



# education

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Department:  
Education  
**REPUBLIC OF SOUTH AFRICA**

## SENIOR CERTIFICATE EXAMINATION - 2006

**BUSINESS ECONOMICS**

**HIGHER GRADE**

**OCTOBER/NOVEMBER 2006**

**402-1/0E**

**BUSINESS ECONOMICS HG**

**MARKS: 400**



**TIME: 3 hours**

**This question paper consists of 24 pages and an answer sheet of 2 pages.**



**INSTRUCTIONS AND INFORMATION**

1. This question paper consists of THREE sections: SECTION A, SECTION B and SECTION C.
2. SECTION A is COMPULSORY.  
  
SECTION A consists of ONE question with various sub-questions and must be answered by ALL candidates. A separate answer sheet consisting of two pages, is provided for QUESTION 1.
3. SECTION B consists of FOUR questions. Answer any TWO questions from this section.
4. SECTION C consists of SIX questions. Answer any FOUR questions from this section.
5. Number your answers correctly according to the numbering system used in this question paper.
6. Begin each question on a NEW page.
7. Answers should be given in full sentences except where otherwise required. Candidates will be penalised for short, incomplete answers.
8. If more than SEVEN questions have been answered only the first SEVEN applicable questions will be marked, namely:

QUESTION 1  
TWO from SECTION B  
FOUR from SECTION C

Clearly indicate questions that are not to be marked by writing '**CANCELLED**' across the page.

9. Write your answers in black or blue ink.
10. Place the completed ANSWER SHEET for QUESTION 1 inside the front cover of the answer book.

**SECTION A (COMPULSORY)**

Answer QUESTION 1 on the attached answer sheet.

**QUESTION 1****1.1 MULTIPLE-CHOICE QUESTIONS**

Indicate the answer to each of the following questions by making a cross (X) in the appropriate block on your answer sheet. There is only ONE correct answer to each question.

For example: 1.1.21

A	B	C	<del>D</del>
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1.1.1 The role of the promoters of a public company is taken over by the board of directors when ...

- A the registrar issues a certificate of incorporation.
- B the auditor gives consent to act as an auditor.
- C the prospectus has been issued to the public.
- D the minimum share capital has been raised.

1.1.2 The registrar of companies will consider issuing a certificate of incorporation after the following documents are submitted:

- (i) Prospectus
- (ii) Memorandum of association
- (iii) Articles of association
- (iv) Registration fee receipt

Choose the correct combination:

- A (i), (ii) and (iii)
- B (ii), (iii) and (iv)
- C (i), (ii), (iii) and (iv)
- D (i), (iii) and (iv)

1.1.3 Mr and Mrs Dunbar and their five major children are considering the establishment of a public company. Mr and Mrs Dunbar each invests R50 000 and each of the children R10 000. Will the registrar consider the application?

- A Yes, if the couple are married out of community of property.
- B Yes, because the couple contributed more than R40 000.
- C No, each member must contribute approximately the same amount.
- D Yes, because there are seven people who have contributed towards the capital.



1.1.4 The following promotion appeared in an MTN catalogue:



This promotional pricing technique is known as ....

- A fake discount.
- B price control.
- C special events.
- D suggested retail prices.

1.1.5 Which ONE of the following advertising practices would you consider to be unethical?

- A The use of colourful pictures
- B Using only one race group in an advertisement
- C Advertising products as the best on the market
- D Selling rebuilt or second-hand products as new

1.1.6 Marketing communication policy refers to a combination of ....

- A advertising, personal sales, sales promotion and publicity.
- B advertising, public relations, sales promotion and publicity.
- C franchising, advertising, personal sales and publicity.
- D sales promotion, competition, publicity and sales incentives.

- 1.1.7 Which ONE of the following methods is NOT used by a manufacturer to control a wholesaler?
- A The system of sole agencies
  - B Financial control
  - C The contractual system
  - D Direct sales to retailers
- 1.1.8 Which class of preference shares gives shareholders the right to receive dividends in arrears (owing from previous years)?
- A Ordinary
  - B Redeemable
  - C Cumulative
  - D Participating
- 1.1.9 The aim of reinsurance is to ...
- A prevent underinsurance.
  - B spread the risk.
  - C promote overinsurance.
  - D adjust premiums to inflation.
- 1.1.10 Insurable interest is applicable when ...
- (i) a person has an interest in his own life.
  - (ii) a debtor has an interest in the life of a creditor.
  - (iii) a partner has an interest in the life of his co-partner.
  - (iv) a mortgager has an interest in the property of a mortgagee.
- Choose the correct combination:
- A (i), (ii) and (iii)
  - B (i), (ii) and (iv)
  - C (i) (iii) and (iv)
  - D All the above-mentioned
- 1.1.11 Fixed capital is needed for the purchase of more ....
- A trading inventory.
  - B raw materials.
  - C buildings.
  - D fuel.

- 1.1.12 Which ONE of the following is a DISADVANTAGE of both batch production and jobbing?
- A Manufacturers can keep to delivery dates.
  - B Production costs per unit are usually higher than in other production systems.
  - C It is easy to comply with exact specifications of the customer.
  - D It is difficult to determine production costs.
- 1.1.13 Which ONE of the following is a component of direct labour costs of Jonathan's Leather Furniture Manufacturer?
- A Mr Athi Seya, the supervisor of the cleaning personnel
  - B Ms Sue Theart, the cost accountant, who calculates the price of making the furniture
  - C Mr Clinton Petersen, the leather cutter
  - D Mr Ryan Page, who supervises the distribution of the furniture to the retailers
- 1.1.14 This institution allows short-term borrowers to pay back their loans only after the crops have been harvested.
- A Corporation for Public Deposit (CPD)
  - B Land and Agricultural Bank (Land Bank)
  - C Council for Scientific and Industrial Research (CSIR)
  - D Johannesburg Securities Exchange Ltd (JSE Ltd)
- 1.1.15 One of the services rendered by the ... is to develop national services which include research into transport services and communication.
- A South African Bureau of Standards (SABS)
  - B Council for Scientific and Industrial Research (CSIR)
  - C South African Reserve Bank (SARB)
  - D Land and Agricultural Bank (Land Bank)
- 1.1.16 Top management is responsible for ... decisions of a firm.
- A operating
  - B strategic
  - C tactical
  - D general

1.1.17 Kia (Pty) Ltd is a factory which manufactures vehicles. This refers to the .... of the firm.

- A vision
- B policy
- C strategy
- D mission

1.1.18 .... is exercised when a marketing manager informs the sales persons of their sales target for the month.

- A Method study
- B Feedback
- C Span of control
- D Responsibility

1.1.19 One of the ADVANTAGES of decentralisation is that ....

- A there is a possibility of duplication of work.
- B it is difficult to maintain standards.
- C it is easy to maintain confidentiality.
- D personnel cannot specialise.

1.1.20 A/An .... is the estimation of the expected income and expenditure of a business for a specific future period.

- A Balance Sheet
- B Trial Balance
- C Budget
- D Income Statement

(20 x 3) (60)

1.2 TRUE OR FALSE

Indicate by means of a cross (X) in the appropriate block on the answer sheet, whether the following statements are TRUE or FALSE. If a statement is FALSE, justify your answer in the space provided by correcting the underlined word(s) only.

For example: 1.2.9 A partnership is a one-man business with unlimited liability.

No.	True	False	Correction
1.2.9		<del>X</del>	Sole trader

1.2.1 In a partnership the profits are divided amongst the owners in an agreed proportion.

1.2.2 The relationship between own and borrowed capital is known as gearing.



- 1.2.3 Method study attempts to assess human performance by determining the time a worker takes to complete a task.
- 1.2.4 Founders' shares are issued to shareholders to compensate them for loss of dividends.
- 1.2.5 The fidelity insurance clause stipulates that the accounting records of a firm must be kept in a fire-proof safe.
- 1.2.6 Trading is the selling of outstanding accounts to a discount house for cash.
- 1.2.7 A flea market has been developed in the informal sector to provide opportunities for small entrepreneurs.
- 1.2.8 Telesales is a method that a manufacturer may use to sell his products directly to the consumer.

(20)

### 1.3 SUPPLY THE MISSING TERM(S)

Complete the following sentences by writing down the missing term(s) next to the question number on the answer sheet:

- 1.3.1 As a new businessman in Nelspruit, you will join the ... for the purpose of obtaining united action in the industry.
- 1.3.2 The management task of ... is concerned with the achievement of harmony between individuals in different departments of an enterprise so as to achieve the common objectives of the enterprise.
- 1.3.3 The ... of a product starts from the time that the product is first introduced into the market until the time it is finally withdrawn from the market.
- 1.3.4 ... packaging is used to emphasise the elegant character of a product, for example a diamond ring.
- 1.3.5 The .... organisation structure allows for movement of the team members from one specialist department to another. (5 x 2)

(10)





1.4 DATA RESPONSE

Examine each of the illustrations (A – E) below and use the advertisements provided to answer the questions set. Write down only the letter of the appropriate illustration next to the question number on the answer sheet, for example: 1.4.5 D.

A

**REDDY'S CONSTRUCTION**

for all building additions, alterations, retaining walls, home maintenance, etc.  
*WE DO THEM ALL*  
 NO JOB TOO BIG OR TOO SMALL  
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 CELL: 083 775 4255

e-mail: [reddysconstruction@yahoo.com](mailto:reddysconstruction@yahoo.com)  
 P.O. BOX 48672, QUALBERT, 4078

B

**GLOBAL Z-DATA (PTY) LTD**

HARDWARE SUPPLY AND SUPPORT NETWORKING

OUTSOURCE SPECIALIST

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 044 313 2344  
 FAX: 044 313 2300  
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MEMBER of Z-DATA GROUP

C

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INDUSTRIAL AND COMMERCIAL CLEANING  
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e-mail: [njabulo@cybertrade.co.za](mailto:njabulo@cybertrade.co.za)

15 MILKWOOD DRIVE  
 SHERWOOD  
 PORT ELIZABETH  
 6001

D

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UPHOLSTERY & CURTAIN SPECIALISTS

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 016 555 6028  
 CELL: 083 777 5116  
 19 MAY STREET  
 VEREENIGING  
 1900

E

**SPECTRUM SHIPPING LTD**

CUSTOMS CLEARANCE, FORWARDING, MARINE INSURANCE, AIR FREIGHT, ROAD FREIGHT AND COLD STORAGE

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 FAX: 021 465 1238

e-mail  
[www.spectrumshipping.co.za](http://www.spectrumshipping.co.za)

M.S.C. HOUSE  
 5<sup>TH</sup> FLOOR  
 54 ALICE STREET  
 CAPE TOWN  
 8000



- 1.4.1 Identify the business that has to be dissolved when a co-owner dies.
- 1.4.2 Which business has a minimum of one director?
- 1.4.3 Name the business that uses a prospectus.
- 1.4.4 Identify TWO businesses that have unlimited liability for its owners. (10)

**TOTAL SECTION A: 100**



**SECTION B**

Answer any TWO questions from this section.

**QUESTION 2: FORMS OF OWNERSHIP**

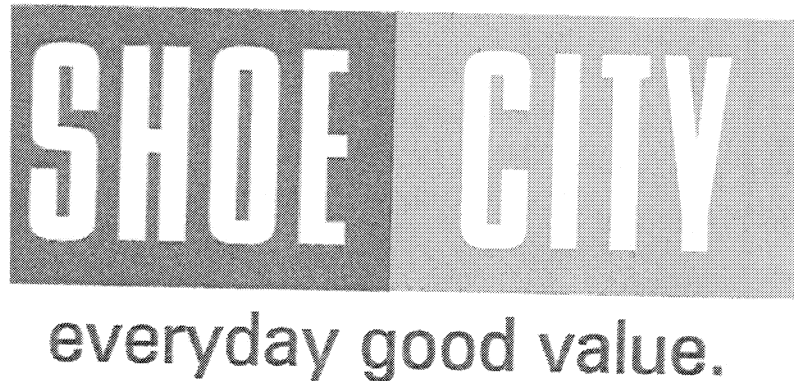
Odwa Ndungane and Sons owns a chain of sports shops, called Sporting Legends. They specialise in rugby equipment. One of the six co-owners has died which means that their business undertaking had to be dissolved.

Ndungane realises that there are too many problems associated with this form of ownership. He advises his co-partners to consider establishing a new form of ownership that would be easy to establish and would carry with it minimal financial risks and limited liability. They agree that they would take on extra members but would restrict ownership to 10 people.

Ndungane explains to his co-owners that they would be required to complete a founding statement before they can establish this form of ownership. Some members still require clarity as to the negative and positive aspects of operating such a business venture.

As an expert in this field, Ndungane has employed you as consultant to advise him and his co-owners on the nature of this form of ownership, the procedures to be used in establishing this form and why you would recommend this form of ownership for their business. Highlight the pros and cons of this form of ownership to them.

**FACTUAL:** 40  
**INSIGHT:** 10  
**[50]**

**QUESTION 3: FINANCIAL FUNCTION**

The directors of Shoe City Stores had their annual strategy and planning meeting for 2007 in June this year.

Looking at the results of the business for the past year, they were concerned about their declining share of the retail market and about their slow growth in profit; which was a result of their 'cash only' policy.

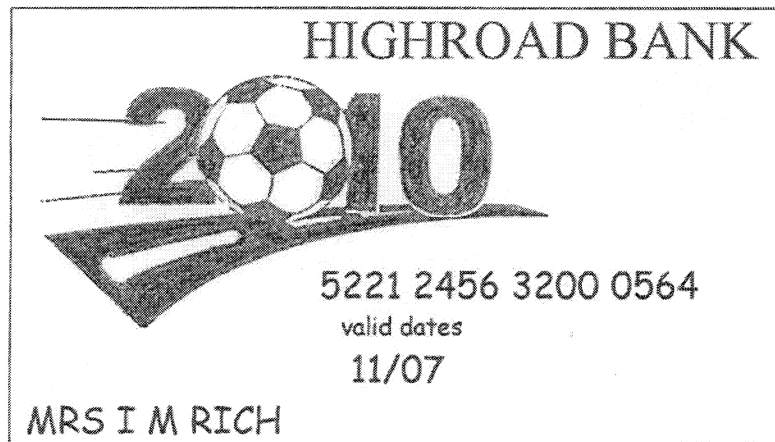
As an independent sales broker you were called in by the CEO to address the directors on their concerns.

After studying the situation facing Shoe City Stores, make a presentation to the directors on the possible reasons for the poor performance of the stores, especially with regard to their current policy.

Suggest an alternative to their 'cash only' policy, explaining clearly its benefits. You also need to explain the different ways of implementing the policy, how it is to be administered, and the control measures required.

**FACTUAL:** 40  
**INSIGHT:** 10  
**[50]**

**QUESTION 4: MARKETING FUNCTION**

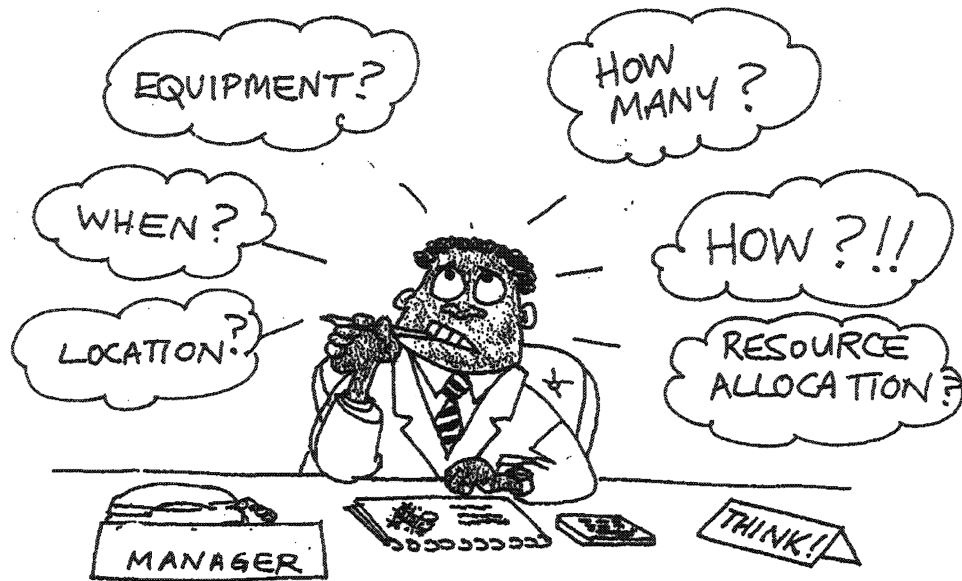


With the Soccer World Cup 2010 on its way, a well-known banking group saw a gap in the market. Their slogan is 'soccer and credit cards mean money'. Their plan is to attract thousands of clients to make use of the bank's credit cards. These credit cards will have the photographs of soccer stars on them.

Compile a report in which you discuss the advertising campaign of the bank so that the basic steps of the planning of the campaign will become clear. Also mention how the bank will measure the results of their campaign. Give your opinion on the bank's proposed project in relation to the Soccer World Cup 2010.

**FACTUAL:** 40  
**INSIGHT:** 10  
**[50]**

**QUESTION 5: GENERAL MANAGEMENT**



'One of the basic elements of management looks into the future, devises procedures to tackle certain operations and how to execute them successfully.'

Discuss, in detail, planning as a basic element of general management. Evaluate the importance of planning in relation to at least FOUR other elements of general management.

**FACTUAL:** 40  
**INSIGHT:** 10  
**[50]**

**TOTAL SECTION B: 100**

**SECTION C**

Answer any FOUR questions from this section.

**QUESTION 6: FORMS OF OWNERSHIP**

- 6.1 Read the following newspaper article carefully and answer the questions that follow.

**HUGE RE-STRUCTURING FOR ANGLO AMERICAN**

The radical restructuring that Anglo American is undergoing has brought the performance of its CEO, Tony Trahar, into question.

Mondi, a well run paper company, is close to Trahar's heart. When the merger took place between Mondi and the mining giant, Anglo American, Trahar's motivation was that it represented a key differentiator to mining. The paper business traditionally works to a different business cycle than that of the metal industry.

The greatest criticism

levelled against Trahar was that he focused so much on building Mondi that when opportunities arose to build the metal industry he did not strike while the iron was hot. He lost the opportunity to buy Companhia Vale do Rio Doce (CVRD), the world's biggest iron producer, five years ago.

His allies, however, view his talents differently. The acquisition of Disputada Copper and the recent coal expansions into Australia and Colombia sing another song. This restructuring has added value to Anglo's mining chest.

Anglo American now plans to focus on mining and is therefore selling off its shares in Tongaat-Hulett (S.A.'s biggest sugar producer). The de-merger process of Anglo American and Mondi is 'pretty much irrecoverable'. Anglo American is waiting on the correct price. The possibility of a S.A. 'listing' is also being considered.

[Adapted from *Sunday Times* 29/01/2006]

## Senior Certificate Examination

- 6.1.1 Identify the type of merger that took place between Anglo American and Disputada Copper. Give a reason for your answer. (4)
- 6.1.2 Supply a reason for Anglo American buying into Mondi. (2)
- 6.1.3 Why did Anglo American lose its deal with CVRD? (3)
- 6.1.4 Identify the organisation in which Anglo American would 'list' the offer of shares in Mondi. (2)
- 6.1.5 Why do you recommend that Mondi be listed? (2)
- 6.1.6 Anglo American had the opportunity to amalgamate with CVRD while they were busy with Mondi, but failed to take advantage of this. Explain THREE advantages they lost as a result of the missed opportunity. (9)
- 6.2 List FOUR disadvantages of a sole trader. (8)
- 6.3 Tabulate FIVE differences between a private company and a public company. (20)
- [50]**



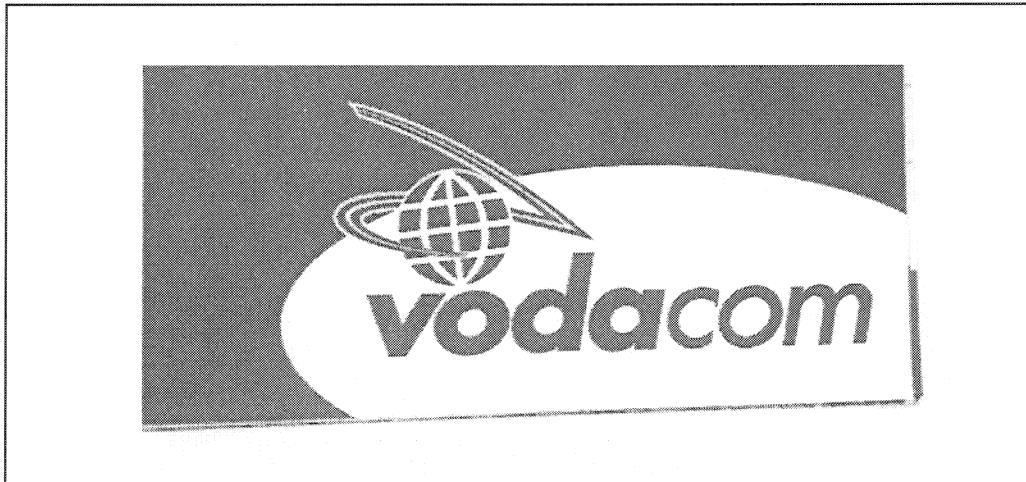


**QUESTION 7: MARKETING FUNCTION**

7.1 Study the passage below and answer the questions that follow.

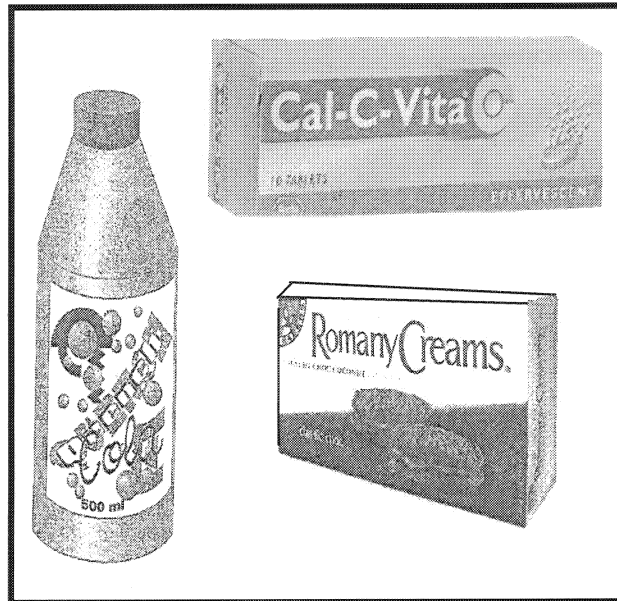
Valene was frustrated with the long hours she spent at work. It was Peter who finally persuaded her to take a chance and start working for herself. There were a vast number of franchise opportunities to choose from.

Valene decided to operate a VODACOM cellphone store.



- 7.1.1 What is a franchise? Give an example, besides VODACOM, of a franchise found in South Africa. (4)
- 7.1.2 Would Valene be able to sell MTN and CELL C products at her Vodacom cellphone store? Substantiate your answer. (4)
- 7.1.3 List TWO advantages of the VODACOM franchise to Valene. (4)
- 7.1.4 Identify the THREE types of consumer goods that Valene could sell at her VODACOM cellphone store. Explain each type, and give suitable examples of the goods that can be sold at the VODACOM cellphone store. (12)

7.2 Answer the following questions based on packaging:



7.2.1 State the TWO most important objectives of packaging. Use the above illustration to explain how any of the above products satisfy the objectives of packaging. (8)

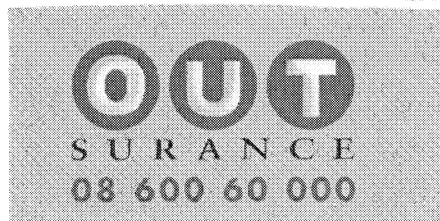
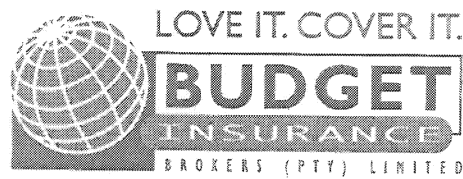
7.2.2 Identify the type of packaging that changes continuously. Use any of the examples from the picture to illustrate your answer. (5)

7.2.3 List TWO requirements of good packaging. (4)

7.3 Besides the 'form of a market', discuss any THREE other factors that influence the pricing of a product. (9)  
[50]

**QUESTION 8: FINANCIAL FUNCTION**

8.1 Study the information given below and answer the questions that follow.



Fruit & Veg City bought a delivery van for R150 000 on 1 September 2006. On the same day, the vehicle was insured with Budget Insurance for R120 000. The first premium was paid and a receipt for the amount was received.

A clause in the policy stated that the first R1 000 of each claim would be paid by Fruit & Veg City.

On 1 December 2006 the delivery van was involved in a collision with a motor vehicle insured by OUTsurance. The damage to the delivery van was R100 000.

- 8.1.1 Identify the principle of insurance involved in this claim. (2)
- 8.1.2 What is the R1 000 payable by Fruit & Veg City called? (2)
- 8.1.3 If it can be proved that the accident was not caused by the Fruit & Veg City employee, Budget Insurance has the right to claim the full amount from OUTsurance. What is this insurance concept called? (2)

- 8.1.4 Which clause stipulates that if something is not insured for its full value, the full amount of the loss sustained will not be paid out? (2)
- 8.1.5 Using the principle mentioned in QUESTION 8.1.4, calculate the amount Budget will pay Fruit & Veg City as compensation for damage sustained (done) to the vehicle. (4)
- 8.1.6 Calculate the book value of the vehicle on the date of the collision if the value of the vehicle drops by 15% annually. (4)
- 8.1.7 Budget has decided to scrap the vehicle. As owner of the vehicle, what would your response to this decision be? Substantiate your answer. (4)
- 8.1.8 List THREE disadvantages that stockpiling will have for Fruit & Veg City. (6)
- 8.1.9 Explain THREE factors that will determine the working capital requirements for Fruit & Veg City. (9)
- 8.2 Explain the THREE reasons for keeping cash. (9)
- 8.3 Define the concept *overcapitalisation*. In your opinion, do you think that this is good for entrepreneurs? Substantiate your answer. (6)
- [50]**

**QUESTION 9: ENTERPRISE AND ITS ENVIRONMENT**

9.1 Read the following extract carefully and answer the questions that follow.

Investors and entrepreneurs interact in the share market with one aim in mind; every time someone buys shares, someone has had to sell, and both parties usually believe they are clever.

In South Africa there is a place where the buyer and seller can 'meet' so that the trading of shares can take place.

9.1.1 How can the ordinary South African citizen access the services available on the JSE Ltd? (4)

9.1.2 Discuss FOUR services rendered by this institution. (12)

9.2 Discuss FOUR methods that the SARB (South African Reserve Bank) can use to control credit and the amount of money in circulation. (12)

9.3 Give FOUR ways in which the chambers of commerce can contribute to the development of business in your community. (8)

9.4 'The credibility of the SABS is the manufacturer's gain and the consumer's guarantee.'



9.4.1 With reference to the above statement, describe FIVE ways in which it can be achieved. (10)

9.4.2 How can the SABS mark benefit you, as an ordinary South African consumer? State TWO benefits. (4)  
**[50]**

**QUESTION 10: PRODUCTION FUNCTION**

- 10.1 Study the information below extracted from Valrospe Cabinets and then answer the questions that follow.

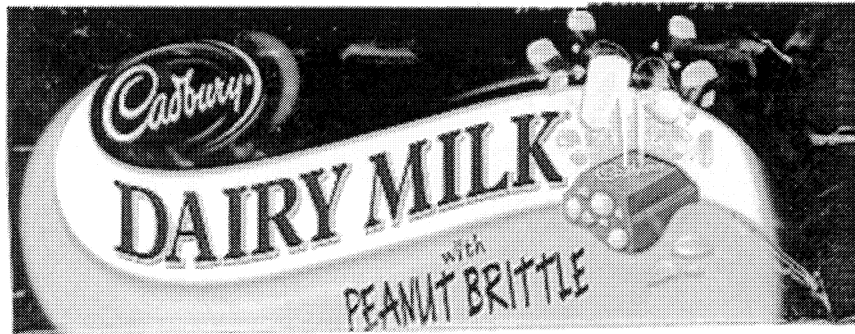
**Production cost of manufacturing filing cabinets:**

Opening stock of steel plates on 1 January 2006	R200 000
Purchase of steel plates	R140 000
Closing stock of steel plates on 31 January 2006	R130 000
Rental of factory	R 72 000 per year
Total wages of workers manufacturing filing cabinets	R 1 000 per week
Depreciation of factory plant	R 1 550 per month
Salary of factory foreman	R 9 000 per month
Cost of glue and screws for filing cabinets used in January 2006	R 1 950
Number of units manufactured in January 2006	150
Number of weeks in January 2006	4

REQUIRED: Show ALL the calculations.

- 10.1.1 Calculate the primary production costs of the factory for January. (5)
- 10.1.2 Calculate the fixed overhead costs of the factory for January. (6)
- 10.1.3 A decrease of 10% is expected in the variable material overhead cost for the following month. Determine the indirect raw material cost for February. (3)
- 10.1.4 Calculate the production cost of one filing cabinet manufactured in January. (6)

10.2 Study the picture below and answer the questions that follow.



- 10.2.1 What production system do you as production manager of Cadbury Chocolates recommend for the manufacturing of the above chocolates? (2)
- 10.2.2 Give FOUR reasons for your choice in QUESTION 10.2.1. (8)
- 10.2.3 State FIVE factors you would consider in order to ensure that the peanut brittle chocolates are of good quality. (10)
- 10.3 List FIVE measures that can be taken to prevent accidents from taking place in factories. (10)
- [50]

**QUESTION 11: MISCELLANEOUS**

Answer any FIVE of the following questions:

- 11.1 Give any FIVE details that you would find in the name clause of the memorandum of association. (10)
- 11.2 There are various reasons why a partnership may be dissolved. List FIVE of them. (10)
- 11.3 'The ability to cede policies to secure loans is one of the advantages of insurance.'  
State FIVE other advantages of insurance. (10)
- 11.4 State any FIVE advantages of advertising. (10)
- 11.5 State FIVE disadvantages of the line-and-staff organisation structure. (10)
- 11.6 What methods can be used by the general manager in the controlling process? Name any FIVE methods. (10)
- 11.7 List FIVE disadvantages of centralisation. (10)

**TOTAL SECTION C: 200**

**GRAND TOTAL: 400**



**BUSINESS ECONOMICS HG  
NOVEMBER 2006**

EXAMINATION NUMBER														
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**SECTION A  
ANSWER SHEET**

**QUESTION 1**

**1.1 MULTIPLE-CHOICE QUESTIONS**

**ANSWER EACH QUESTION BY MAKING A CROSS ( X ) IN THE APPROPRIATE BLOCK.**

<b>1.1.1</b>	A	B	C	D
<b>1.1.2</b>	A	B	C	D
<b>1.1.3</b>	A	B	C	D
<b>1.1.4</b>	A	B	C	D
<b>1.1.5</b>	A	B	C	D
<b>1.1.6</b>	A	B	C	D
<b>1.1.7</b>	A	B	C	D
<b>1.1.8</b>	A	B	C	D
<b>1.1.9</b>	A	B	C	D
<b>1.1.10</b>	A	B	C	D
<b>1.1.11</b>	A	B	C	D
<b>1.1.12</b>	A	B	C	D
<b>1.1.13</b>	A	B	C	D
<b>1.1.14</b>	A	B	C	D
<b>1.1.15</b>	A	B	C	D
<b>1.1.16</b>	A	B	C	D
<b>1.1.17</b>	A	B	C	D
<b>1.1.18</b>	A	B	C	D
<b>1.1.19</b>	A	B	C	D
<b>1.1.20</b>	A	B	C	D

**(20 x 3) (60)**

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<b>EXAMINATION NUMBER</b>														
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**1.2 TRUE OR FALSE**

<b>NUMBER</b>	<b>TRUE</b>	<b>FALSE</b>	<b>CORRECTION</b>
1.2.1			
1.2.2			
1.2.3			
1.2.4			
1.2.5			
1.2.6			
1.2.7			
1.2.8			

**20 MARKS**

**1.3 WRITE DOWN THE MISSING WORD/TERM(S).**

1.3.1	
1.3.2	
1.3.3	
1.3.4	
1.3.5	

**10 MARKS**

**1.4 DATA RESPONSE**

**WRITE DOWN THE LETTER OF THE APPROPRIATE ILLUSTRATION.**

1.4.1	
1.4.2	
1.4.3	
1.4.4	

**10 MARKS**

<b>TOTAL QUESTION 1:</b>	<b>100 MARKS</b>
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