

education

Department:
Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATION – 2006

BUSINESS ECONOMICS

STANDARD GRADE

OCTOBER/NOVEMBER 2006

402-2/0E

BUSINESS ECONOMICS SG

MARKS: 300



402 2 0E

SG

TIME: 3 hours

This question paper consists of 20 pages and an answer sheet of 2 pages.



INSTRUCTIONS AND INFORMATION

1. This question paper consists of TWO sections: SECTION A and SECTION B.

2. SECTION A is COMPULSORY.

SECTION A consists of ONE question with various sub-sections and must be answered by ALL candidates. A separate answer sheet is provided for QUESTION 1.

3. SECTION B consists of EIGHT questions. Answer any FIVE questions from this section.

4. Number your answers correctly according to the numbering system used in this question paper.

5. Begin each question on a NEW page.

6. Answers should be given in full sentences, except where otherwise required. Candidates will be penalised for short, incomplete answers.

7. If more than SIX questions have been answered, only the first SIX applicable questions will be marked, namely:

QUESTION 1 and
FIVE questions from SECTION B.

Clearly indicate questions that are not to be marked by writing '**CANCELLED**' across the page.

8. Write your answers in black or blue ink.

9. Place the completed ANSWER SHEET for QUESTION 1 inside the front cover of your answer book.

SECTION A (COMPULSORY)**QUESTION 1**

Answer QUESTION 1 on the answer sheet provided.

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 your answer sheet. There is only ONE correct answer to each question,

for example 1.1.17

A	<input checked="" type="checkbox"/>	B	C	D
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1.1.1 A merger between two business enterprises that offer the same products is known as ... amalgamation.

- A vertical
- B diagonal
- C horizontal
- D terminal

1.1.2 The ...budget determines the fixed asset requirements of a business.

- A cash
- B capital
- C financial
- D marketing

1.1.3 ... are/is the right a creditor acquires over the fixed property of a debtor by virtue of a loan granted against such property.

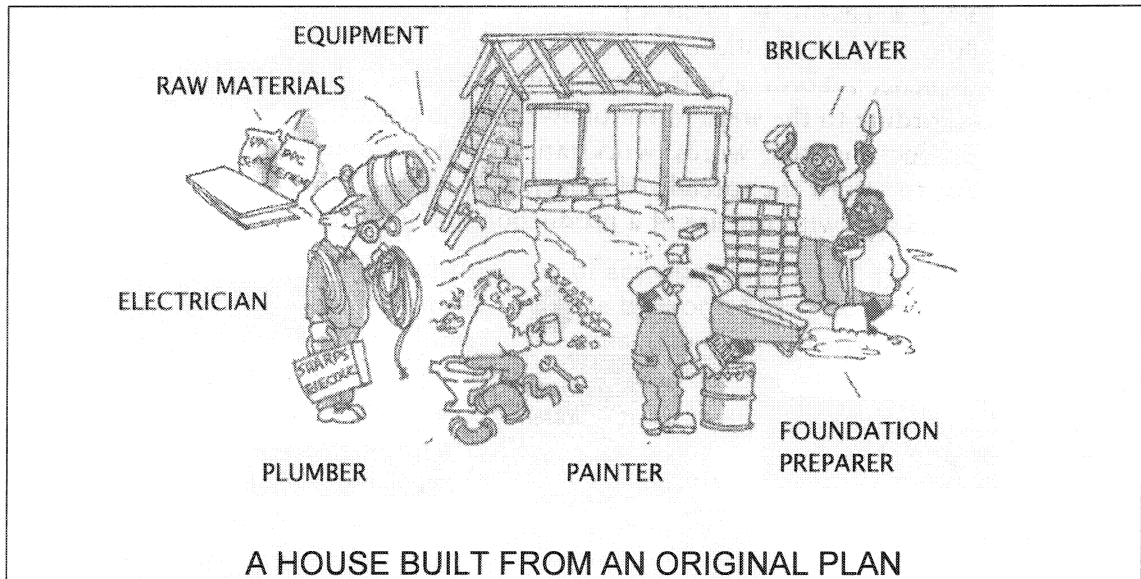
- A Mortgage bonds
- B Sureties
- C Cession
- D Subrogation

1.1.4 An advantage of a sole proprietorship is that ...

- A it has its own legal entity.
- B the owner can make quick decisions.
- C the transfer of shares can be done freely.
- D the owner is personally responsible for the debt of the business.

- 1.1.5 A ... is a registered symbol or brand that gives exclusive legal protection to the user.
- A patent
 - B prospectus
 - C credit card
 - D trademark
- 1.1.6 The additional remuneration a commission agent receives because he carries the responsibility for non-payment of accounts, is called ...
- A del credere commission.
 - B brokerage.
 - C sales commission.
 - D financial assistance.
- 1.1.7 A building is valued at R100 000 and is insured for R50 000. What amount will be paid out if a fire causes damage of R50 000?
- A R50 000
 - B R25 000
 - C R100 000
 - D R200 000
- 1.1.8 An advantage of centralisation is that ...
- A better division of labour cannot be effected.
 - B red tape (additional administrative work) is avoided.
 - C sound human relations are promoted.
 - D personal interest in the work is promoted.
- 1.1.9 A tolerance limit for every job must be set in the production process. This refers to ...
- A the number of hours the machine may be used.
 - B how far above the break-even point production should take place.
 - C the maximum deviation which is allowed in the production process.
 - D how many workers are allowed for each job.

- 1.1.10 Identify the type of production system used to manufacture the product shown in the illustration below.



- A Mass production
 B Jobbing
 C Batch production
 D Uninterrupted production
- 1.1.11 In a ... organisational structure, advisers play an important role.
- A line
 B functional
 C line and staff
 D matrix
- 1.1.12 The ... furthers national awareness of quality and supports the work of quality associations in South Africa.
- A Land and Agricultural Bank
 B South African Reserve Bank
 C Chamber of Commerce (Sakekamer)
 D South African Bureau of Standards (SABS)
- 1.1.13 ... is the element of management where authority is allocated by a senior member to a subordinate.
- A Delegation
 B Motivation
 C Co-ordination
 D Decision-making

1.1.14 Which ONE of the following is NOT a task of the administrative function?

- A Setting credit limits
- B Safekeeping of records
- C Registration of information
- D Observation of recorded information

1.1.15 The ... debenture holder receives only interest and his loan is never repayable.

- A irredeemable
- B unsecured
- C redeemable
- D secured

1.1.16 The standard time for the completion of a certain job is determined by ...

- A work measurement.
- B method study.
- C standardisation.
- D standard measurement.

(16 x 3) (48)

1.2 **MATCHING ITEMS**

Choose a term from COLUMN B that matches the statement in COLUMN A. Write only the letter (A - F) next to the question number (1.2.1 – 1.2.5) on the answer sheet, for example 1.2.6 G.

	COLUMN A	COLUMN B	
1.2.1	Transferring the rights in an insurance policy to another person	A	Control
1.2.2	A plan which guides an undertaking's income and expenditure	B	Communication
1.2.3	The transfer and receipt of knowledge, feelings and information between management and workers	C	Planning
1.2.4	Creation of harmony between individuals in different departments to achieve the objectives of the business	D	Co-ordination
1.2.5	The process of comparing actual operating results with recognised standards	E	Budget
		F	Cession

(10)



1.3 TRUE OR FALSE

Indicate whether the following statements are TRUE or FALSE. Indicate your choice by making a cross (X) in the appropriate column next to the question number (1.3.1 - 1.3.10) on the answer sheet.

- 1.3.1 A company is a controlling company when it obtains more than 50% of the issued share capital of another enterprise.
- 1.3.2 The name of a private company must end with (Pty) Ltd.
- 1.3.3 Continually changing packaging is also called rearrangement packaging.
- 1.3.4 Packaging protects the product and catches the eye of the consumer.
- 1.3.5 The prices in the perfect market are determined by interaction between supply and demand.
- 1.3.6 A bank overdraft is a source of fixed capital.
- 1.3.7 The transaction motive ensures that a firm keeps enough cash to pay current expenses.
- 1.3.8 Newspaper articles are a form of publicity used by firms to promote their image.
- 1.3.9 One of the ways to overcome the problem of overcapitalisation is to obtain additional capital.
- 1.3.10 The reinstatement clause allows the insurer to rebuild or replace property, instead of paying out the insured.

(20)

1.4 CHOOSE THE CORRECT TERM

Complete the following statements by filling in the correct word(s) from the list of words below. Write your answer next to the appropriate question number on the answer sheet.

premium / Road Accident Fund / excess / iron safe clause / average clause / subrogation / good faith

- 1.4.1 The right which one person has to stand in the place of another and avail himself/herself of all the rights and remedies of that person is known as ...
- 1.4.2 An example of compulsory insurance is the
- 1.4.3 According to the ..., the accounting records of a firm must be kept in a fire-proof safe.
- 1.4.4 The portion of the claim paid by the insured is known as the
- 1.4.5 The monthly payment made towards an insurance policy is known as the

(10)

1.5 DATA RESPONSE

Study the illustrations below and answer the questions that follow. Write only the letter (A – E) next to the appropriate question number on the answer sheet.

ROSSI & SONS
Sports Equipment
Specialists
Tel/Fax: 012 555 5678
Cell: 084 455 4439
e-mail: rossi@sports.co.za
22 Loftus Street
Pretoria

A

**REACTS
COMPUTER
SYSTEMS CC**
SPECIALISE IN
COMPUTER
EQUIPMENT
TEL: 041 343 5578
CELL: 074 554 4545
44 GARFIELD RD
Port Elizabeth, 6001

B

**THEKWINI
PROMOTIONS
LTD**
For all your gifts and
promotional
requirements
TEL: 031 444 5858
P.O. BOX 5544
CHATSWORTH
4092

C

**JOHN'S BUILDING
SERVICES**
New buildings &
Renovations
Tel: 021 534 5678
12 Garden Drive
Constantia
Cape Town
8000

D

**INTERNATIONAL
LABELS (Pty) Ltd**
All trimmings and
accessories
e-mail: labels@me.co.za
Tel: 018 765 4321
12 Sunny Drive
Bela Bela
Limpopo

E



- 1.5.1 Identify the business operating as a sole trader.
- 1.5.2 Which business needs a founding statement to start operations?
- 1.5.3 This business has to be dissolved when a co-owner dies.
- 1.5.4 This business has a minimum of one and a maximum of fifty members.
- 1.5.5 This business is allowed to sell shares to the public.
- 1.5.6 The owners of this business are jointly and severally liable for the debts of the business. (12)

TOTAL SECTION A: 100



SECTION B

Answer any FIVE questions from this section.

QUESTION 2: FORMS OF OWNERSHIP

- 2.1 A partnership may be formed by an oral agreement. However, it is preferable to draw up a written contract.
- 2.1.1 State any FOUR details that should be contained in the contract. (8)
- 2.1.2 Give any THREE reasons why a partnership may be dissolved. (6)
- 2.2 Top level management of Carpe Diem Media (Pty) Ltd wants to expand their business and become a public company.
- 2.2.1 Name ONE additional document that they must register to become a public company. (2)
- 2.2.2 Tabulate FOUR differences between a private company and a public company. Use the following details:
- (a) Membership
 - (b) Management
 - (c) Legal formalities
 - (d) Name
- (16)
- 2.3 Do you think that there is still a place for the close corporation in the South African economy? Substantiate your answer by giving THREE reasons. (8)
- [40]**

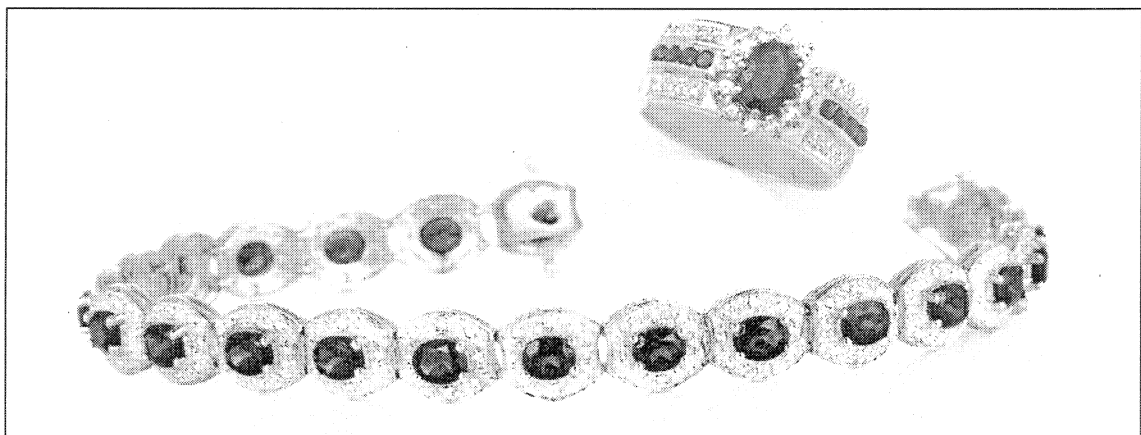
QUESTION 3: MARKETING FUNCTION

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



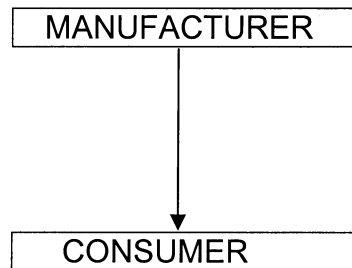
- 3.1.1 Identify the category of consumer goods shown above. (2)
- 3.1.2 Explain, with examples, TWO other types of consumer goods that are available on the market. (10)

3.2 Study the picture below and answer the question that follows:



What type of packaging would best suit the above product? Give any FOUR reasons to substantiate your answer. (10)

3.3 The following sketch represents one of the distribution channels:



- 3.3.1 Draw FOUR other distribution channels which you could use to market the goods. (8)
- 3.3.2 Give FIVE reasons why some manufacturers make use of the DIRECT selling method as shown in QUESTION 3.3. (10)
- [40]**

QUESTION 4: FINANCIAL FUNCTION

4.1 In order to raise capital for a public company, the financial manager would have to issue shares.

Read the explanation below and identify the type of share being referred to:

4.1.1 If there is a surplus profit after all the shareholders have received their dividends, these shareholders can share in that profit

4.1.2 These shares are issued to the promoters of the company for services rendered

4.1.3 Holders of this type of share have the first right to dividends

4.1.4 These shareholders retain the right to receive arrear dividends the following year (8)

4.2 There are risks involved in granting credit. The financial manager must research the creditworthiness of the prospective clients. Offer him/her advice on how to conduct this research by recommending FOUR methods that will assist him/her. (8)

4.3 Explain THREE factors which determine the working capital requirements of a company. (9)

4.4 State FOUR risks or losses that are not insurable. (8)

4.5 Study the picture of a risk given below and answer the questions on it.



Ms S Zulu, a representative from a pharmaceutical company in Mafikeng, bought the car (above) in August 2005, indicating the use as 'private'. On 24 January 2006, the car was involved in a collision, while she was using it for business purposes. Her insurer, FIRST FOR WOMEN INSURANCE, wants to dispute the claim of R50 000, which was the value of the damage to the car.

4.5.1 Is the insurance company justified in its action? Substantiate your answer. (5)

4.5.2 State the principle of insurance illustrated in this case study. (2)

[40]

QUESTION 5: PRODUCTION FUNCTION

- 5.1 Study the information given below from Pejo Pie Ltd, a manufacturer of pies, and answer the questions that follow:

PRODUCTION COSTS FOR AUGUST 2006	
Ingredients for pies	R30 000
Wages of workers in pie factory	R60 000
Insurance	R10 000
Rental of factory	R12 000
Depreciation of factory plant	R 6 000
Cleaning materials	R 8 000
Packaging materials	R 4 000

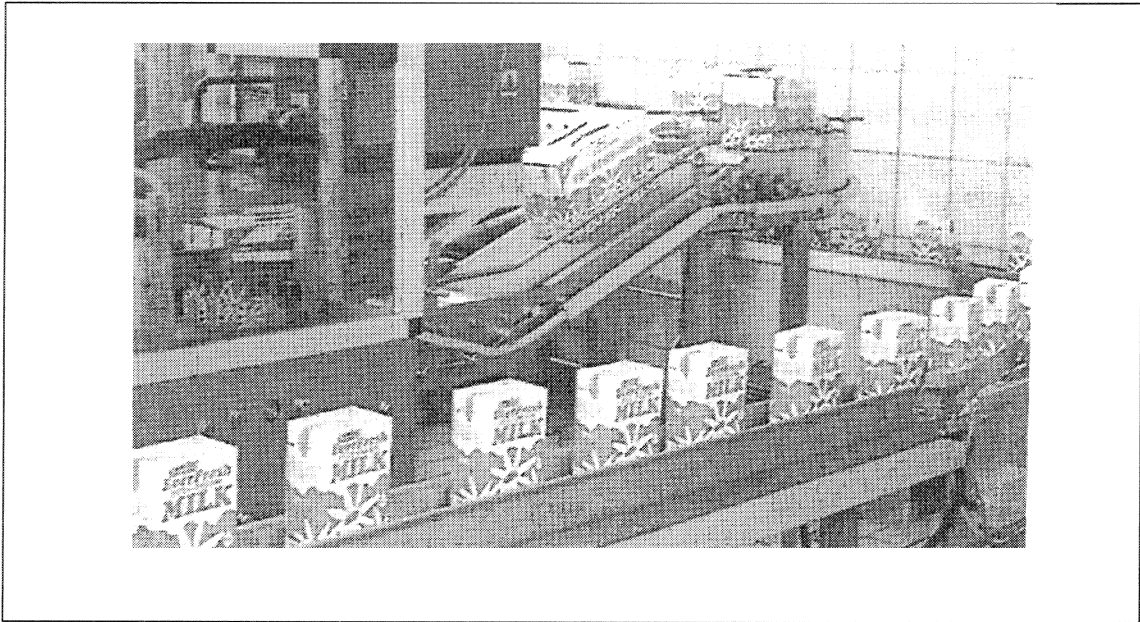
They manufactured 25 000 pies during August 2006.

Show ALL calculations.

REQUIRED:

- 5.1.1 Calculate the primary costs for the month. (3)
- 5.1.2 Calculate the fixed overhead costs for the month. (4)
- 5.1.3 Calculate the total production costs for the month. (5)
- 5.1.4 Calculate the cost of one pie. (4)

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

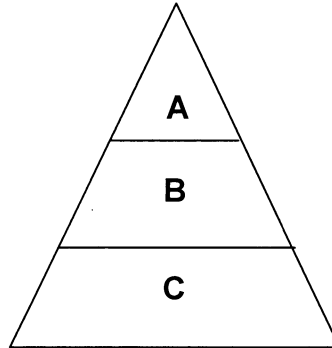


- 5.2.1 Identify the type of production system used to manufacture the product. Give reasons for your answer. (6)
- 5.2.2 Because of the perishable nature of this particular product, give TWO additional measures that you would adopt in its production process. (4)
- 5.2.3 Recommend a distribution system for this particular product. Substantiate your answer. (4)
- 5.2.4 Distinguish between jobbing and batch production. (4)

5.3 State THREE safety measures that should be in place in any factory. (6)
[40]

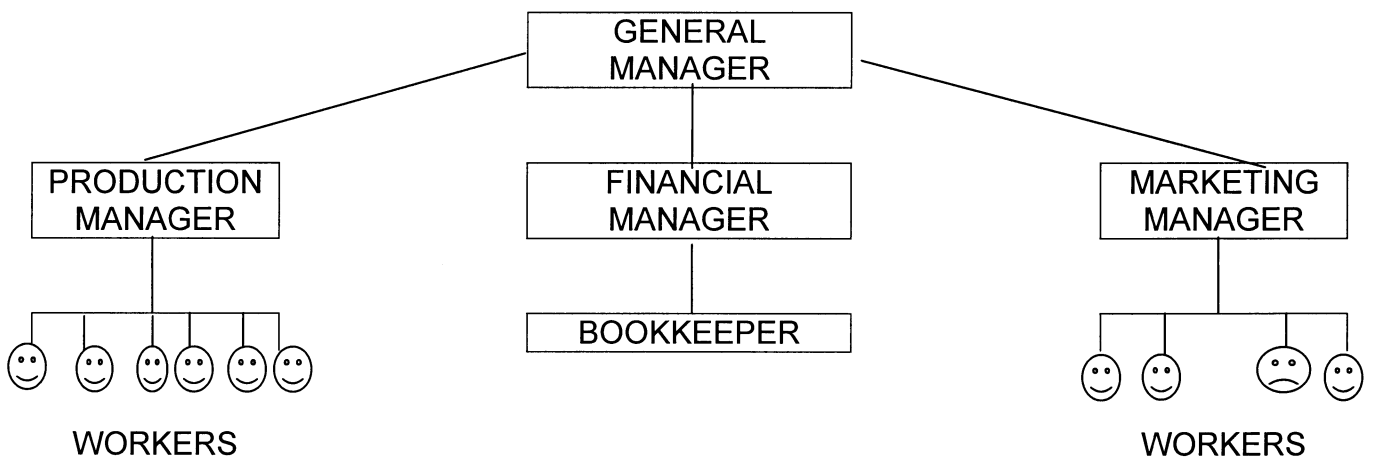
QUESTION 6: FUNCTION OF GENERAL MANAGEMENT

6.1 Study the following diagram on the levels of management and answer the questions that follow:



- 6.1.1 Name the levels of management indicated by letters A, B and C. (6)
- 6.1.2 Name the level of management where tactical decisions are taken. (2)
- 6.1.3 Which level of management does the factory foreman represent? (2)

6.2 Study the following diagram and answer the questions that follow:



- 6.2.1 Identify this organisation structure. (2)
- 6.2.2 What is the span of control of the production manager? (2)
- 6.2.3 State FIVE characteristics of the above organisation structure. (10)
- 6.2.4 List any TWO other types of organisation structures that can be used by an enterprise. (4)



6.3 Failing to plan, is planning to fail.

How can you, as manager, avoid this happening to you? Substantiate your answer by stating SIX effective principles that you will follow.

(12)
[40]

QUESTION 7: THE ENTERPRISE AND THE ENVIRONMENT

7.1 Write next to the number of each question, the NAME of the INSTITUTION associated with the service description. You may use an institution more than once.

7.1.1 Makes testing facilities and trained staff available so that comparative testing of products can be carried out

7.1.2 Supports and encourages industrial research

7.1.3 Is responsible for compiling specifications and codes of practice for products

7.1.4 Supplies finance, on a commercial basis, to the agricultural sector in South Africa

7.1.5 Assists in developing the mining industry in South Africa (10)

7.2 One of the services rendered by the South African Reserve Bank (SARB) is the issuing of bank notes.

Explain any FOUR other services rendered by this institution. (12)

7.3 To protect their own interests, business owners in most towns and cities have formed local societies called Chambers of Commerce.

Describe FIVE ways in which the Local Chamber of Commerce can protect you as a businessperson. (10)

7.4 State FOUR services of the Johannesburg Securities Exchange Limited (JSE Ltd).

(8)
[40]

QUESTION 8: ADMINISTRATIVE FUNCTION/FINANCIAL FUNCTION

- 8.1 Managers make use of centralisation and decentralisation to administer their work.
- 8.1.1 What does *centralisation* mean? (2)
- 8.1.2 State FIVE factors that can influence the decision to centralise or decentralise your administrative activities. (10)
- 8.2 Answer the following questions on stock:
- 8.2.1 As a businessperson, do you think stock control is necessary? Give THREE reasons for your answer. (8)
- 8.2.2 State FOUR advantages of stockpiling. (8)
- 8.3 Insurance gives peace of mind to the businessperson, because he/she has transferred specific risks to the insurer.
- Discuss FOUR other advantages of insurance to the businessperson. (12)
- [40]**

QUESTION 9: MISCELLANEOUS

Answer any FOUR of the following questions:

- 9.1 State FIVE factors that influence price determination. (10)
- 9.2 Making the task of the salesman easier, is one of the advantages of advertising. List FIVE other advantages of advertising. (10)
- 9.3 Home industries are an example of the informal sector. Give FIVE advantages of the informal sector. (10)
- 9.4 State FIVE details that must appear in the articles of association. (10)
- 9.5 List FIVE documents that a private company must submit to the registrar of companies in order for the business to be registered. (10)
- 9.6 State any FIVE disadvantages of a sole trader. (10)
- [40]**

TOTAL SECTION B: 200

GRAND TOTAL: 300



**BUSINESS ECONOMICS STANDARD GRADE
NOVEMBER 2006**

EXAMINATION NUMBER																			
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**SECTION A
ANSWER SHEET: QUESTION 1**

1.1 MULTIPLE-CHOICE QUESTIONS

ANSWER EACH QUESTION BY MAKING A CROSS (X) IN THE APPROPRIATE BLOCK.

1.1.1	A	B	C	D
1.1.2	A	B	C	D
1.1.3	A	B	C	D
1.1.4	A	B	C	D
1.1.5	A	B	C	D
1.1.6	A	B	C	D
1.1.7	A	B	C	D
1.1.8	A	B	C	D
1.1.9	A	B	C	D
1.1.10	A	B	C	D
1.1.11	A	B	C	D
1.1.12	A	B	C	D
1.1.13	A	B	C	D
1.1.14	A	B	C	D
1.1.15	A	B	C	D
1.1.16	A	B	C	D

(16 x 3) (48)

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1.2 MATCHING: WRITE DOWN ONLY THE LETTER FROM COLUMN B NEXT TO THE RELEVANT QUESTION NUMBER.

NUMBER	LETTER OF THE ALPHABET
1.2.1	
1.2.2	
1.2.3	
1.2.4	
1.2.5	

(5 x 2) (10)

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EXAMINATION NUMBER																			
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1.3 TRUE OR FALSE
MAKE A CROSS IN THE APPROPRIATE BLOCK.

NUMBER	TRUE	FALSE
1.3.1		
1.3.2		
1.3.3		
1.3.4		
1.3.5		
1.3.6		
1.3.7		
1.3.8		
1.3.9		
1.3.10		

(10 x 2) (20)

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1.4 CHOOSE THE CORRECT TERM.

1.4.1	
1.4.2	
1.4.3	
1.4.4	
1.4.5	

(5 x 2) (10)

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1.5 DATA RESPONSE:
WRITE DOWN THE LETTER OF THE APPROPRIATE ILLUSTRATION.

1.5.1	
1.5.2	
1.5.3	
1.5.4	
1.5.5	
1.5.6	

(6 x 2) (12)

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TOTAL:	100 MARKS
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