

GAUTENG DEPARTMENT OF EDUCATION
SENIOR CERTIFICATE EXAMINATION

OCTOBER / NOVEMBER 2005
OKTOBER / NOVEMBER 2005

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.
 - Do **not** answer more than SEVEN questions. Additional work will not be marked.
 - Number your answers according to the numbering system used in this question paper.
 - Start each question on a new page.
 - Neatness and the systematic arrangement of facts is a requirement.
 - Plan the time you spend on an answer as well as the length of your answer according to the mark allocation.
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SECTION A

QUESTION 1
COMPULSORY

Choose the correct answer to Questions 1.1 to 1.24 from the four possibilities given.

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

- 1.1 ABC (Pty) Ltd can start with business after receiving the _____ .
- A. certificate of incorporation
 - B. prospectus
 - C. certificate to commence business
 - D. memorandum of association
- 1.2 ABC (Pty) Ltd receives its legal personality from _____ .
- A. the shareholders
 - B. the directors
 - C. the Registrar of Companies
 - D. the promoters

- 1.3 What do we call the founders of ABC (Pty) Ltd?
- A. Directors
 - B. Inspectors
 - C. Promoters
 - D. Auditors
- 1.4 ABC (Pty) Ltd has a legal personality and therefore also has _____ .
- A. limited losses
 - B. an unlimited number of members
 - C. limited profit
 - D. an unlimited lifespan
- 1.5 The name of the company ends with LIMITED. This indicates that _____ .
- A. the capital of the company is limited to a certain amount
 - B. the number of directors is limited
 - C. only a specified number of shareholders are involved
 - D. the liability of shareholders is limited
- 1.6 An insurance contract can only come about where there is _____ .
- A. security
 - B. an insurable interest
 - C. distribution of risk
 - D. indemnification
- 1.7 Capital acquired by means of debentures is an example of _____ .
- A. fixed capital
 - B. working capital
 - C. own capital
 - D. borrowed capital
- 1.8 A company with a capital of R200 000 and a profit of R5 000 for the financial year would be regarded as _____ .
- A. insolvent
 - B. under-capitalised
 - C. over-capitalised
 - D. liquid
- 1.9 The principle activity of the administrative function is _____ .
- A. decision-making
 - B. communication
 - C. marketing
 - D. the provision of information

- 1.10 The CSIR is involved with the _____ .
- A. promotion of trade in a certain region
 - B. development of human resources
 - C. drafting of specifications and codes of practice
 - D. provision of a market for negotiable securities
- 1.11 Fashion clothes are known as _____ goods.
- A. convenience
 - B. speciality
 - C. industrial
 - D. select
- 1.12 The element of the management task which is responsible for the division of work between the different levels of management is _____ .
- A. coordinating
 - B. planning
 - C. control
 - D. organising
- 1.13 When production decreases, variable costs should _____ .
- A. remain constant in total
 - B. decrease in total
 - C. remain constant per unit
 - D. increase in total
- 1.14 Which overhead item does not cause a cash outflow for the enterprise?
- A. Fire-insurance
 - B. Rent
 - C. Property tax
 - D. Depreciation
- 1.15 Ford (Pty) Ltd is a factory which manufactures vehicles. This refers to the _____ of the enterprise.
- A. objective
 - B. policy
 - C. mission
 - D. strategy
- 1.16 The demand for which of the following products is inelastic?
- A. Motor cars
 - B. Jewellery
 - C. Bread
 - D. Sweets

- 1.17 Which item will appear in the capital budget of an undertaking?
- A. Purchase of a motor car
 - B. Purchase of fuel
 - C. Payment of income tax
 - D. Payment of labourers
- 1.18 When more than one insurance company shares the same risk/loss, we refer to this as _____ .
- A. subrogation
 - B. cession
 - C. reinsurance
 - D. reinstatement
- 1.19 RB Traders has the following information:
- | | |
|-----------------------------------|----------|
| Sale of merchandise | R250 000 |
| Cost of goods sold | R120 000 |
| Average quantity of stock at cost | R 40 000 |
| Closing stock at cost | R 10 000 |
| Opening stock at cost | R 35 000 |
- The rate of stock turnover of RB Traders is _____ .
- A. 15 times
 - B. 7 times
 - C. 3 times
 - D. 5 times
- 1.20 When a manufacturer launches a new product on the market, his immediate aim of advertising is _____ .
- A. market expansion
 - B. competitive advertising
 - C. demand creation
 - D. production stimulation
- 1.21 The administration of _____ registers all customer orders and payments received.
- A. sales and debtors
 - B. purchases and creditors
 - C. raw materials and creditors
 - D. stock and debtors

- 1.22 In which kind of undertaking can creditors, in the case of insolvency, lay claim to the assets of an undertaking and also to those of the owners?
- A. Patsy and daughter Florists
 - B. Bosman Builders C.C.
 - C. I & J (Pty) Ltd
 - D. Iscor Ltd
- 1.23 The liquidity of Bosman Builders C.C. indicates the _____ .
- A. availability of sufficient cash to meet current expenses
 - B. difference between the capital and the cash budget
 - C. profitability of the enterprise
 - D. fixed capital of the enterprise
- 1.24 When the management of a firm wants to establish which of its products has been selling best over the past three years, it will look at the _____ .
- A. budget
 - B. cost accounting
 - C. statistics
 - D. production costs

24x3= (72)

Answer the following questions in your **answer book**.

In each of the following, state whether it is desirable to **centralise** or to **decentralise** administrative work. Write only **centralise** or **decentralise** next to the relevant question number.

- 1.25 Day-to-day administrative activities of a certain retailer where branches are distributed throughout the country.
- 1.26 Activities of a routine nature such as personnel management, purchasing and finances.
- 1.27 Where the enterprise does not have enough competent managers at its disposal.
- 1.28 Where there is a large volume of administrative work in the enterprise. 4x2= (8)

Match the **concepts** in **Column A** with the **descriptions** in **Column B**. Write down only the **letter of the alphabet** next to the **appropriate question number**, e.g. 1.34 - G.

COLUMN A	COLUMN B
1.29 an example of convenience goods	A. Policy instruments in marketing
1.30 price policy	B. Mercedes Benz motor car
1.31 an example of trade marks	C. Free gifts
1.32 publicity	D. Bread
1.33 advertising/publicity	E. Marketing communication policy
	F. News of a business enterprise

5x2= (10)

Match the **concepts** in **Column A** with the **descriptions** in **Column B**. Write down only the **letter (A to F)** next to the **appropriate question number**, e.g. 1.34 - G.

COLUMN A	COLUMN B	
1.34 Functional authority	A. The right of management to take decisions and to give orders	5x2=(10)
1.35 Span of control	B. The duty to carry out an allocated task	
1.36 Responsibility	C. Range of supervision by a supervisor over a number of workers	
1.37 Line authority	D. Right of specialists to give orders	
1.38 Authority	E. Unity of command and management	
	F. The right to advise and to assist	

TOTAL FOR SECTION A: [100]

SECTION B

Answer **TWO** questions in this section.

The following case study refers to all **FOUR** questions in this section. Read through it very carefully before choosing your **TWO** questions.

Eleven years ago ten talented businessmen who all specialised in different fields, established a partnership. They manufacture rubber products and specialise in the production of tyres for motor vehicles.

In the beginning it was an uphill battle: however their business started to flourish. They received so many orders that they were unable to handle them effectively. In a planning session, one of the suggestions was to expand their business and that led to choosing an alternative form of ownership, the public company, which, although the establishing procedure is complicated, has the benefit of being able to issue shares to the public to obtain own capital.

QUESTION 2

Discuss in detail, the registration procedure of this new form of ownership as well as the contents of the document that needs to be used to make shares available to the public. **[50]**

QUESTION 3

The product policy of this enterprise includes the following: The choice of a product or product range and packaging. Discuss, in full, the **TWO** remaining elements of the product policy. **[50]**

QUESTION 4

To ensure proper management of debtors, the business must determine and apply a debt collection policy alongside its credit policy. Discuss, in detail, these TWO policies in the business. [50]

QUESTION 5

The plant produces approximately 140 000 tyres annually. This scale of production suggests that the plant applies a continuous production system as well as an effective quality control system. Discuss, in detail, these TWO statements. [50]

TOTAL FOR SECTION B: [100]

SECTION C

Answer any FOUR questions in this section.

QUESTION 6 FORMS OF OWNERSHIP

6.1 John and Julie have started their own florist shop (J & J Florists).

6.1.1 State FIVE disadvantages of this form of ownership. (10)

6.1.2 List FIVE matters that will form part of the partnership contract between John and Julie. (10)

6.2 Tabulate FIVE differences between J & J Florists and Adeco (Pty) Limited as forms of ownership. (10)

6.3 Name and explain the contents of the document that has to be completed when establishing a Close Corporation. (14)

6.4 During the amalgamation of two or more companies, one company can be known as a controlling company. When do you consider a company to be a **controlling company**? (6)
[50]

QUESTION 7
MARKETING

- 7.1 Besides **forms of markets**, there are other factors that can influence price determination. Explain any **FOUR** other factors in detail. (12)
- 7.2 What are the **FIVE** objectives of a manufacturer when determining price? (10)
- 7.3 Market communication and financial support are two advantages of a franchise. Which **FOUR** disadvantages are there for the owner of a franchise? (8)
- 7.4 Simba Chips makes use of the indirect distribution method. What will Simba Chips' reasons be for using this method? (10)
- 7.5 Which **FIVE** principles of advertising must an advertising practitioner keep in mind when planning an advertising campaign? (10)
- [50]**

QUESTION 8
FINANCIAL FUNCTION

- 8.1 Fixed capital is that portion of the total capital which is invested in fixed assets such as land, buildings, vehicles and equipment. Explain the **THREE** factors which determine the quantity of fixed capital of an enterprise. (9)
- 8.2 When an enterprise decides to get a loan, there are certain finance sources which can be considered. Explain **FOUR** factors in the choice of a finance source. (12)
- 8.3 Explain **THREE** different preference shares which can be issued by an enterprise to boost its own capital. (9)
- 8.4 Study the following extract from the Balance Sheet of Blesbok Limited and answer the questions that follow.

Fixed assets/Tangible assets/Property, plant and equipment	Land and buildings	Vehicles	Equip-ment	Total
Carrying value end of previous year	2 000 000	90 000	61 000	151 000
Cost	2 000 000	120 000	95 000	215 000
Accumulated depreciation		40 000	44 000	84 000
Movement				
Additions at cost	0	0	0	0
Disposals at carrying value		0	0	0
Depreciation for the year		0	0	0
Carrying value end of current year	2 000 000	80 000	51 000	131 000

Ordinary share capital	
AUTHORISED	
xxxx ordinary shares of Rx each	150 000
ISSUED	
xxxx shares issued at Rx on the last day of the previous year	120 000
xxxx shares at Rx each issued during the financial year	0
xxxx shares at Rx on closing date	120 000

- 8.4.1 If Blesbok Limited wants to issue more shares, how much capital can they receive? (2)
- 8.4.2 Explain the TWO kinds of debentures that can appear in the Balance Sheet. (4)
- 8.4.3 The cost price of the vehicles were R120 000. Explain the amount of R80 000 in the Balance Sheet. (6)
- 8.4.4 Explain the term **reserve**. (2)
- 8.4.5 State SIX sources of working capital. (6)
- [50]**

QUESTION 9

PRODUCTION FUNCTION/THE ENTERPRISE AND ITS ENVIRONMENT

- 9.1 The following details were extracted from the records of Shine Limited relating to the production of 200 lamps for the month ending March 2000:

Raw materials on hand – (1 March 2000)	4 000 units
Raw materials purchased	6 000 units
Raw materials on hand – (31 March 2000)	2 000 units
(Cost per unit R2,00)	

Costs:

Wages of workers making lamps	R16 000
Salaries of sales personnel	R16 000
Depreciation	R 400
Rental of factory	R 2 000
Water and electricity	R 1 100

Use the information to calculate the following:

- 9.1.1 The total primary costs (9)
- 9.1.2 The total overhead costs (6)
- 9.1.3 The cost per unit (5)
- 9.2 9.2.1 Production specification is common in large production enterprises. State THREE advantages of product specification. (6)
- 9.2.2 Describe what advantages effective production control can offer to the supplier and dealer. (4)

9.3 List FIVE services rendered by the following institutions:

9.3.1 The South African Reserve Bank (10)

9.3.2 The Chamber of Commerce (Sakekamers) (10)

[50]

QUESTION 10
INSURANCE/ADMINISTRATION FUNCTION

10.1 What advantages does insurance have for the enterprise? (10)

10.2 State FIVE risks that a businessman himself has to bear (risks that are not insurable). (10)

10.3 Explain the TWO principles of insurance. (10)

10.4 The following claim was made:

Value of property R40 000

Insured value of property which was damaged by a fire R50 000

Name the term that occurs in the above situation, as well as the value of the compensation that will be paid out if the property was totally destroyed. (4)

10.5 State SIX matters that will result out of budget control. (6)

10.6 Explain the term **centralisation** and give FOUR advantages of this administrative activity. (10)

[50]

QUESTION 11
GENERAL MANAGEMENT FUNCTION

11.1 Name the types and terms of decisions taken at top, middle and lower level management. (6)

11.2 Which FIVE principles are required for effective planning? (10)

11.3 Explain THREE advantages **and** disadvantages of line organisation. (12)

11.4 What does the matrix organisation involve? (4)

11.5 State any FIVE control methods that an organisation can apply to ensure that the enterprise is heading towards its objectives. (10)

11.6 What type of communication methods occur in an organisation? (4)

11.7 Name any FOUR aspects that would encourage a worker to work and perform towards greater achievement and higher productivity. (4)

[50]

TOTAL FOR SECTION C: [200]

TOTAL: 400

END