

GAUTENG DEPARTMENT OF EDUCATION
SENIOR CERTIFICATE EXAMINATION

FEB / MAR 2006

BUSINESS ECONOMICS HG

TIME: 3 hours

MARKS: 400

INSTRUCTIONS:

- This paper consists of THREE sections:
 - SECTION A: Question 1 is COMPULSORY.
 - SECTION B: Answer any TWO questions in this section.
 - SECTION C: Answer any FOUR questions in this section.
 - You must answer **only** SEVEN questions. Additional work will not be marked.
 - Number your answers according to the numbering system used in this question paper.
 - Start each new question on a new page.
 - Plan the time spent as well as the length of the answer according to the mark allocation.
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SECTION A

**QUESTION 1
COMPULSORY**

Choose the correct answer to Questions 1.1 to 1.20 from the four possibilities provided.

Indicate the correct answer by making a cross (X) over the appropriate letter on the **answer sheet** on the **inside cover** of your **answer book**.

- 1.1 The assets of a public company are the property of the _____ .
- A. company
 - B. directors
 - C. shareholders
 - D. public
- 1.2 Tolerances refer to _____ .
- A. the number of inspections at each inspection point
 - B. reliable inspection methods
 - C. the number of inspection points
 - D. acceptable deviations from set standards

- 1.3 _____ are allowed to trade shares through the JSE Security Exchange SA.
- A. Close corporations
 - B. Partnerships
 - C. Public companies
 - D. Private companies
- 1.4 The spreading of large risks by insurance companies is known as _____ .
- A. group insurance
 - B. reinsurance
 - C. subrogation
 - D. cession
- 1.5 This document gives the right to Grootfontein (Pty) Limited to commence with business.
- A. Certificate to commence with business
 - B. Memorandum of Articles
 - C. Certificate of Incorporation
 - D. Prospectus
- 1.6 The name of a company ends with "Limited". This is an indication that the _____ .
- A. nominal capital of the company is limited to a certain amount
 - B. number of directors are limited
 - C. number of shareholders are limited
 - D. liability of the shareholders is limited
- 1.7 If Woolworths and PPC Cement should decide to amalgamate, it will be an example of _____ amalgamation.
- A. lateral
 - B. horizontal
 - C. vertical
 - D. diagonal
- 1.8 Persons owing money to a business, are known as _____ .
- A. creditors
 - B. debtors
 - C. contractors
 - D. debt collectors
- 1.9 The factoring of debtors is a method to gain _____ capital.
- A. borrowed
 - B. foreign
 - C. fixed
 - D. working

- 1.10 An enterprise with a total capital of R2,4 million and a net profit of R4 000 for the previous financial year is seen as _____ .
- A. liquid
 - B. over capitalised
 - C. insolvent
 - D. under capitalised
- 1.11 Which one of the following reasons will lead the manufacturer to choose an indirect selling method?
- A. Unnecessary high profit margins of the wholesalers and retailers
 - B. Lack of experience to do his own distribution
 - C. Manufacturing of a specialised product
 - D. Traders sell the product under their own trade mark
- 1.12 This element of the management function is responsible for dividing tasks between the different management levels.
- A. Coordinating
 - B. Organising
 - C. Disciplinary action
 - D. Control
- 1.13 The contents of a restaurant worth R400 000 are insured for R320 000. During a burglary, goods worth R80 000 are stolen. Which amount will be paid out by the insurance company if they use the average clause?
- A. R 48 000
 - B. R 80 000
 - C. R 64 000
 - D. R320 000
- 1.14 The right allocated by management to a person by virtue of certain capabilities, is known as _____ .
- A. delegating
 - B. authority
 - C. span of control
 - D. coordinating
- 1.15 _____ has to do with the right which an insurer has to stand in the place of the insured and to avail himself of all the rights and remedies of that person.
- A. Reinsurance
 - B. Subrogation
 - C. Cession
 - D. Right of reinstatement

1.16 Credit on an ordinary open account will be issued by a trader _____ .

- A. with a mortgage bond as security
- B. with the transfer of a life policy as security
- C. without security
- D. with sureties as security

1.17 This undertaking has no continuity, but it can adapt easily to changes in market conditions.

- A. Sports Equipment CC
- B. Motor Parts (Pty) Limited
- C. Wooltru Limited
- D. Joe's Coffee Shop

1.18 An undertaking which sells its "success recipe", ideas, name, trade mark and management knowledge to persons in a certain area. This is known as _____ .

- A. the corporative system
- B. the informal sector
- C. franchise
- D. the administrative system

1.19 Which institution provides facilities for the testing of locally manufactured goods?

- A. CSIR
- B. SABC
- C. SACOB
- D. SABS

1.20 The planning of **expected** income and expenses for BBP Traders CC for the following financial year is known as _____ .

- A. a budget
- B. data
- C. statistics
- D. a balance sheet

(20x3 each)= **(60)**

All of the following statements are FALSE. Replace the underlined word with the correct word to make the statement TRUE. Write only the word next to the question number in your answer book.

1.21 Holders of founders shares are entitled to a fixed dividend.

1.22 A surety is a form of security where the creditor has the right to claim the fixed property of the debtor when the debtor fails to pay.

1.23 Cession gives the insurer the option to replace damaged goods instead of paying out a cash amount.

- 1.24 The Land Bank administers and invests funds of State departments which are lying idle for short periods.
- 1.25 The total of the direct raw material costs, plus the direct labour costs is the total production costs.
- (5x2 each)= **(10)**

Give only ONE concept for each of the following statements. Write only the concept next to the question number in your answer book.

- 1.26 That portion of the profits of a company which is divided between the shareholders.
- 1.27 Confidential information on clients issued by a commercial bank.
- 1.28 This link-service undertaking, receives del-credere commission when they take up the risk of credit granting.
- 1.29 Goods that the consumer purchases with minimum effort and in little time.
- 1.30 A document used by public companies to invite the public to purchase shares in the company.
- (5x2 each)= **(10)**

Indicate whether each of the following statements is TRUE or FALSE. Write down your choice next to the question number in your answer book. If the statement is FALSE, change and write down **only the underlined part** to make it TRUE.

- 1.31 Close Corporations gain capital by selling shares to the founders.
- 1.32 The purpose of work study is to determine the precise time that a qualified worker uses to finish a certain task.
- 1.33 Specialised single purpose machines are used in a mass production system.
- 1.34 Overhead costs consist of fixed and variable costs.
- 1.35 The factoring of debtors has to do with mortgage bond loans.
- 1.36 The compiling of a blacklist of bad payers is one of the functions of the SABS.
- 1.37 One of the objectives of price determination is to distinguish the product from those of competitors.
- 1.38 Current assets have a long lifespan.
- 1.39 Jobbing is part of interrupted production.
- 1.40 Production optimum is the point where a factory has reached its best economical working.

(10x2 each)= **(20)**
TOTAL FOR SECTION A: [100]

SECTION B

Answer any **TWO** questions from this section.

QUESTION 2

As a business consultant you have been approached by six people requesting advice on how to establish a form of ownership according to the requirements of Act 69 of 1984. This particular form of ownership may not exceed ten members. Compile a detailed report in which you discuss this form of ownership.

[50]

QUESTION 3

“Meaningful advertisements are expensive and therefore enterprises must be certain that they get the best results and reaction to their advertisements. It is important to plan the advertising campaign thoroughly by keeping certain principles in mind”. Discuss this statement.

[50]

QUESTION 4

“Financial planning and the choice of the financing source are necessary for ANY ENTERPRISE. Capital must be utilised economically so that an undertaking can receive the highest possible interest on its capital investment”. Discuss this statement.

[50]

QUESTION 5

Organising and leading (activating) are two of the basic elements of management. Discuss the other two basic elements that the managing team of a business must utilise to ensure sure that the undertaking is a success.

[50]

TOTAL FOR SECTION B: [100]

SECTION C

Answer any **FOUR** questions from this section.

QUESTION 6
FORMS OF OWNERSHIP

- 6.1 Tabulate any SIX differences between a partnership and a private company. (12)
- 6.2 Discuss the following factors which will influence the choice between a partnership and a public company:
- 6.2.1 Continuity (4)
- 6.2.2 Income tax implications (4)
- 6.2.3 Implications when a member wants to sell his/her interest in the undertaking. (4)
- 6.3 One of the two documents that form the constitution of a company refers to the internal affairs of the company and how it must be controlled and managed.
- 6.3.1 Which document is referred to? (2)
- 6.3.2 Discuss briefly the following aspects of the constitution:
- Meeting arrangements (6)
 - Directors (6)
- 6.4 A sole proprietor, as form of ownership, has certain disadvantages. List, in full sentences, SIX of these disadvantages. (12)
- [50]**

QUESTION 7
MARKETING FUNCTION

- 7.1 Undertakings spend a lot of time and money on suitable packaging material. List FIVE reasons why packaging is important. (10)
- 7.2 Discuss the following factors that can have an influence on price determination:
- 7.2.1 Form of market (12)
- 7.2.2 Normal trade practices (4)
- 7.3 Many manufacturers are selling their goods through wholesalers and retailers. List FIVE reasons why manufacturers will use this process of distribution. (10)
- 7.4 List FOUR reasons why the popularity of the informal sector is increasing nowadays. (8)
- 7.5 Franchises these days are a very popular form of business. List THREE reasons why some entrepreneurs did not want to invest in a franchise. (6)
- [50]**

QUESTION 8
MARKETING AND FINANCIAL FUNCTION

- 8.1 Discuss internal publicity as part of marketing communication. (6)
- 8.2 List FOUR requirements for a good advertisement. (4)
- 8.3 Briefly discuss with the aid of examples the following concepts:
- 8.3.1 Fixed capital (4)
- 8.3.2 Factoring of debtors (6)
- 8.4 Name and discuss briefly FIVE sources of information regarding the credit-worthiness of prospective credit buyers. (10)
- 8.5 What is the purpose of stock control in a business? (8)
- 8.6 Use the following information and compile an **acid test analysis**. Show all your calculations and give commentary on this liquidity calculation. (12)
- | | | |
|-----------------|---------|------|
| Debtors | R12 000 | |
| Creditors | R 8 000 | |
| Stock | R13 000 | |
| Cash | R26 000 | |
| Short term loan | R10 000 | (12) |
- [50]**

QUESTION 9
FINANCIAL FUNCTION: INSURANCE

- 9.1 Write explanatory notes on the following:
- 9.1.1 Iron safe clause (4)
- 9.1.2 Insurance of money in transit (4)
- 9.1.3 Principle of indemnification (6)
- 9.1.4 Good faith (4)
- 9.2 Insurers consider some risks as economical risks and therefore they are not willing to insure them. List FIVE of these risks and indicate what a person can do to avoid or minimize these risks. (10)
- 9.3 An undertaking wants to take out fire insurance. Discuss the following in this regard:
- 9.3.1 Factors that will determine the risk (6)
- 9.3.2 Procedure to take out this insurance (8)
- 9.3.3 Duties of the insured (6)
- 9.3.4 Which clause will the insurer use when the assets are under-insured? (2)
- [50]**

**QUESTION 10
PRODUCTION AND ADMINISTRATION FUNCTION**

- 10.1 Mass production has certain advantages. List SIX of these advantages. (12)
- 10.2 The correct factory layout has some advantages for a manufacturing business. List FOUR of the advantages. (8)
- 10.3 Production control is important in factories. List any FOUR aspects of production control. (4)
- 10.4 Briefly discuss the following concepts:
- 10.4.1 Work measurement
- 10.4.2 Method study
- 10.4.3 Machine utilisation
- 10.4.4 Specialised machines (4x2 each)= (8)
- 10.5 Write explanatory notes on **accounting records** as part of the administration function. (10)
- 10.6 When the administrative function is centralised, it may have certain disadvantages for the undertaking. List FOUR of these disadvantages. (8)
- [50]**

**QUESTION 11
FUNCTION OF GENERAL MANAGEMENT AND THE ENTERPRISE AND ITS ENVIRONMENT**

- 11.1 List and discuss FOUR different concepts surrounding the formulation of business policy. (12)
- 11.2 One of the organisational structures focuses on project teams. Identify and discuss this organisational structure. (8)
- 11.3 Discuss **communication** as an additional element in management. (10)
- 11.4 List the services rendered by the following institutions:
- 11.4.1 THREE services of Chambers of Commerce (6)
- 11.4.2 FOUR services of the South African Reserve Bank (8)
- 11.4.3 THREE services of the Land Bank (6)
- [50]**
- TOTAL FOR SECTION C: [200]**

TOTAL: 400

END