

## EXTERNAL INTEGRATED SUMMATIVE ASSESSMENT

### EXEMPLAR 4A - MEMORANDUM

<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</b> (there are 2 papers to be written: 1A and 1B)
<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)**

Shoe Mania was founded in 2009, at a time when there were few online shoe retailers in South Africa. The company grew over the years, mainly by offering several customer-friendly services that other online shoe retailers did not provide such as free delivery and a generous returns policy. Some of these services were offered at a considerable cost to the company. Moreover, Shoe Mania ensured that customer service was ingrained in the company's culture.

Recently, the company introduced a new customer services charter and the company has planned to retrain all its staff members in line with the new customer services charter. The new customer service charter urges the company's customer service representatives to be friendly and helpful to customers, and even allows them to go to the extent of directing customers to competitors' websites if a particular product was not available within the company. The new customer services charter has not been well received by some sections of the company especially the labour union which objects to the requirement that all customer service representatives have to undergo retraining for a period of up to a month. The union has there threatened to go on strike if its demands are not fulfilled.

- 1.1 Imagine that you are the Stakeholder Relationships and Customer Services Manager at Shoe Mania. Develop a strategy to persuade the labour union to accept the new customer services charter that was introduced at the company. Your strategy must include a description of the medium to be used when communicating with the stakeholders.

**(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:

- Meetings
- Internal memos
- E-mails
- Posters
- Company website

The communication strategy must reassure the labour union that the company is committed to fair business practices and that the new customer service charter will be beneficial to all stakeholders including the employees. In this case, the company needs to engage with labour union to discuss the implementation of the customer services charter. In its communications, the company must provide detailed information with regards to why there is need for a new customer services charter, the benefits of implementing the new charter and how the employees will be affected.

1.2 Draw up an action plan of how you will roll-out the training programme for the customer services representatives at Shoe Mania..

**(4 marks)**

**Allocate four marks for a comprehensive action plan that includes the following steps.**

Step 1: Perform a Training Needs Assessment

Step 2: Ensure buy-in from all stakeholders

Step 3: Develop Learning Objectives

Step 4: Design Training Materials

Step 5: Develop Your Training Materials

Step 6: Implement the Training

Step 7: Evaluate the Training

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: Implementation of the New Customer Services Charter

As competition continues to increase in the shoe retailing industry, we need to be innovative in the way we engage with our customers. In order to build a more responsive and customer focussed organisation, we intend to introduce the new customer service charter starting from 1 November 2019.

The new customer services charter will not lead to any job losses but will actually create a better performing Shoe Mania that will be able to create better opportunities for current and future employees.

As management of Shoe Mania, 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 the implementation of the new customer services charter:

- Set up a meeting with all branch operational staff and management.
- Identify the key stakeholders including union leaders and conduct meetings to hear their concerns.
- Perform a Training Needs Assessment
- Ensure buy-in from all stakeholders
- Develop Learning Objectives
- Design Training Materials
- Develop Your Training Materials
- Implement the Training
- Evaluate the training

Once more, we 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 labour unions and our workforce in general.

Signed.....

1.4 Compile a one-page report to your senior manager detailing the strategies that you are going to implement in order to overcome the challenges that Shoe Mania is currently facing.

**(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 to the labour union leaders through meetings, internal mail and the company's website.
  - Having periodic meetings with union leaders to ensure their buy-in.
  - Explaining the benefits of implementing the new customer service charter.

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)**

Provided below are the monthly financial statements of Micro-Chip (PTY) Ltd.

**Micro-Chip (PTY) Ltd monthly income statements and balance sheets for months July, August and September 2019 respectively:**

R '000			
<b>Income statement</b>	<b>September</b>	<b>August</b>	<b>July</b>
Net Sales	R4 380	R 4 760	R 5 000
Cost of Sales	R3 260	R 3 560	R 3 800
<b>Gross Profit</b>	<b>R1 120</b>	<b>R1 200</b>	<b>R1 200</b>
Depreciation	R65	R 54	R 47
Selling expenses	R426	R 496	R 567
Discounts	R14	R12	R11
Shrinkage	R60	R50	R45
Wages	R30	R25	R20
Telephone	R15	R13	R10
<b>Earnings before interest and Taxes (EBIT)</b>	<b>R510</b>	<b>R 550</b>	<b>R 500</b>
Less interest	R80	R 100	R 120
<b>Pre Tax earnings</b>	<b>R430</b>	<b>R 450</b>	<b>R 380</b>
Taxes 40%	R172	R 180	R 152
<b>Net Income before preferred dividends</b>	<b>R258</b>	<b>R 270</b>	<b>R 228</b>
Preferred dividends	R8	R 8	R 8
<b>Net Income available to common stockholders</b>	<b>R250</b>	<b>R 262</b>	<b>R 220</b>
<b>Other Data</b>			
Common dividends	R46	R 48	R 50
Addition to Retained earnings	R200	R214	R170
Lease payments	R25	R 28	R 28
Bonds' required sinking fund payments	R20	R 20	R 20
Common stock price per share (PPS)	R30	R 40	R 27

<b>Balance Sheet Assets R'000</b>			
	<b>September</b>	<b>August</b>	<b>July</b>
Cash and Equivalents	R40	R 60	R 50
Short-term investments	R20	R 40	R 0
Accounts receivable	R270	R 380	R 500
Inventories	R760	R 820	R 1 000
<b>Total Current Assets</b>	<b>R1 090</b>	<b>R 1 300</b>	<b>R 1 550</b>
Net Plant and Equipment	R 1 390	R 1 700	R 2 000
<b>Total Assets</b>	<b>R2 480</b>	<b>R 3 000</b>	<b>R 3 550</b>
<b>Liabilities and Equity</b>			
Accounts payable	R160	R 190	R 200
Notes payable	<b>R100</b>	R 130	R 280
Accruals	<b>R250</b>	R 280	R 300
<b>Total Current Liabilities</b>	<b>R510</b>	<b>R 600</b>	<b>R 780</b>
Long term Bonds	R800	R 1 000	R 1 200
<b>Total Liabilities</b>	<b>R1 310</b>	<b>R 1 600</b>	<b>R 1 980</b>
Preferred Shares (400,000 Shares)	R100	R 100	R 100
Ordinary Shares (50,000,000 Shares)	R500	R 500	R 500
Retained Earnings	R660	R 800	R 970
<b>Total Equity</b>	<b>R1 160</b>	<b>R 1 300</b>	<b>R 1 470</b>
<b>Total Equities &amp; Liabilities</b>	<b>R2 480</b>	<b>R 3 000</b>	<b>R 3 550</b>

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

#### **Additional information:**

1. The shrinkage stock in units was as follows:
  - July 2019 – 2000
  - August 2019 – 1640
  - September 2019 - 1520

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

- (a) The definition/purpose of the ratio.
- (b) The application formulae.
- (c) Round off all answers to the second decimal.

- 2.1 Determine the profitability situation of Micro-Chip (PTY) Ltd 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.**

		September	August	July
Gross profit margin	$\frac{\text{Gross profit}}{\text{Sales}}$	$\frac{510}{4380} = 0.12 = 12\%$	$\frac{550}{4760} = 0.12 = 12\%$	$\frac{500}{5000} = 0.10 = 10\%$
Net profit margin	$\frac{\text{Net profit}}{\text{Sales}}$	$\frac{250}{4380} = 0.06 = 6\%$	$\frac{262}{4760} = 0.06 = 6\%$	$\frac{220}{5000} = 0.04 = 4\%$

Areas requiring improvements:  
Reduce expenses for profitability to improve

- 2.2 Calculate the liquidity position of Micro-Chip (PTY) Ltd 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**

		September	August	July
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{1090}{510} = 2.14$	$\frac{1300}{600} = 2.17$	$\frac{1550}{780} = 1.99$

- 2.3 Advise Micro-Chip (PTY) Ltd 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.**

		September	August	July
Acid ratio	$\frac{\text{Current assets - inventory}}{\text{Current liabilities}}$	$\frac{1090-760}{510} = 0.65$	$\frac{1300-820}{600} = 0.80$	$\frac{1550-1000}{780} = 0.71$



Recommended action:

The acid test ratio measures the liquidity of a company by showing its ability to pay off its current liabilities with quick assets. If a firm has enough quick assets to cover its total current liabilities, the firm will be able to pay off its obligations without having to sell off any long-term or capital assets. The ratios for the three months show low levels of liquidity and this shows that the company is not in a positive financial state in terms of liquidity. This means that the company cannot pay off its current liabilities without selling any long-term assets. The company needs to improve on its liquidity by converting some of its long term assets into cash because the higher the acid test ratio, the better the company's liquidity and overall financial health.

2.4 After analysing the company's profitability and liquidity position, compile a report to senior management detailing actions needed to improve the situation.

**(10 marks)**

**Allocate up to ten 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

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 July and September 2019 respectively.

(2 marks)

Allocate one mark for the correct calculation of the ratio for July and another mark for September 2019 respectively.

Ratio	Formula	July 2019	September 2019
Return on investment	$\frac{\text{Net profit} \times 100}{\text{Total assets}}$	$\frac{220}{3550} = 0.06 = 6\%$	$\frac{250}{2480} = 0.10 = 10\%$

b) inventory turnover ratios for August and September 2019 respectively.

(2 marks)

Allocate a mark for the correct calculation of the ratio for each of the two months

Ratio	Formula	August 2019	September 2019
Inventory turnover ratio	$\frac{\text{Cost of sales}}{\text{Inventory}}$	$\frac{3560}{820} = 4.34$	$\frac{3260}{760} = 4.23$

c) Selling expenses to net sales ratios for July and August 2019 respectively.

(2 marks)

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

Ratio	Formula	July 2019	August 2019
Selling expenses to net sales ratio	$\frac{\text{Selling expenses} \times 100}{\text{Sales}}$	$\frac{567}{5000} = 0.11 = 11\%$	$\frac{496}{4380} = 0.11 = 11\%$

d) Inventory shrink percentages for July and September 2019 respectively.

(2 marks)

**Allocate one mark for the correct calculation of the inventory shrink percentage for July and another mark for September 2019 respectively.**

Ratio	Formula	July 2019	September 2019
Inventory shrink percentage	$\frac{\text{Shrinkage}}{\text{Inventory}} \times 100$	$\frac{45}{1000} = 0.05 = 5\%$	$\frac{60}{760} = 0.08 = 8\%$

**(Total Marks for Question 2 = 45)**

### **Question 3**

#### **Employee Performance Management**

**(44 Marks)**

21<sup>st</sup> Century Ladies is retailer based in Cape Town and the company focusses on women's clothing. Recently the company hired a Store Manager for its flagship store at the Canal Walk Mall. The store employs about a 100 people, the majority of them female.

In hiring the Store Manager, Andrew, the Regional Manager as the line manager did not perform a due diligence as required by the company's recruitment policy and employment procedures. He just made a decision to hire the Store Manager based on the recommendations of the four interviewers who interviewed the Store Manager. Company policy also required the Regional Manager to be part of the interview panel but he excused himself because he had to attend to urgent family matters on the day the Store Manager was interviewed. Andrew however, managed to get a good reference from the Store Manager's previous employer via the telephone and he was convinced that he had the right person for the job.

Andrew is responsible for carrying out reviews of all the employees in his region twice a year. Knowing that he did not participate in the interviews, he informally started gathering feedback on the new employee's performance. The initial indications were worrying. The Store Manager seemed to have problems working with women—and this was in a store where the majority of employees are women. To make matters worse, employee sales performance decreased, within five months 10 staff members, all them female, had resigned and above all, in the fourth month after the appointment of the new Store Manager, the store failed to meet its monthly sales target for the first time since it opened 20 years ago.

It later turned out that the new hire was a mistake. He failed the probationary review and Andrew dismissed him a week before the end of the mandatory six months' probation. Interestingly, Andrew

later heard through the grapevine that the previous employer where the dismissed employee used to work was sure that the fellow would not succeed in the new job. Somehow this conviction did not dissuade them from giving him a glowing reference which convinced Andrew to hire the Store Manager.

On the other hand, it is not all doom and gloom at the store. Riaan is the assistant store manager and has been working at this branch for the past 15 years. He is the most experienced member of staff at the branch. However, Riaan has been overlooked for promotion to the shop manager position because he does not have a professional qualification and not even a matric certificate. However, despite these shortcomings, Riaan has performed exceptionally well and has managed to keep the store's operations on-going despite the challenges that the store has been experiencing after the appointment of a new Store Manager. Ever since being appointed as the Assistant Store Manager five years ago, Riaan keeps the store's keys, opens and closes the store every day and has always been on-time. Riaan also diligently produces the store's monthly reports and recently received a commendation from Andrew.

Riaan attributes his achievements to the support that he receives from fellow staff members such as Thandiswa who is the section manager responsible for all the store's inventory. Thandiswa has been working as a section manager for the past three years and has mastered the art of inventory management to the extent that the store has never experienced any inventory shortages and all her records are always in order. Just like Riaan, Thandiswa has also been overlooked for promotion because she does not have any academic or professional qualifications.

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.**

- Riaan – required to perform the job of assistant manager in line with company policy
- Andrew – required to carry out the functions of a regional manager as per company policy
- Thandiswa – required to manage inventory in line with company policy

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.**

- Riaan – an excellent assistant store manager, keeps store operations going despite challenges
- Andrew – failed to observe company policy during recruitment of a store manager

- Store manager – failed in his job and had to be dismissed
- Thandiswa – performs well in her job

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 in the case study includes the following:

- Andrew – failure to perform a due diligence as required by the company's recruitment policy and employment procedures when he employed the Shop Manager. Dismissing an employee before the end of their statutory probationary period.
- Store Manager – failure to meet monthly sales targets set by the company. Failure to observe the basic conditions of employment by treating all employees the equally irrespective of their gender.
- Riaan - diligently produces the store's monthly reports as per the company's policy and recently received a commendation from Andrew.

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.

Performance issue in the case study include the following:

- Store Manager – failure to meet monthly sales targets set by the company. Poor human resources management skills as seen by the high rate of employee turnover.
- Andrew – Making formal decisions based on information from the grapevine.
- Riaan – excellent performer who has managed to keep the store going despite the challenges being faced. Opens and closes the store on time. Timeous production of monthly reports.

3.4 Propose and explain any two strategies that the company can implement 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.

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>	