



# education

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Department:  
Education  
**REPUBLIC OF SOUTH AFRICA**

## SENIOR CERTIFICATE EXAMINATION - 2007

**BUSINESS ECONOMICS**

**HIGHER GRADE**

**FEBRUARY/MARCH 2007**

**402-1/0**

**BUSINESS ECONOMICS HG**

**MARKS: 400**



**402 1 0E**

**HG**

**3 HOURS**

This question paper consists of 18 pages and a 2 pages answer sheet.

**X05**



**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 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  
First TWO from SECTION B and  
First FOUR from SECTION C.  
Use the word "CANCEL" to indicate the question or parts of a question that you do not want to be marked.
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**

Various possible options are provided as answers to the following questions. Indicate the answer to each question by making a cross (X) in the appropriate block on the answer sheet. There is only ONE correct answer to each question.

- 1.1.1 This enterprise may invite the public to buy shares in the undertaking.
- A Stormers (Pty) Ltd.
  - B Bulls Ltd.
  - C Sharks CC.
  - D Cheetas and Lions Florist.
- 1.1.2 The owners of this form of ownership are agents of the enterprise and thus bind other owners through their actions.
- A Private Company
  - B Public Company
  - C Partnership
  - D Co-operative
- 1.1.3 A company is a controlling company when it owns at least ... of the shares in another company.
- A 30 %
  - B 50 %
  - C 51 %
  - D 65 %
- 1.1.4 Carlo (Pty) Ltd has legal personality and the company therefore has ...
- A limited liability.
  - B an unlimited number of members.
  - C a limited lifespan.
  - D limited profit.



- 1.1.5 GROUP FIVE builds storage and irrigation dams on a contract basis for the Department of Water Affairs. What production system do they use?
- A Jobbing
  - B Uninterrupted production
  - C Mass Production
  - D Batch Production
- 1.1.6 This kind of maintenance is undertaken when there is a complete overhaul or replacement of machinery when a machine breaks down.
- A Preventative
  - B Conditional
  - C Remedial
  - D Unconditional
- 1.1.7 The decision of Mercedes Benz Manufacturers to produce cars, trucks and buses is one which affects the ... of the product range.
- A depth
  - B price
  - C width
  - D relationship
- 1.1.8 The demand for ..... is inelastic.
- A motor cars
  - B jewellery
  - C bread
  - D sweets

1.1.9 "ADIDAS" is an example of a .....



- A franchise.
- B trade secret.
- C trade mark.
- D chain store.

1.1.10 ... applies when the right to claim against a guilty party is transferred to the insurer after he (the insurer) had compensated the insured.

- A Reinsurance
- B Contribution
- C Subrogation
- D Cession

1.1.11 Which overhead cost does NOT cause an outflow of money for the enterprise?

- A Fire insurance premium
- B Rent
- C Rates and Taxes
- D Depreciation

1.1.12 ..... shows that an undertaking has sufficient resources to pay for general expenses.

- A Profitability.
- B Solvency
- C Liability.
- D Liquidity.

- 1.1.13 The element of management in which actual results are compared with recognized standards is called ... .
- A planning.
  - B organizing.
  - C activating.
  - D controlling.
- 1.1.14 One of the functions of the ... is assisting in developing products and services promoting community development.
- 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)
- 1.1.15 Nicky Limited estimates its income and expenditure for the coming financial year at R100 million and R70 million respectively. This is described as the ..... of Nicky Limited.
- A data
  - B statistics
  - C cost accounting
  - D budget
- 1.1.16 This institution grants short-term credit to farmers which has to be repaid only after the crops have been harvested.
- A Land and Agricultural Bank
  - B Council for Scientific and Industrial Research (CSIR)
  - C Johannesburg Securities Exchange (JSE)
  - D The Corporation for Public Deposits
- 1.1.17 In East London there are two large supermarkets in operation. Each supermarket determines its own prices. The market situation for these firms explains ...
- A perfect competition.
  - B oligopoly.
  - C monopoly.
  - D monopolistic competition.
- 1.1.18 Twalani Confectionery specialises in the production of sweets. The production of sweets is the ... of the firm.
- A objective
  - B policy
  - C strategy
  - D mission



1.1.19 The lower level of management is responsible for the ... decisions of the firm.

- A operating
- B strategic
- C tactical
- D general

1.1.20 Chopra Ltd. sold the building in which it trades for R 875 000 but rents the same building for R2 500 per month to continue business. What type of capital is used to pay for the rent of R2 500 per month?

- A Fixed capital
- B Working capital
- C Borrowed capital
- D Trading capital

(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.

1.2.1 Leo Ltd. must raise a minimum amount of share capital within 60 days after issuing its Prospectus.

1.2.2 In the distribution process, the manufacturer assembles, stores and distributes goods needed by consumers.

1.2.3 In mass production, large quantities of the same products are manufactured.

1.2.4 Trade discount is offered by a manufacturer to a dealer when he/she buys goods for resale.

1.2.5 The level of production at which a factory makes neither a profit nor a loss is called the break-even-point.

1.2.6 The South African Bureau of Standards (SABS) strives for the standardisation of wages and prices in a certain town.

1.2.7 Statistics deals with the principle of recording business transactions with the view to compile financial statements.

1.2.8 The Council for Scientific and Industrial Research (CSIR) provides facilities where the quality of locally manufactured household goods can be tested.

(20)



1.3 SUPPLY THE CORRECT WORD/TERM

Supply the word/term that best describes the statements below by writing down only the correct answer next to the question number on the answer sheet.

1.3.1 Members in this form of ownership have only ONE vote irrespective of the number of shares in their possession.

1.3.2 This form of ownership completes a founding statement when applying for registration.

1.3.3 A special insurance policy protecting the insured against damages caused by hail, wind or electric storms.

1.3.4 A form of communication with customers, using a variety of media, which has been paid for.

1.3.5 The receipt that the insured receives when he/she has paid his/her insurance premium.

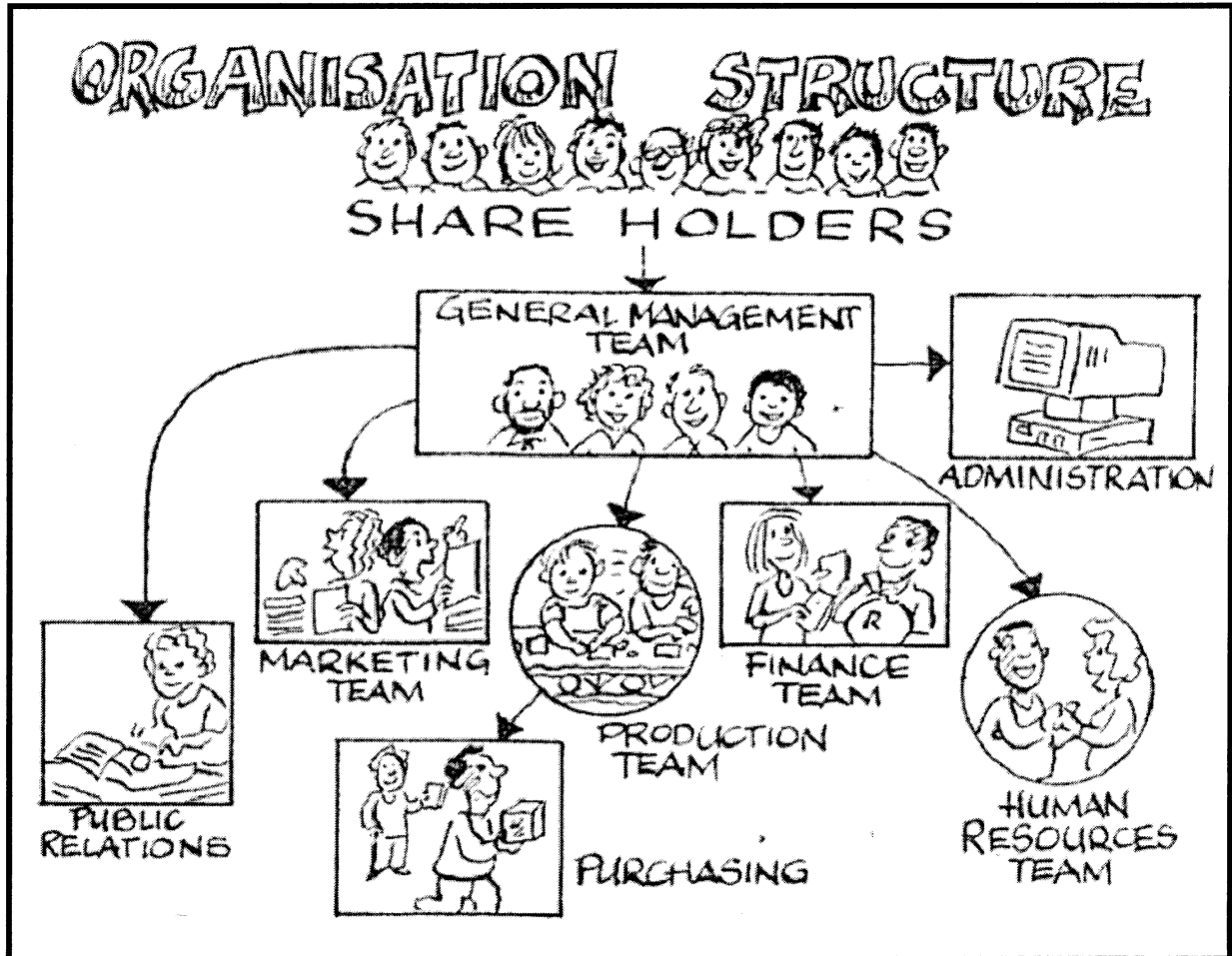
(5 x 2) (10)





1.4 DATA RESPONSE

Examine the management structure of Ngema Manufacturers illustrated in the diagram below and answer the questions that follow.



- 1.4.1 Name the team responsible for writing up the mission statement of the firm.
- 1.4.2 Name the team responsible for drawing up the budget of the firm.
- 1.4.3 Name the team responsible for advertising.
- 1.4.4 Name the team responsible for data capturing.
- 1.4.5 Name the people who have no voice at the internal management meetings of the firm. (5 x 2) (10)

TOTAL SECTION A: 100



**SECTION B**

Answer any TWO questions from this section.  
Do not answer more than TWO questions.

**QUESTION 2: FORMS OF OWNERSHIP**

Twelve years ago two talented brothers, David Whitehead and Dawie Whitehead established a partnership business specialising in the production of linen for hotels.

At the beginning it was an uphill battle in a very saturated market. Their perseverance and hard work allowed them to continue to operate in the market. In 2004, David completed a Master of Business Administration degree at the University of Tshwane. This helped them to manage the business more efficiently. They still however, had a problem with finances.

The awarding of the Soccer World Cup to South Africa in 2010 was good news for the Whitehead family. They were optimistic that the hospitality industry would most probably grow in leaps and bounds. The brothers realised that they had a new niche'(gap) in the market but financial constraints meant that they could not continue to manage the business on their own.

They invited some of their relatives to a family braai and enticed them into joining them in their business. Not all relatives were happy about investing money. Some of them needed the assurance that their liability would be limited to their investment in the business. A total of twelve people agreed to form this business. They agreed that they would not allow the general public to get involved.

What type of ownership would you suggest to the Whitehead family bearing in mind the above remarks? Discuss in detail, why you have made this recommendation. Advise the Whitehead family on the pros and cons of the form of ownership chosen, as well as list the documents that they need to prepare for its formation.

**FACTUAL:** 40  
**INSIGHT:** 10  
50

**QUESTION 3: FINANCIAL FUNCTION**

As financial manager at May Ltd, you were put in charge of twenty, first year B. Comm. students starting their internship at the firm. These students had not studied commerce at school. After showing them around the business, you took them to the boardroom for their first lecture, which was on capital.  
May Ltd makes use of both fixed as well as working capital to operate its business.

The students were novices in the field of capital. Prepare the lecture on capital used by the business, showing the sources from where they may acquire such capital. You must also highlight the factors that determine the requirements for the use of such capital.

**FACTUAL:** 40  
**INSIGHT:** 10  
50

**QUESTION 4: MARKETING FUNCTION**

Packaging and branding (trademarks) are an important part in the product development strategy of a business. However, it was not always so. Before the existence of modern supermarkets and shopping malls, manufacturers distributed their merchandise in barrels and sacks to the stores. There were no brand names, no supplier's names, no instructions or advertising on the packages. Retailers just repacked these goods into smaller, more convenient units to satisfy the customer.

Today, packaging and branding decisions are difficult to separate from product decisions. In many cases, the products we buy, are identified by their packages and trademarks. The customer is comfortable to purchase, for example, canned fruit in a tin, by simply examining the label and packaging, without seeing the actual product. Such is the power of packaging and trademarks.

Trademarks and packaging therefore play a major role in the marketing process.

With reference to the above, discuss the importance of packaging and trademarks to both the retailer and consumer. Include practical examples in your answer.

**FACTUAL:** 40  
**INSIGHT:** 10  
50

**QUESTION 5: GENERAL MANAGEMENT**

The functional organisational structure as well as the line organisational structure, are often used in the business world when managers try to improve the productivity of their staff.

Discuss these two organisational structures in detail. Recommend the organisational structure that you would use to improve the productivity of your staff.

**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 Limpopo Furniture Ltd has a registered share capital of 100 000 ordinary shares of R20 each. Limpopo Furniture Ltd. sells lounge suites to people living in the town of Bela-Bela. The company's head office is at 140 Kruger Street in Bela-Bela.

6.1.1 With specific reference to the passage above, identify the information that will be found in the Memorandum of Association of Limpopo Furniture Ltd. under the following headings:

- (a) Name clause
- (b) Object clause
- (c) Liability clause
- (d) Shares clause (8)

6.1.2 Name the document that the Limpopo Furniture Ltd uses in order to ...

- (a) regulate the internal management of the business.
- (b) acquire more own capital.
- (c) start business operations. (6)



6.1.3 Model Furnishers Ltd is another company that operates in Bela-Bela. There is strong competition between Limpopo Furniture Ltd. and Model Furnishers Ltd. In the best interest of both companies, the management decided to amalgamate. The amalgamation took place on 30 January 2006.

- (a) Name the type of amalgamation that took place between Model Furnishers Ltd and Limpopo Furniture Ltd. Give a reason for your answer. (4)
- (b) What is your opinion on this amalgamation? Substantiate your answer by discussing FOUR benefits of this amalgamation. (12)

6.2 Tabulate FIVE differences between a Partnership and a Close Corporation. (20)  
/50/

**QUESTION 7: FINANCIAL FUNCTION**

7.1 Below is an extract from the financial records of Boland Ltd. Study the information and then answer the questions:

<u>ISSUED SHARE CAPITAL</u>	
Ordinary shares (20 000 shares of R10 each)	R200 000
Preference shares (8%)	R150 000
 <u>LONG TERM LOANS</u>	
Mortgage bond on buildings (8,5 %)	R 85 000
Debentures	R 15 000
 <u>CURRENT ASSETS</u>	
Stock	R 36 000
Debtors	R 46 000
Cash	R 10 000
 <u>CURRENT LIABILITIES</u>	
Creditors	R 15 000
Bank overdraft	R 5 000

SHOW ALL CALCULATIONS:

**REQUIRED**

- 7.1.1 Calculate the ratio between own and borrowed capital. Comment on this ratio. (7)



- 7.1.2 Name and calculate the ratio which will indicate whether the business will be able to settle its short-term debt with its short-term assets. What advice would you offer Boland Ltd in this regard? (7)
- 7.1.3 Calculate the acid test ratio of Boland Ltd. What are the implications of this result and what advice would you offer the firm? (6)
- 7.2 Describe THREE advantages a business will experience if it decides to start selling on credit to their customers. (9)
- 7.3 Large amounts of capital tied up in stock, is one of the disadvantages of stockpiling. List THREE other disadvantages of stockpiling. (6)
- 7.4 "Dividends received on preference shares are distributed according to the kind of preference share held by the shareholder." Justify this statement by discussing THREE kinds of preference shares. (9)
- 7.5 List THREE factors that may determine the premiums to be paid on a fire insurance policy. (6)
- /50/

**QUESTION 8: MARKETING FUNCTION**

- 8.1 After years of hard work, Adri Schoeman started her own business by manufacturing and selling carpets to consumers. When Adri encouraged her friend Hanna to join her in the business, this is what she said: "It is such a simple way of making money. All you do is visit customers at home – show them samples – and take their orders. The carpets are then delivered and fitted by my assistants."
- 8.1.1 Show, by means of a diagram, which channel of distribution Adri uses to sell her carpets. (3)
- 8.1.2 Explain why Adri should continue using this channel of distribution. Substantiate your answer. (12)
- 8.1.3 Would you advise Adri to engage retailers to sell her products? Give a reason for your answer. (3)
- 8.1.4 Explain TWO ways in which Adri can control retailers if they sell her carpets. (6)

8.1.5 When setting a price for her products, Adri must consider many factors. Explain the following TWO factors:

- (a) Normal trade practices (4)
- (b) Nature of demand (4)

8.2 Discuss the statement: "publicity is free". (6)

8.3 Examine the advertisement for CELLAFRICA below, and then evaluate it against the requirements for a good advertisement. (12)



**QUESTION 9: PRODUCTION FUNCTION**

- 9.1 The following details are available from the records of Shiny Pete Ltd relating to the production of 200 electric bedside lamps for the month ended 31 August 2006:

Raw material on hand (1 August 2006)	4000 units
Raw material purchased	6000 units
Raw material on hand (31 August 2006)	2000 units

Cost per unit is R3-00

The following costs were incurred for the month:

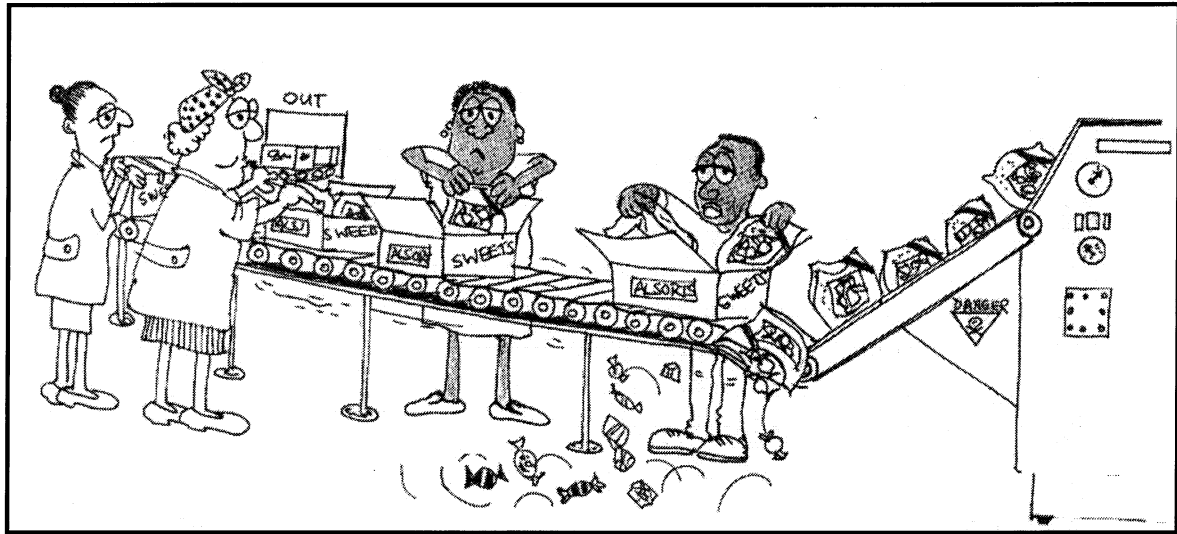
Wages for workers making lamps	R 16 000
Salary of factory manager	R 6 000
Depreciation	R 400
Rental of factory for year	R 30 000
Water and electricity	R 1 100

Use the information and answer the following questions: Show all calculations

- 9.1.1 Calculate the total primary costs (6)
- 9.1.2 Calculate the total overhead costs (6)
- 9.1.3 Calculate the total cost of production (4)
- 9.1.4 Calculate the cost of manufacturing one lamp (4)
- 9.1.5 Do you think that Shiny Pete Ltd should continue with the production of the electric bedside lamps? Give a reason for your answer. (4)



9.2 Study the picture below and answer the questions that follow:



9.2.1 Which production system will be the most suitable for the production of the sweets? Give a reason for your answer. (4)

9.2.2 Explain FOUR advantages of the production system identified in question 9.2.1. (12)

9.3 The factory must be designed so that the most favourable working conditions are available to the workers. Name FIVE safety measures that you would consider to ensure that this is maintained. (10)  
**/50/**

**QUESTION 10: THE ENTERPRISE AND ITS ENVIRONMENT**

10.1 Discuss fully FIVE methods that the South African Reserve Bank uses to control credit and the amount of money in circulation. (15)

10.2 Discuss FIVE functions rendered by the Johannesburg Securities Exchange Ltd. to investors. (15)

10.3 The CSIR (Council for Scientific and Industrial Research) renders certain services in our communities. Explain fully FOUR of these services. (12)

10.4 List FOUR services rendered by the Chamber of Commerce (Sakekamers). (8)  
**/50/**



**QUESTION 11: MISCELLANEOUS**

Answer any **FIVE** of the following questions.

- 11.1 The founding statement is incomplete without the full name of the close corporation. Mention FIVE other details that you would find in a founding statement. (10)
- 11.2 List FIVE principles of advertising. (10)
- 11.3 The business that has sufficient cash can easily fulfill its obligations. Suggest any FIVE other advantages of having sufficient cash. (10)
- 11.4 State FIVE advantages of centralising administrative activities. (10)
- 11.5 A sole trading business is often established by a businessperson with limited capital. These businesses are usually very successful. State FIVE advantages of operating as a sole trader. (10)
- 11.6 List FIVE important factors that can be considered in motivating the staff to work in an enterprise. (10)
- 11.7 Outline FIVE principles of effective planning. (10)

/50/

**TOTAL SECTION C: 200**  
**GRAND TOTAL: 400**

**BUSINESS ECONOMICS HIGHER GRADE  
MARCH 2007**

**SECTION A**

<b>EXAMINATION NUMBER</b>														
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**ANSWER SHEET**

**QUESTION ONE**

**1.1 MULTIPLE -CHOICE QUESTIONS**

ANSWER EACH QUESTION BY MARKING 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 MARKS**

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

NUMBER	TRUE	FALSE	CORRECTION
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 SUPPLY THE CORRECT WORD/TERMS.**

1.3.1	
1.3.2	
1.3.3	
1.3.4	
1.3.5	

**5 X 2 = 10 MARKS**

**1.4 DATA RESPONSE**

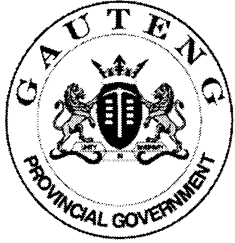
WRITE DOWN THE NAME OF THE TEAM/PEOPLE PERFORMING THE MANAGEMENT TASK.

1.4.1	
1.4.2	
1.4.3	
1.4.4	
1.4.5	

**5 X 2 = 10 MARKS**

<b>TOTAL SECTION A :</b>	<b>100 MARKS</b>
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**GAUTENG DEPARTMENT OF EDUCATION  
GAUTENGSE DEPARTEMENT VAN ONDERWYS**

**SENIOR CERTIFICATE EXAMINATION: FEBRUARY / MARCH 2007  
SENIORSERTIFIKAAT-EKSAMEN: FEBRUARIE / MAART 2007**

**SUBJECT CODE / VAKKODE : 402-1/0  
SUBJECT / VAK : BUSINESS ECONOMICS / BEDRYFSEKONOMIE  
GRADE / GRAAD : HG  
PAPER / VRAESTEL : 1  
DATE OF EXAMINATION : 7 MARCH / MAART 2007  
DATUM VAN EKSAMEN :  
TIME / TYD : 9:00 – 12:00**

**ATTENTION: CHIEF INVIGILATOR**

**Please change the following on the English copy of the paper.**

**Page 10**

**Question 2**

**Change pros and cons to advantages and disadvantages and list to listing.**

**AANDAG: HOOFTOESIGHOUER**

**Verander asseblief die volgende op die Afrikaanse weergawe van die vraestel.**

**Bl. 4**

**1.1.7 Vervang karre met motors en trekke met afluweringsvoertuie.**

**1.1.8 Vervang motorkarre met motorvoertuie**

**Bl. 10**

**Vraag 2**

**Laaste sin in die blokkie – betrokke**

**Bl. 11**

**Vraag 4**

**3de reël – produsente**