

**GAUTENG DEPARTMENT OF EDUCATION  
SENIOR CERTIFICATE EXAMINATION**

**OCTOBER / NOVEMBER 2005  
OKTOBER / NOVEMBER 2005**

**BUSINESS ECONOMICS SG**

**TIME: 3 hours**

**MARKS: 300**

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**INSTRUCTIONS:**

- Answer SIX questions, Question 1 (compulsory) and any FIVE other questions.
  - Number your answers exactly as the questions on the question paper are numbered.
  - Neatness and a systematic presentation of facts are essential. Where possible, answers must be in point format.
  - Plan the length of your answers in relation to the marks allocated to each question.
  - Start each new question on a new page and leave at least one line open between subsections.
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**QUESTION 1  
COMPULSORY**

Choose only ONE correct answer for each of the following multiple-choice questions. 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 issuing of standardised symbols to indicate the quality of goods, as well as control over these symbols, is the function of \_\_\_\_\_.
- A. the Council for Scientific and Industrial Research
  - B. the South African Bureau of Standards
  - C. chambers of commerce
  - D. the Reserve Bank
- 1.2 Which one of the following undertakings may invite the public to contribute to the own capital of the undertaking?
- A. Gencor Limited
  - B. Ellergates TV Manufacturers CC
  - C. Images (Pty) Limited
  - D. Van der Walt Attorneys

- 1.3 What will be the compensation amount in the following case? Assets worth R60 000 are insured against the risk of fire for R100 000. A fire causes damage of R80 000.
- A. R36 000
  - B. R48 000
  - C. R60 000
  - D. R30 000
- 1.4 The maximum number of shares (own capital) which a company may issue as indicated in the company's constitution, is known as \_\_\_\_\_ capital.
- A. working
  - B. enrolled
  - C. registered / nominal
  - D. fixed
- 1.5 Which undertaking must dissolve when there is a change in membership?
- A. Public company
  - B. Close corporation
  - C. Private company
  - D. Partnership
- 1.6 Factoring of debtors has to do with \_\_\_\_\_.
- A. insurance
  - B. instalment sale transactions
  - C. irrecoverable debts
  - D. a lease account
- 1.7 Middle-level managers take these kinds of decisions.
- A. Tactical
  - B. Strategic
  - C. Operating management
  - D. Operational
- 1.8 These goods are used in the manufacturing of other goods.
- A. Select goods
  - B. Convenience goods
  - C. Industrial / capital goods
  - D. Consumer goods

- 1.9 A form of market where there are a large number of sellers of a specific product and where the price is determined by supply and demand.
- A. Monopoly
  - B. Perfect competition
  - C. Oligopoly
  - D. Monopolistic competition
- 1.10 Which **one** of the following is a current asset of an undertaking?
- A. Equipment
  - B. Creditors
  - C. Debtors
  - D. Buildings
- 1.11 Which **preference share** must you own to share in the profits of the following year if the profits in the previous year were too small?
- A. Cumulative
  - B. Ordinary
  - C. Participating
  - D. Redeemable
- 1.12 The costs that cannot be directly attributed to a specific product, for example rent, are known as \_\_\_\_\_.
- A. variable costs
  - B. indirect labour costs
  - C. primary production costs
  - D. overhead costs
- 1.13 The following are reasons for keeping cash in a business:
- (i) Transaction motive
  - (ii) Cost motive
  - (iii) Buying motive
  - (iv) Speculation motive
  - (v) Precautionary motive
- Choose the correct combination.
- A. i, ii and iii
  - B. i, iv and v
  - C. ii, iii and iv
  - D. ii, iii and v

- 1.14 There are no legal requirements in respect of the name of this form of ownership:
- A. Sole proprietor
  - B. Private company
  - C. Close corporation
  - D. Public company
- 1.15 When a person has a life insurance policy, he/she may transfer it in writing to a financial institution as security for a loan. This is known as \_\_\_\_\_.
- A. reinstatement
  - B. cession
  - C. fidelity insurance
  - D. the principle of security
- 1.16 When undertakings that are not selling the same products amalgamate, this is known as \_\_\_\_\_ amalgamation.
- A. horizontal
  - B. vertical
  - C. conglomerate
  - D. even
- 1.17 Unit costs are normally the lowest in the case of \_\_\_\_\_.
- A. bundle production
  - B. interrupted production
  - C. production by order
  - D. mass production
- 1.18 The systematic analysis of existing production methods to find better methods is known as \_\_\_\_\_.
- A. method study
  - B. process planning
  - C. quality control
  - D. product specifications
- 1.19 Which **one** of the following advertising techniques is seen as unethical?
- A. Use of description words
  - B. Use of comical slogans
  - C. Describing the product as the best
  - D. Making false statements about a competitor's goods

- 1.20 The collecting of accounts (debts) which are in arrears is the task of the \_\_\_\_\_.
- A. chief manager
  - B. credit department
  - C. sales department
  - D. personnel manager
- 1.21 Which form of ownership is NOT a legal entity?
- A. Sole proprietor
  - B. Close corporation
  - C. Public company
  - D. Private company
- 1.22 Which agent may receive “del-credere” commission?
- A. Selling agent
  - B. Buying agent
  - C. Broker
  - D. Commission agent
- 1.23 Work study consists of two supplementary and interdependent activities, which are \_\_\_\_\_.
- A. process analysis and work measurement
  - B. profit analysis and method study
  - C. work measurement and method study
  - D. work measurement and profit analysis
- 1.24 Tolerance limit means \_\_\_\_\_.
- A. a reliable inspection method
  - B. the number of inspection points
  - C. an acceptable deviation from set standards
  - D. the number of inspections per inspection point
- 1.25 When a financial institution undertakes to guarantee the minimum subscription of a new public company, this is called \_\_\_\_\_.
- A. liquidation
  - B. listing
  - C. underwriting
  - D. auditing
- 1.26 When a newly registered public company issues a prospectus, the minimum subscription should be received within \_\_\_\_\_ days of the first issue.
- A. 150
  - B. 60
  - C. 30
  - D. 90

- 1.27 Credit on an ordinary open account requires \_\_\_\_\_.
- a life insurance policy as security
  - a mortgage on fixed property as security
  - no form of security
  - an instalment sale transaction agreement
- 1.28 Overheads are calculated as follows:
- Fixed costs plus variable costs
  - Total costs minus labour costs
  - Indirect raw material costs plus direct labour costs
  - Direct raw material costs plus direct labour costs
- 1.29 Authority can be delegated, but \_\_\_\_\_ cannot be delegated.
- management
  - administration
  - responsibility
  - budgets
- 1.30 The constitution of a public company consists of the \_\_\_\_\_.
- prospectus and memorandum of association
  - articles of association and certificate of incorporation
  - certificate to commence business and certificate of incorporation
  - memorandum of association and articles of association

30x2=[60]

All the statements listed below are FALSE. Replace the underlined word(s) with the correct word(s) to make each statement TRUE. Write only the word(s) next to the question number in your answer book.

- 1.31 A partnership must complete a Founding Statement to register the undertaking.
- 1.32 Goods that the consumer purchases with minimum effort, are known as speciality goods.
- 1.33 Distribution channels for products end with the retailer.
- 1.34 A cash budget is compiled to determine the fixed capital needs of an undertaking.
- 1.35 Founding shares are given for free to shareholders when enough reserve funds are available.
- 1.36 When individuals bind themselves in writing to a creditor to pay the debt of a debtor if the debtor cannot pay, this is known as a mortgage bond.

- 1.37 Banks can supply information to companies about the creditworthiness of a prospective debtor. This is done by means of a black list.
- 1.38 The subrogation clause in an insurance policy requires that a complete set of books must be kept in a safe place after working hours to determine the losses if there are losses.
- 1.39 Jobbing is done on a step-by-step basis.
- 1.40 Observation as a task of the administration department means to record information according to prescribed systems and guidelines. 10x2=(20)

Choose the term from the following list, which suits each statement the best. Write the term next to the question number in your answer book.

Planning; Private company; Decision making; Close corporation;  
Life cycle; Informal sector; Franchise; Debentures; Contractor's credit;  
Advertising; Principle of security; Good faith; Functional; Publicity

- 1.41 A method used by public companies to gain borrowed capital
- 1.42 A part of the business world where entrepreneurs create jobs for themselves by selling vegetables, sunglasses, cellphone covers, etc. on pavements and at flea markets
- 1.43 A form of credit where persons must pay in advance for a service
- 1.44 One of the additional elements of the management function
- 1.45 A form of ownership involving a minimum of 1 and a maximum of 50 owners (shareholders)
- 1.46 In this organisational structure, foremen / supervisors may also give orders and leadership to workers placed under the authority of **other** foremen / supervisors
- 1.47 News carried in the mass media for which the enterprise does not pay.
- 1.48 One of the principles of insurance
- 1.49 A business opportunity where the buyer of this business must manage the enterprise according to set rules. Staff training will also be provided to the buyer.
- 1.50 A method of marketing communication which is directed at the masses in an impersonal way and which the company must pay for. 10x2=(20)

**TOTAL FOR SECTION A: [100]**

**QUESTION 2**  
**FORMS OF OWNERSHIP**

- 2.1 Complete the following with regard to **Close Corporations**, by writing the missing word(s) next to the question number in your answer book.
- 2.1.1 To register this form of ownership, a \_\_\_\_\_ must be completed.
- 2.1.2 The minimum number of members required by the appropriate act is (a) \_\_\_\_\_ and the maximum is (b) \_\_\_\_\_.
- 2.1.3 The members have \_\_\_\_\_ liability. (6)
- 2.2 Tshimane and Naledi decide to combine their capital and establish a partnership. Name FIVE disadvantages of partnerships. (10)
- 2.3 Name FIVE advantages of a private company. (10)
- 2.4 Give a word(s) for each of the following descriptions:
- 2.4.1 A company which holds at least 51% of the issued capital of another enterprise
- 2.4.2 Holders of these shares may also share in any surplus profits after all other shareholders have received dividends
- 2.4.3 People elected by shareholders to take responsibility for the management of the company
- 2.4.4 When two or more businesses, which provide the same product or service, amalgamate (8)
- 2.5 Without listing the contents, briefly describe the following two documents:
- 2.5.1 Memorandum of association (4)
- 2.5.2 Articles of association (2)
- [40]**



**QUESTION 3**  
**MARKETING FUNCTION**

- 3.1 The marketing manager must take into consideration the different marketing policies to reach the objectives of the enterprise. State these FOUR marketing policies. (4)
- 3.2 Name THREE advantages of the informal sector. (6)
- 3.3 State any FIVE principles that must be kept in mind when drafting an advertisement. (10)
- 3.4 Name FOUR requirements of good packaging. (8)
- 3.5 Explain the role of the sales agent in the distribution chain. (8)
- 3.6 Explain the following: The “life cycle” of the product. (4)
- [40]**

**QUESTION 4**  
**FINANCIAL FUNCTION**

- 4.1 Complete the following sentence(s) by writing the missing word(s) next to the question number.
- 4.1.1 An undertaking is \_\_\_\_\_ when it has insufficient funds available for carrying on its normal operations in a satisfactory manner.
- 4.1.2 The \_\_\_\_\_ is that part of the total capital of the firm which is invested in fixed assets such as land and buildings.
- 4.1.3 The ratio between own capital and borrowed capital is called \_\_\_\_\_.
- 4.1.4 Factoring of debtors is a source of \_\_\_\_\_ capital.
- 4.1.5 The \_\_\_\_\_ market receives funds from investors and lends these to undertakings on a long-term basis. (10)
- 4.2 Indicate whether the following statements are TRUE or FALSE. If the statement is FALSE, replace the incorrect underlined word with the correct word(s).
- 4.2.1 The capital budget determines the amount of working capital required by an undertaking.
- 4.2.2 A debenture is an example of borrowed capital.
- 4.2.3 Undertakings keep cash for speculation and investment purposes. 3x2=(6)

- 4.3 Name FOUR sources of information about the financial status of a prospective credit buyer. (8)
- 4.4 Name THREE forms of security that creditors may request when a person applies for a loan. (6)
- 4.5 List FIVE factors which determine the amount of working capital required by an undertaking. (10)
- [40]**

**QUESTION 5**  
**INSURANCE**

- 5.1 Name and explain the TWO basic requirements for an insurance contract. (14)
- 5.2 State FOUR risks that are not insurable. (8)
- 5.3 Indicate whether the following statements are TRUE or FALSE. If the statement is FALSE, replace the incorrect underlined word(s) with the correct word.
- 5.3.1 Insurance of money in transit covers the theft of money between the undertaking and the bank.
- 5.3.2 The main purpose of life assurance is to provide security for all people. (4)
- 5.4 Write down the formula to determine the compensation when an asset is underinsured. (4)
- 5.5 What is the purpose of
- 5.5.1 reinsurance? (4)
- 5.5.2 the Road Accident Fund? (4)
- 5.5.3 ceding a policy? (2)
- [40]**

**QUESTION 6**  
**PRODUCTION FUNCTION**

- 6.1 Explain the term **mass production**. (4)
- 6.2 Name FOUR advantages of interrupted production. (8)
- 6.3 Describe THREE factors which can influence the quality control of a product. (6)
- 6.4 Factory safety legislation contains certain regulations to protect workers in the event of fire. Name FOUR of these regulations. (8)
- 6.5 Name FIVE advantages of proper factory layout for an undertaking. (10)
- 6.6 Name TWO advantages of efficient production planning for a dealer. (4)
- [40]**

**QUESTION 7**  
**ADMINISTRATION FUNCTION / THE ENTERPRISE AND ITS ENVIRONMENT**

- 7.1 Explain the following terms / concepts:
- 7.1.1 Data (2)
  - 7.1.2 Information (2)
  - 7.1.3 Management information (2)
- 7.2 Name FOUR tasks of the administrative function. (8)
- 7.3 Name FOUR disadvantages of decentralized administration. (8)
- 7.4 Name FIVE services which the Chambers of Commerce provide for their members. (10)
- 7.5 Name FOUR services provided by the South African Bureau of Standards. (8)
- [40]**

**QUESTION 8**  
**GENERAL MANAGEMENT FUNCTION**

- 8.1 Choose the correct word from the list below for each of the statements that follow:

Planning; Disciplinary action; Top level; Lower level; Organisation; Budget; Co-ordination; Delegation
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- 8.1.1 Application of penalties to control future behaviour

- 8.1.2 Process by which the manager looks to the future and devises plans to tackle specific operations and execute them successfully
- 8.1.3 Preliminary financial estimates of what will be required for the execution of plans
- 8.1.4 Management level responsible for taking operating decisions aimed at making the undertaking as profitable as possible
- 8.1.5 It is concerned with achieving harmony between departments with a view to achieving the objectives of the enterprise 5x2=(10)
- 8.2 Discuss the line organisational structure under the following headings:
- 8.2.1 FOUR advantages (8)
- 8.2.2 FOUR disadvantages (8)
- 8.3 Name FOUR factors which influence decision-making by management. (8)
- 8.4 Name THREE methods of communication. (6)
- [40]**
- TOTAL FOR SECTION B: [200]**
- TOTAL: 300**

**END**