

Province of the

**EASTERN CAPE**

EDUCATION

**SENIOR PHASE**

**GRADE 9**

**JUNE 2010**

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| **ECONOMIC AND MANAGEMENT SCIENCES**  **MEMORANDUM** |

**MARKS: 100**

**TIME: 1 hour**

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| This memorandum consists of 11 pages. |

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| **QUESTION 1 (LO2: AS2 AND LO4: AS3)** | | |  |
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| 1.1 | MULTIPLE-CHOICE QUESTIONS | |  |
|  | | |  |
|  | Carefully read the questions that follow and circle the correct answer. Three answers are provided for each question. | |  |
|  |  |  |  |
|  | 1.1.1 | MTN (PTY) LTD is an example of a . . . |  |
|  |  |  |  |
|  |  | 1. close cooperation. |  |
|  |  | 1. **private company.** |  |
|  |  | 1. public company. |  |
|  |  |  |  |
|  | 1.1.2 | A business with a minimum of one to maximum of ten members is a . . . |  |
|  |  |  |  |
|  |  | 1. **close cooperation.** |  |
|  |  | 1. company. |  |
|  |  | 1. sole trader. |  |
|  |  |  |  |
|  | 1.1.3 | Equilibrium is the point where . . . |  |
|  |  |  |  |
|  |  | 1. supply is greater than the demand. |  |
|  |  | 1. **demand is equal to supply.** |  |
|  |  | 1. demand is greater than supply. |  |
|  |  |  |  |
|  | 1.1.4 | … is the ability of a country to improve the standard of living of its people. |  |
|  |  |  |  |
|  |  | 1. **Economic growth** 2. Economic development 3. Economic sustainability |  |
|  |  |  |  |
|  | 1.1.5 | A budget is . . . |  |
|  |  |  |  |
|  |  | A **an estimate of the state expected revenue and expenditure for the coming year.** |  |
|  |  | B an estimate of the profit and loss for the year. |  |
|  |  | C an estimate of the monetary movement. |  |
|  |  | (5 x 1) | (5) |

|  |  |  |  |  |  |  |  |
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| 1.2 | Choose the term inCOLUMN B that matches a description in COLUMN A**.** Write only the selected term (A – E) next to the question number in the space provided for answers. | | | | |  | |
|  |  | | | | |  | |
|  | **COLUMN A** | | | **COLUMN B** | |  | |
|  | 1.2.1 | The physical and mental efforts used to create goods and services | |  | National Budget |  | |
|  |  |  | |  |  |  | |
|  | 1.2.2 | The three year budget period which is made up of the current year and the forecast for the next two years | |  | COSATU |  | |
|  |  |  | |  |  |  | |
|  | 1.2.3 | Government financial plan for the three year plan | |  | Globalisation |  | |
|  |  |  | |  |  |  | |
|  | 1.2.4 | The largest trade union in South Africa | |  | Naptosa |  | |
|  | 1.2.5 | A trend towards free trade between all countries in the world | |  | MTEF |  | |
|  |  |  | |  |  |  | |
|  |  |  | |  | Labour |  | |
|  |  |  | |  | Economic development |  | |
|  |  | |  | | | |  |
|  |  | |  | | | |  |
|  | **ANSWERS:** | | | | | |  |
|  |  | |  | | | |  |
|  | **1.2.1 Labour**  **1.2.2 MTEF**  **1.2.3 National Budget**  **1.2.4 COSATU**  **1.2.5 Globalisation.** (5 x1) | | | | | | (5) |
|  |  | | | | | | **[10]** |

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| **QUESTION 2 (LO1 AS1)** | | |  |
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| 1. Study the circular flow/economic cycle diagram below, and then answer the questions that follow. | | |  |
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| **CIRCULAR FLOW/ECONOMIC CYCLE DIAGRAM**  A      D      C C    Goods and services  B | | |  |
|  |  |  |  |
|  | 1. Complete the diagram by filling in the missing words numbered A – D. | |  |
|  | 1. **Businesses pays wages to households** 2. **Government provides goods and services to businesses.** 3. **Households pay taxes to government.** 4. **Households pay for goods and services to businesses.** | | (4) |
|  | 1. Briefly explain the flow of money by referring to the numbers 1; 2; and 3. | |  |
|  | 1. Government:  * **Collect taxes from households and businesses** * **Provides public goods and services to both households and   businesses** * **Buy goods and services from businesses**  1. Businesses:  * **Provide goods and services to households and in return they   received money.** * **They pay wages to members of households** * **They pay taxes to government on the profits made.**  1. Households:  * **Received money (wages/salaries) from business for rendering a service (labour).** * **They pay taxes to the government from their wages/salaries.** * **They buy goods and services from government and businesses.** | | (9) |

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|  | 1. Differentiate between imports and exports. |  |
|  | **Imports are goods that are bought from other countries and exports are goods that are sold to other countries. (2 x 2)** | (4) |
|  |  | **[17]** |

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| **QUESTION 3 (LO1 AS1; LO4 AS1)** | | |  |
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| Read the case study below and answer the questions that follow. | | |  |
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| Nomzamo had a lemon tree at home full of lemons. It was very hot in summer and she decided to make refreshing ice-cold lemonade. She sold it to people in her busy street. The business grew to such an extent that she decided to buy a machine and add an assistant to help in the production process. She could not do her financial record books properly and she still needs to do training on bookkeeping.  When winter began, Nomzamo noticed that fewer people wanted ice-cold lemonade, and so she came up with the idea of selling hot soup. | | |  |
|  |  |  |  |
| 3.1 | Is Nomzamo an entrepreneur? Explain your answer. | |  |
|  | **Yes. She identified the need in her community and immediately plan how to satisfy that need at the same time make a profit**. | | (2) |
|  |  |  |  |
| 3.2 | Identify the FOUR factors of production in the case study and give examples of each and also their remuneration. | |  |
|  |  |  |  |
|  | |  |  |  | | --- | --- | --- | | **FACTORS OF PRODUCTION** | **EXAMPLE** | **REMUNERATION** | | **Natural resources** | **Lemon tree** | **Rent** | | **Labour** | **Assistant** | **Wages/Salaries** | | **Capital** | **Machine** | **Interest** | | **Entrepreneur** | **Nomzamo** | **Profit** | | |  |
|  | (4) (2) (4) = | | (10) |
|  |  |  |  |
| 3.3 | What are the outputs of Nomzamo’s business? | |  |
|  | **Lemonade (ice cold lemon) and soup.** | | (1) |
|  |  |  |  |
| 3.4 | What form of ownership is Nomzamo’s business? | |  |
|  | **Sole trader** | | (1) |
|  |  |  |  |

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| 3.5 | Name and explain TWO advantages of the form of ownership mentioned above. | |  |
|  | * **Easy to establish (set up)** * **Owner makes all the decisions** * **The owner gets all the profit** * **Does not require large amount of capital** * **Minimum legal requirements** * **Easy to close business if need arises** (Any two points = 2 x 1) | | (2) |
|  |  |  |  |

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| --- | --- | --- |
| 3.6 | What would happen to her business if she died? |  |
|  | **The business will cease to exist.** | (1) |

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| 3.7 | Do a SWOT analysis of Nomzamo’s business based on the case study. | |  |
|  | **STRENGTH.**  **She has a lemon tree at home.**  **WEAKNESSES**  **Nomzamo cannot do her own financial records.**  **OPPORTUNITIES.**  **She lives in a busy street. Business is growing.**  **THREATS**  **Changing season. Competitors entering the market.**  (One mark each = 1 x 8) | | (8) |
|  |  |  | **[25]** |
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| **QUESTION 4 (LO1 AS3)** | | |  |
|  |  |  |  |
| The following table represents the supply and demand schedules for the Bafana Bafana T-shirts sold at Woolworths for the 2010 Fifa World Cup. | | |  |
|  |  |  |  |
| |  |  |  | | --- | --- | --- | | **Price of T-shirts** | **Quantity demanded** | **Quantity Supplied** | | R310 | 500 | 100 | | R320 | 400 | 200 | | R330 | 300 | 300 | | R340 | 200 | 400 | | R350 | 100 | 500 | | | |  |
|  |  |  |  |
| 4.1 | Draw and clearly label the demand and supply curves for the T-shirt of Bafana Bafana using the information on the above table. | |  |
| **Price**  R360 D S  R350  R340  **Price of**  **T-shirts** R330  R320  R310 D  S  R300  0 100 200 300 400 500  **Quantity** | | |  |
|  | Mark Allocation:  **2 marks** for equilibrium point  **1 mark** for naming the vertical and **1 mark** for naming the horizontal axis  **I mark** for demand curve “ D-------D  **1 mark** for supply curve “S --- S”  ½ mark for each point other than equilibrium point = **4 marks** | | (10) |

|  |  |  |
| --- | --- | --- |
| 4.2 | What do you notice about quantity demanded as the price increases? |  |
|  | **As the price increases quantity demanded decreases.** | (1) |
|  |  |  |
| 4.3 | What do you notice about the quantity supplied as the price decreases? |  |
|  | **As price decreases quantity supplied also decreases**. | (1) |

|  |  |  |  |
| --- | --- | --- | --- |
| 4.4 | Mention TWO factors affecting demand. | |  |
|  | * **Price of the product** * **The price of complementary goods** * **Price of substitute** * **Effective advertisement** * **Different taste and preferences** * **Change is size of population** * **Change in the level of consumer income** (Any two point = 2 x 1) | | (2) |
|  |  | |  |
| 4.5 | Define the Law of Supply. | |  |
|  | **If all other factors stay the same, then how higher the price of a product increases, then the supply of the product will increase**  **Increase in price result in an increase in supply and a decrease in price lead to a decrease in supply. There is a positive relationship between the price and the quantity supplied.** | | (1) |
|  |  |  |  |
| 4.6 | Identify the equilibrium price from the graph. | |  |
|  | **R330,00** | | (1) |
|  |  |  |  |
| 4.7 | Calculate the total sales at the equilibrium point. | |  |
|  | Total Sales = Price x Quantity  = R330 x 300  = R99 000,00  (**½ mark** for R330,00; **½ mark** for 300 and **1 mark** for R99 000 = 3 marks) | | (2) |
|  |  |  | **[18]** |

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| **QUESTION 5 (LO2, AS1)** | | |  |
|  |  |  |  |
| |  | | --- | | **R1,2 BILLION FOR RURAL WATER AND SANITATION**  Rural development was not forgotten by Finance Minister when he delivered the National Budget speech yesterday.  “In addition to the funds allocated to the Department of Rural Development and Land Affairs for the Comprehensive Rural Development Strategy, we are setting up a new grant to support on site water and sanitation infrastructure as part of rural housing programme. An initial R1,2 billion over three years is provided.”  In the Division of Revenue Bill, gazetted in January, poverty stricken farmers have found some relief in conditional allocations.  In the Eastern Cape, a conditional allocation of R20 million was given to Llima/ Letsema Project Grants – aimed at assisting vulnerable farming communities to achieve an increase in agricultural production  Another R8,7 million additional allocation was given to the province as part of the land care poverty relief programme.”  **[Extract from Budget 2010, *Daily Dispatch*,Thursday, 18 February 2010]** | | | |  |
|  |  |  |  |
| 5.1 | Who is the new Minister of Finance? | |  |
|  | **Minister Pravin Gordhan** | | (1) |
|  |  | |  |
| 5.2 | Where does the government get the money to allocate to the development of rural water and sanitation? | |  |
|  | **From taxes.** | | (1) |
|  |  | |  |
| 5.3 | According to the extract, how will citizens living in the rural areas benefit from the allocation? Give TWO points. | |  |
|  | **Citizens will get on site water and sanitation infrastructure. Farmers will be assisted to increase in agricultural production. Citizens will also benefit in the land care poverty relief programme**. | | (2) |
|  |  | |  |
| 5.4 | List TWO departments that you feel strongly that mostmoney from the national budget should be spent on. Explain reasons for your answer. | |  |
|  |  | |  |
|  | **Answers will vary.** | | (4) |
|  |  | | **[8]** |

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| **QUESTION 6 (LO4: AS1, AS2, AS3)** | | |  |
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| 6.1 | Why is it important for a business to draw up a business plan? | |  |
|  | **A plan is necessary for gaining funding from most the financial sources.**  **It can also serve as guide for the operation of the business.**  **(Any other relevant answer)** | | (1) |
|  |  |  |  |
| 6.2 | **MORE CHAOS AS MUNICIPAL STRIKE CONTINUES**  Roads were blockaded, rubbish again dumped in streets, workers intimidated and elderly people holding a meeting inside auditorium in Newton Park municipal library were forced to leave a library as the municipal strike in Nelson Mandela Bay continued into its second day.  The strike continued yesterday despite a new 13% wage hike offer by the SA Local Government Association (Salga) in response to union demands for 15%.  Economist Mike Schussler estimated the strike was costing South Africa in the region of R15-million. “I can’t work out the damage of all the shops and the traders, but the cost is around R15-million a day in workers’ wages, I guess,” he said.  The longer the strike continued, the more the cost would escalate.  **[*The Herald,* 29 July 2009]** | |  |
|  |  | |  |
|  | 1. What was the strike about?   **The strike was about the demand for wage increase by employees**. | | (1) |
|  |  | |  |
|  | (b)Explain the impact of the municipal strike on:  (1)Business | |  |
|  | **The estimated cost suffered by businesses due to the   municipality was in a region of R15-million. This does not   include the damage of all the shops and the traders.** | |  |
|  |  | |  |
|  | (2) The South African economy  **The South African economy is also suffering due to the loss of production suffered by businesses as well as loss of wage suffered employees**.  (2 x 2) | | (4) |

|  |  |  |  |
| --- | --- | --- | --- |
| 6.3 | Tom asks you to assist him in calculating the projected income statement for his business. He plans to sell office desks. The cost of one desk is R750 and he plans to make a profit of 50% per desk. He estimated that by the end of the month he would sell at least 50 desks. He provides you with the following additional information:  Wages for employees R3 700  Telephone R800  Water and electricity R1 200  Transport R1 500  Advertising R700  **Sales (R1 125 x 50) = R56 250,00**  **Cost of sales (R750 x 50) = R37 500,00**  **Gross Profit = (18 750,00)**  **LESS Expenses R 7 900,00**  **Wages = R 3 700,00**  **Telephone = R 800,00**  **Rent = R 700,00**  **Waterandelectricity *=* R 500,00**  **Transport = R 1 500,00**  **Advertising = R 700,00**  **NET PROFIT = R10 850,00** | | (10) |
|  |  | |  |
|  | **MARK ALLOCATION:**  Sales workings (calculation of profit mark up 750 x 50/100 = 375 (**2 mark**); calculation of selling price i.e., 750 + 375= 1 125 (**1 mark**); calculation of sales i.e. 1 125 x 50 = 56 250 (**2 marks**) Total mark = If the learner did not show working and put only **R56 250** give full marks.  Cost of sales **(2 marks**); All expenses( **½ mark each**); Total expenses  (**1 mark**)  Gross Profit (**1 mark)**; Net Profit (**1 mark**)  **N.B** For Gross Profit; Less Expenses and Net Profit mark according to learners workings. | |  |
|  |  | |  |
| 6.4 | Your friend asks you to advise him on which is the best form of ownership to choose between a partnership and close cooperation. In order to help him you need to first explain the following: | |  |
|  |  | |  |
|  | |  |  |  | | --- | --- | --- | |  | **2 − 20** | **1 − 10** | | Profit sharing | **Shared according to profit sharing ratio** | **Shared according to members % contributed** | | Taxation | **Partners pay individually on a sliding scale** | **CCs pay at same fixed rate as companies** | | | (6) |
|  | (1 mark for every comment 1 x 6 = 6) | | **[22]** |
|  |  | |  |
|  |  | **TOTAL:** | **100** |