

GAUTENG DEPARTMENT OF EDUCATION
SENIOR CERTIFICATE EXAMINATION

BUSINESS ECONOMICS SG

Possible Answers March 2006

SECTION A
COMPULSORY

QUESTION 1

- 1.1 A
- 1.2 D
- 1.3 C
- 1.4 D
- 1.5 A
- 1.6 D
- 1.7 C
- 1.8 A
- 1.9 A
- 1.10 B
- 1.11 C
- 1.12 C
- 1.13 B
- 1.14 A
- 1.15 B
- 1.16 C
- 1.17 A
- 1.18 C
- 1.19 B
- 1.20 B
- 1.21 C
- 1.22 D
- 1.23 D
- 1.24 A
- 1.25 D

25x2=(50)

- 1.26 Kaleidoscope packaging
- 1.27 Specialized goods
- 1.28 Combined packaging
- 1.29 Publicity
- 1.30 Break-even point
- 1.31 Method study
- 1.32 Preventative
- 1.33 Fixed overhead costs
- 1.34 Primary costs
- 1.35 Budgets
- 1.36 JSE-Johannesburg Securities Exchange

1.37	Chambers of Commerce/Sakekamers	
1.38	Own	
1.39	Liquid	
1.40	Over	
1.41	Decision making	
1.42	Control	
1.43	Motivation	
1.44	Land Bank	
1.45	Articles of Association	
1.46	Prospectus	
1.47	Legal entity	
1.48	Articles of Association	
1.49	Public company	
1.50	Horizontal	25x2=(50)

TOTAL FOR SECTION A: [100]

SECTION B

QUESTION 2 FORMS OF OWNERSHIP

2.1.1	Vertical amalgamation	
2.1.2	Founders shares	
2.1.3	Certificate of Incorporation	
2.1.4	60 days	
2.1.5	Unlimited	5x2=(10)
2.2.1	Number A = Partnership Number B = Private company	(4)
2.2.2	Vertical amalgamation	(2)
2.2.3	Characteristics of a close corporation	
	- A minimum of 1 and a maximum of 10 members (co-owners)	
	- The CC is jointly managed by all members	
	- Articles of Association (CK 1) must be completed and handed in to the Registrar of Close Corporations to register the CC.	
	- Members have limited liability for the debts of the CC.	
	- The name ends with Capital letters CC.	
	- Because the CC is registered, it becomes a legal entity. Each member must make a contribution, either money, property, other assets or services. According to this, each member's % of interest in the CC is calculated as mutually agreed and completed in the articles of association. No shares capital.	
	- If a member wants to sell his interest in the CC, he should first inform other interested parties/members.	

- The profit is divided among members according to each member's % interest in the CC as indicated in the founding statement.
- The CC has unlimited continuity and only dissolves at insolvency or deregistration
- A company or other CC is not allowed/permitted to have an interest in the CC.
- Financial statements do not have to be audited
- Must draw up financial statements up to the Balance Sheet within 9 months after the end of the first financial year. The Law stipulates that financial statements should be drawn up by the accounting officer (accountant/auditor).
- The CC is a legal entity and is taxed on its profits at the same rate as Companies. Members are taxed on their income out of the CC (Salary and other benefits).

Any
4x2=(8)

2.2.4 Characteristics of a private company

- A minimum of 1 and a maximum of 50 co-owners (share holders)
- Managed by directors, chosen from and by the shareholders (at least 1 director)
- Must adhere to the requirements of the Companies Act, No 61 of 1973, amended to establish this form of business
- Shareholders have limited liability for the debts of the company
- The name must be registered and end on (Pty) Limited.
- Own legal entity, away from shareholders
- Capital provided by those opening the business (promoters)
- Shares not freely negotiable
- Profits shared in the shape of dividends paid to shareholders, according to the type and amount of shares each shareholder has.
- Unlimited continuity. Only dissolves at insolvency.
- Not compelled to have their financial statements audited.
- Not required to, but it is preferred to have a balance sheet drawn up.
- A legal entity therefore required to pay income tax on the profits of the company.
- Shareholders pay tax on their share of the profits (dividends).
Dividends below a certain amount, as determined by the Minister of Finance, exempt from income tax.

Any
3x2=(6)

- 2.3 Advantages of a partnership
- Relatively easy to start up (No prescribed legal requirements)
 - Few additional expenses (preferable that agreement be set by lawyer)
 - Joint decisions may yield better results.
 - Capital can be increased/decreased without legal procedures.
 - Personal contact with clients maintained
 - Financially stronger than a sole proprietorship
 - Strong personal interest, usually set in family, (e.g. mother, father, sons and daughters all partners in the partnership)
 - Workload and responsibilities shared among the partners
 - Partners can specialise in that part of the business best suited to them
 - Not subject to all the legal requirements applicable to a company
 - Joint and several responsibilities of partners add to the creditability.
- Any
3x2=(6)
- 2.4
- Kinds of shares
 - Details of meetings
 - Directors
 - Details of dividends and reserves
 - Accounting records
- Any
4x1=(4)
[40]
- QUESTION 3**
MARKETING FUNCTION
- 3.1.1
- To promote the product
 - To protect the product
- 2x2=(4)
- 3.1.2
- Speciality packaging
- (2)
- 3.1.3
- Packaging for double use
 - Combination packaging
 - Kaleidoscope packaging
 - Packaging for immediate consumption
- 4x1=(4)
- 3.2.1
- Opening own sales offices or branches
 - Mail order business
 - Using travelling agents
 - Selling directly to retailers
- 4x2=(8)
- 3.2.2
- Lack of marketing experience
 - Insufficient capital to market goods
 - The need to use the available capital to provide better return on investment
 - Consumer market scattered over a large area
 - Does not have warehousing or transportation facilities
- Any
3x2=(6)

- 3.2.3 - Form of market
 - Nature of demand
 - Availability of substitutes
 - Normal trade practices
 - Fixed prices of products
 - Behaviour of the consumers
 - Attitude of distributors
 - Production and distribution costs
- 3.3.1 Product policy
- 3.3.2 Trade mark
- 3.3.3 Producer – Consumer
- Any
5x2=(10)
- 3x2=(6)
[40]

QUESTION 4 FINANCIAL FUNCTION

- 4.1.1 Capital budget
 4.1.2 Delegation
 4.1.3 Cash
 4.1.4 Status report
 4.1.5 Debenture
- 5x2=(10)
- 4.2.1 Underwriting of shares
- The minimum of share capital must be raised within 60 days after issuing the prospectus.
 - If this does not happen, the company must dissolve and all share capital/debenture money must be returned.
 - To prevent this from happening, the directors arrange with a financial institution to underwrite the company.
 - The underwriter must do this in writing.
 - The institution undertakes to buy all shares to complete the minimum subscription.
 - This is known as underwriting / guaranteeing shares.
 - If the minimum subscription is received within 60 days, the Registrar of Companies will issue a certificate to commence business to the board of directors.
- 4x2=(8)
- 4.2.2 It is the written document used to invite the public to buy shares / obligations / debentures in a public company. (4)
- 4.2.3 - Own capital – This is capital contributed by the shareholders of the organization. It consists of shares and reserves, whereas the equity capital of close corporation, partnerships, sole proprietors consists of owner's contribution. (4)
- 4.2.4 - Borrowed capital – It is that part of the capital that is supplied by outsiders. It can either be short term or long term in nature, e.g. mortgage bonds and debentures, supplier's credit, bank overdrafts, leasing, etc. (4)

4.3 Advantages:

- As delivery can take place at the correct time, better service is given to customers.
- There is no loss during production as a result of delays in waiting for materials.
- Investment in stock is kept to a minimum, involving less working capital
- Savings in respect of storage space, storing and handling costs are obtained.
- Losses on account of price fluctuations and obsolescence of stock are kept to a minimum.
- Duplication of stock is eliminated.
- Losses as a result of negligence and theft are limited.

Any
5x2=(10)
[40]

QUESTION 5 INSURANCE

- 5.1
- Bad debts
 - Changes in price from the time of ordering the goods and the time of delivery
 - Changes in consumer demands / fashions / danger of obsolete stock
 - New inventions techniques and machinery
 - Different price levels at different places
 - Price differences – goods bought in Durban, sold in Johannesburg
 - Fluctuations in price
- Any 3x2=(6)
- 5.2
- A person has an insurable interest in his own life and his property
 - A married woman in the life of her husband's co-partners, because she is dependent on his income
 - A partner in the lives of co-partners, because that can cause financial loss
 - A creditor in the lives of debtors
 - A mortgager in the property of the mortgagee (debtor) because the property serves as security
- Any
4x2=(8)
- 5.3
- A proposal form is filled in.
 - The agent quotes a premium after studying the proposal form.
 - The insured person pays the premium and receives a receipt.
 - The insurance policy is posted or handed to the insured.
- 4x2=(8)
- 5.4 Re-insurance
- Insurance companies utilise professional re-insurance companies
 - If a risk is too big for one insurer to carry, the insurer will approach a re-insurance company.
 - The large risk is then split amongst a few insurers, e.g. insurance of a large ship.
 - Example: Insured – insurer 1 – re-insured – insurer 3 (overseas)
- (4)

- 5.5 - Insurance protects the businessman against all insurable losses, forces of nature
 - Certain life policies can be ceded to banks as a form of security for loans.
 - It protects creditors against losses to damage to property on which they have a mortgage bond, or as a result of the death of the debtor.
 - Life policies provide security to dependants of the breadwinner
 - Security to employers – irresponsible action of employees, e.g. theft, accidents.
 - Certain life policies enable a businessman to make provision for himself and his family by means of endowment policies.
 - Compulsory form of saving
 - Security to employees: unemployment, accidents, pension and injuries. Any
5x2=(10)
- 5.6.1 Under-insurance (1)
- 5.6.2 $\frac{80\,000 \times 20\,000}{120\,000}$
 =R13 333,33 (3)
[40]

QUESTION 6 PRODUCTION FUNCTION

- 6.1 - there must be a system to determine a defect.
 - There must be a system for recording at what points in the production process defects could occur.
 - Workers AND INSPECTORS must know what the expected quality standards are.
 - The number of inspection points must be determined.
 - The methods of inspection must be reliable. Any
3x2=(6)
- 6.2.1 The point at which the undertaking shows neither loss nor profit. (4)
- 6.2.2 These are costs of the labour used directly in the production of a certain product, e.g. wages for workers who assemble a bicycle. (4)
- 6.3 - Mass production
 - Batch production
 - Jobbing (6)
- 6.4.1 Standard machines
 6.4.2 Production on order
 6.4.3 Long-term
 6.4.4 Machine loading 4x2=(8)

- 6.5 - Safety in respect of construction
 - Safety in respect of fire
 - Safety of workers
 - Prescriptions in respect of safety as set out in the Factories Act
 Any
 3x2=(6)
- 6.6 - Production that is well planned and organized and that runs smoothly promotes job satisfaction.
 - Workers know what standard of quality is expected of them; unpleasant arguments are therefore eliminated to a large extent
 - Workers are placed in favourable positions to produce more and earn more.
 - They work in pleasant, safe and hygienic circumstances.
 Any
 3x2=(6)
 [40]

QUESTION 7

THE ENTERPRISE AND ITS ENVIRONMENT / ADMINISTRATION FUNCTION

- 7.1 - It has the sole right to issue bank notes.
 - It is the custodian of the country's gold.
 - It keeps the cash reserves of other financial institutions.
 - It rediscounts certain bills which commercial banks and financial institutions have discounted.
 - The Reserve Bank renders to the state much the same services that commercial banks render to the public.
 - It acts as a clearing bank for other banks.
 - Control credit and money in circulation by
- (a) increasing or decreasing the discount rate
 (b) open-market transactions
 (c) increasing or decreasing the cash reserves
 (d) disciplinary measures, e.g. refusing to rediscount bills of that bank
 (e) stabilizing rates of exchange
 Any
 4x2=(8)
- 7.2 - Undertakes scientific research and industrial research in South Africa
 - Advises the Minister of planning in connection with research in the interest of commerce and industry
 - Improves the training of researchers and technologists
 - Develops material and industrial resources
 - Helps develop human resources, e.g. personnel training, etc.
 - Helps develop community services, e.g. regional development, etc.
 - Helps develop national services e.g. road transport, etc.
 Any
 4x2=(8)

- 7.3 - Protect and promote trade in their towns generally
 - Agitate for municipal regulations and laws which are in the interest of commerce
 - Arbitrate in and settle disputes amongst members
 - Collect statistics and information for members
 - Keep a blacklist for the information for members
 - Introduce uniform shop hours, wages and prices, in order to eliminate unnecessary competition
 - They create business opportunities Any
 - They promote training 4x2=(8)
- 7.4.1 - Statistics
 7.4.2 - Management information
 7.4.3 - Management information
 7.4.4 - Data
 7.4.5 - Information 5x2=(10)
- 7.5 - Quality of staff
 - Nature of the firm
 - Size of firm
 - Diversification of activities
 - Geographical distribution of activities Any
 - Standardised working procedure 3x2=(6)
[40]

QUESTION 8
GENERAL MANAGEMENT FUNCTION

- 8.1.1 - Top management
 - Strategic and of long-term nature
- 8.1.2 - Middle management
 - Tactical and medium-term nature
- 8.1.3 - Low level management
 - Operational and short-term nature 3x4=(12)
- 8.2 - The system is simple, easy to design and easily understood by everyone.
 - Only one head gives orders to particular workers. This eliminates confusion.
 - It is easy to determine who carries authority in a department and who is responsible for carrying out orders. Any
 - The organization lends itself to quick decision making and action. 3x2=(6)

- 8.3 - It must be flexible and adaptable to change.
 - It must be scientific.
 - It must be suitable for the specific task or problem.
 - It must be coordinated into hierarchy of plans in order of importance.
 - It must be realistic, economical and feasible.
 - It must be in writing.
 - The plan must be simple and clear.
 - The timescale or period for planning and execution is important.
 - The information concerning all the planning should be made known to everyone.
 - Planning is usually futuristic in nature.
 - Planning of operations on different levels must balance. Any
 - It is a means to an end, not an end in itself. 4x2=(8)
- 8.4 - Job security
 - Job satisfaction
 - High salary
 - Unlimited fringe benefits
 - Helping others
 - Communication
 - Reasonable instructions
 - Appreciation
 - Personal interest
 - Good human relations Any
 - Treated with human dignity 6x1=(6)
- 8.5 - All the necessary activities must be properly organized.
 - The organization must be geared to move in a definite direction.
 - The 4 activities of the factors of production must be synchronized / coordinated.
 - There must be healthy decision making. 4x2=(8)
 [40]
- TOTAL FOR SECTION B: [200]**
- TOTAL: 300**