

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

MAIN EXAMINATION PAPER, MAY 2010

TITLE OF PAPER	:	BUSINESS ENVIRONMENT
DEGREE AND YEAR	:	DIP.COMM 1 /IDE LEVEL 1
COURSE CODE	:	BA 111
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 : 60 MARKS
		3. ANSWER ANY TWO QUESTIONS FROM SECTION (B): TOTAL MARKS POSSIBLE : 40 MARKS

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

DO NOT OPEN THIS PAPER UNTIL THE INVIGILATOR HAS GRANTED PERMISSION.

SECTION A. - COMPULSORY

MASTER CURRENCY

What sets entrepreneurs apart is the ability to see a gap or an opportunity where others do not. It took Zithulele "KK" Combi just six weeks to spot a worthless piece of land next to a road, get it rezoned, and then sell it to a petroleum company for just less than R1 million. He used this same energy to get the Reserve Bank to grant him a licence to operate a foreign exchange bureau as an individual – something the bank had never done before.

Combi founded Master Currency in 1995, and it has been operating successfully ever since. As a new kid on the block, he had to give customers something other bureaus and banks could not. This came soon enough as he figured out how to provide foreign exchange within two hours. Before establishing Master Currency, Combi knew little about currencies. Having been in property development, he felt it was time for a change and went to the UK to "look around". "I went to find new ideas that I could bring to SA" Combi says. "They had to be mainstream and unique, to limit the competition back home. I had nothing in mind, but then a story someone from Oracle told me once came to mind. He said "the answer is in your hand." I was holding travellers' cheques."

Gut instinct told Combi to follow up this idea and find out how to run a foreign exchange bureau. The manager of a London foreign exchange bureau provided insight and inspiration, even if his attention had to be caught by Combi standing in the bureau doorway, letting customers in and out.

Convinced that this was his ticket home, Combi then turned to the Reserve Bank for permission to operate his own bureau. "This was the biggest hurdle. It would have taken weeks to set up an appointment with Chris Stals [the then Governor]. I took another short-cut and asked Piet Koornhof [the former minister] to get out his little black book of contacts." It took another eighteen months for Combi to get his licence.

For proper skills transfer to take place, Master currency teamed up with Rennie's banking arm. Master Currency took a 51% ownership stake and Rennie's 49%. Rennie's still owns the 49% but also competes directly with Master Currency. Says Combi on the arrangement, "Initially it was positive as we were forced to work harder. We had to be smarter and sharper, as Rennie's was not our only competitor. But it was still hard to work with Rennie's in a co-operative way and still try to outsmart them in the marketplace."

Case adapted from Financial Mail Magazine.

Questions

- A. Identify and classify the stakeholders mentioned in the case. *(16 marks)*
- B. Identify and briefly explain the influences of TWO (2) micro environment participants mentioned in the case on Combi's business. Make sure you are relevant to Master Currency's situation. *(10 marks)*
- C. Under which environment would you classify Rennies, and why. *(4 marks)*
- D. Besides joint-venturing, what other strategies could Master Currency employ to deal with uncertainty of the market? Explain, under headings, 3 such strategies and give an example how Master Currency could have used that particular strategy. *(30 marks)*

SECTION B – ANSWER ANY 2 QUESTIONS

Question 2.

Pick three of the activities covered by antitrust. Based on your knowledge and understanding of this course, *briefly explain*;

- a. How that activity can benefit a non-complying company (12 marks)
- b. How antitrust laws regarding that activity can eventually affect shareholders of a company that is involved in that activity. (8 marks)

Suggested answer layout

ACTIVITY	BENEFIT TO COMPANY	ANTITRUST EFFECT ON SHAREHOLDERS
1.		
2.		

Question 3.

Economic conditions are one of the macro environments that affect an organization. List 4 components of this macro environment and under each component explain how it affects an organization. (20 marks)

Question 4.

Explain, under headings, and using an appropriate example in each case, 4 strategies that a company can use to involve itself in the political landscape of a democratic country it operates in. (20 marks)