark for the correct calculation of the inventory shrink percentage for March and another mark for April 2019 respectively.

Ratio	Formula	March 2019	April 2019
Inventory shrink percentage	$\frac{\text{Shrinkage}}{\text{Inventory}} \times 100$	$\frac{160}{1920} = 0.08 = 8\%$	$\frac{180}{1600} = 0.11 = 11\%$

(Total Marks for Question 2 = 45)

### Question 3

#### Employee Performance Management

**(44 Marks)**

Genine is employed by Pet Foods Unlimited, a dog food retailer in Pretoria. She has been with the company for the past 10 years and has been working there as a counter sales person since joining the company. As a counter sales person she is expected to efficiently and effectively service both internal and external customers. However, during the past few months, complaints have been coming in from Joshua, Nathan and Timothy, the sales representatives responsible for external sales and deliveries. They accuse Genine of not servicing them on time. The role of the sales representatives is to make cold calls to potential clients and if they obtain an order from a client, they forward it to Genine for processing. Once the order is ready, they collect the goods and deliver them to customers in and around Pretoria.

According to the company's service charter, an order is supposed to be fulfilled within three hours after being placed and all orders must be placed by midday to ensure same day delivery. When she was asked by Thabo, the shop manager why orders were being delivered late, Genine pointed out that she cannot serve the company sales representatives whilst there are other customers waiting inside the store and this causes the delays. She prioritises customers who come to the store to buy than those who are found by the sales representatives. Julius, one of the sales representatives has been accused of either delivering orders at wrong addresses or delivering wrong orders at the right address and this has led to increased customer complaints, further infuriating Genine because these customers either call the shop or come in person to complain.

On the other hand, Julius accuses Sheila, the order packer of always packing the wrong things in his delivery box although it remains his responsibility to ensure that the right products are packed before delivery. Thabo employed Sheila a few months ago during the pick season. Sheila was supposed to go for three months training at head office in Johannesburg in order to learn about the company's products and services but this was not done because Thabo preferred her to undergo training on-the-job in contravention of the company's recruitment and induction policy. Sheila therefore relies heavily on Genine with regards to product knowledge.

Nathan, the other sales representative is a very hard working young man. The company expects each and every sales representative to make at least 50 telephone calls per day and Nathan averages twice that amount per day. His hard work therefore means more orders are placed with Genine leading to further delays in order fulfilment. Thabo is well aware of all these issues at the store but he seems to prefer to leave everything to fate.

According to the company's organogram, there are supposed to be three counter sales people in the store but Thabo has refused to employ the required staff because he wants to cut down on the salary bill in order to increase the shop's net profit. Thabo has set down with Genine several times and contemplated dismissing her for not serving the sales representatives on time. Genine has remained resolute that the problem is not with her but with Thabo.

- 3.1 Analyse the expected performance of any three staff members mentioned in the case study  
(9 marks)

**Allocate three marks for the detailed explanation of the expected performance of each of the three staff members.**

The expected performance of three staff members is as follows:

- Sheila – employed to pack deliveries according to customer orders.
- Genine – expected to serve both internal and external customers.
- Julius – employed to deliver correct orders to the right addresses.
- Nathan - is a very hard working employee and is performing above the expected standards. The company expects each and every sales representative to make at least 50 telephone calls per day and Nathan averages twice that amount per day. His hard work therefore means more orders are placed with Genine leading to further delays in order fulfilment.

- 3.2 Evaluate actual performance of any four staff members mentioned in the case study  
(9 marks)

**Allocate two marks for the detailed explanation of the actual performance of each of the four staff members. Use discretion to award the additional mark for a good answer.**

- Nathan – performs beyond expectations; while expected to make 50 sales calls per day, he makes 100 calls, thereby placing more orders with the counter salesperson.
- Sheila – is not adequately trained, lacks product knowledge and as result is not performing as required.
- Genine – is overwhelmed with work and as a result she is failing to serve sales representatives. However, she is doing a job which should be done by three counter salespersons.
- Julius – either delivers wrong orders at right addresses or delivering right orders at wrong addresses; either way this increases customer complaints and erodes profitability.
- Thabo is accountable for the underperformance since he is not managing his subordinates well; he does not listen to employee issues. Thabo as a manager has also failed to discipline Genine.

3.3 Differentiate between compliance and performance issues in the case study. In your answer identify and explain at least two of each.

(4 marks)

**Allocate two marks for the explanation of the difference between compliance and performance and then allocate two marks for an explanation of the two concepts.**

Compliance is meeting company regulations and performance targets; performance is actually exceeding set targets. Compliance is a minimum standard of work; performance is a measure of excellence.

Examples of compliance issues in the case study include the following:

- Nathan – company policy dictates that sales representatives to make at least 50 calls per day but Nathan does twice as much.
- Thabo – failure to employ the right number of employees as per the company's organogram. He has also failed to follow the company's recruitment and induction policy.
- Genine – failure to observe company policy with regards to the servicing of internal customers.

However, performance without compliance does not add value; compliance without performance does not add value. An employee must perform and also comply with policies. Managers must motivate staff to exceed targets while at the same time complying with policies. A sale is only a sale if it meets or exceeds customer requirements and also generates a profit for the company.

- Nathan – is performing far much more than expected.
- Thabo – poor human resources management. Cannot recruit the required staff.
- Sheila – poor inventory management, merchandising and order packing skills.
- Genine – failure to service both internal and external customers.

3.4 Propose and explain any two strategies that the company can implement in order to improve the performance of any two employees whose actual performance does not meet requirements.

(6 marks)

**Allocate three marks for a comprehensive description of any two of the following strategies:**

- Re-training the employees
- Motivating the employees
- Clarifying exact problem, listening to employee's side of the story and Setting clear goals;
- Accompanying staff to customers to observe performance; and
- Rewarding improvement

3.5 Suggest two strategies that the company can implement to improve compliance where compliance standards are not being met.

(6 marks)

**Allocate three marks for each strategy suggested and explained.**

- Continuous education and dissemination of information about the rules, regulations and procedures that employees must always comply to.
- Making compliance procedures a key requirement for employee performance
- Re-training;
- Counselling;
- Active listening to understand and act on information given by employees; and
- Punishing repeated lack of compliance

3.6 Not every employee at the store is performing below standard. What two strategies should the company implement to enhance the performance of those staff members who are already meeting or exceeding the set performance standards?

(4 marks)

**Allocate four marks for any two strategies suggested and explained.**

- Reinforce good performance by acknowledging and rewarding it.
- Promote good performers.
- Allocate more challenging responsibilities
- Job enrichment and job enlargement

3.7 Communicate in writing to all staff members the strategies that you identified in 3.6 above.

(6 marks)

**Allocate six marks for detailed communication of the strategies using appropriate language.**

Communication in writing can take many forms, including:

- Memorandum
- Reports
- Posters, brochures, and fliers

**Memorandum to staff**

To: all staff

Date: xxxx

From: Shop Manager

**Subject: Performance Issues**

Recently I noticed an increase in complaints from both internal and external customers. On one hand sales representatives have been complaining of poor service from the counter sales person. At the same time an increasing number of external customers have been complaining about wrong deliveries.

I strongly remind you of the need to comply with company policies and procedures, in order to ensure customer satisfaction. The customer remains the only reason for our continued profitability. I commend Nathan for excellent performance and urge him to keep it up. While this company will reward good performance, it must be noted that poor performance will not be tolerated. Please be advised accordingly.

Signed.....

**(Total Marks for Question 3 = 44)**

(TOTAL MARKS FOR THE EXAM: 120)

MARK ALLOCATION GRID (For use by the Assessor only)

QUESTION	MARK	MARKS AWARDED
1.1	8	
1.2	4	
1.3	4	
1.4	6	
1.5	9	
<b>TOTAL Q1</b>	<b>31</b>	
2.1	10	
2.2	6	
2.3	4	
2.4	10	
2.5	7	
2.6	8	
<b>TOTAL Q2</b>	<b>45</b>	
3.1	9	
3.2	9	
3.3	4	
3.4	6	
3.5	6	
3.6	4	
3.7	6	
<b>TOTAL Q3</b>	<b>44</b>	
<b>GRAND TOTAL</b>	<b>120</b>	



**ASSESSOR DETAILS**

<b>ASSESSOR NAME &amp; SURNAME</b>	
<b>REGISTRATION NUMBER</b>	
<b>SIGNATURE</b>	
<b>DATE</b>	

**INTERNAL MODERATOR DETAILS**

<b>MODERATOR NAME &amp; SURNAME</b>	
<b>REGISTRATION NUMBER</b>	
<b>SIGNATURE</b>	
<b>DATE</b>	