

Economics and management science

Term 2: Task 10

May 2020

Section A:

Question 1: Define the following terms

1.1 Personal income (2)

Income received by an individual for services rendered or income earned from their job

1.2 Personal expenses (2)

These are expenses that are unique to the individual and may be for various reasons such as utility items, food, transportation, entertainment, etc.

(1 mark is awarded for the definition and 1 mark is awarded for an example)

1.3 Fixed deposit (2)

A sum of money invested with a financial institution for a fixed period of time, agreed upon with the depositor and financial institution. This period may range between 1- 20 years on average. The depositor will receive an interest remuneration for depositing their money with that financial institution. If they wish to withdraw their investment or even a part of it, they will be liable to pay penalties

1.4 Net worth (2)

Is calculated by subtracting the total liabilities from total assets. It is the worth of a business or individual at a particular period of time when this calculation is completed

1.5 Assets (2)

An asset is a resource that is owned and controlled by a business used to generate future economic benefits

Question 2: Answer the following questions

2.1 Discuss 3 fixed expenses businesses can incur (6)

(Possible expenses: Rent, water and electricity, rates, salaries, wages, advertising, stationary, telephone, Wi-Fi)

(2 marks are awarded for each example provided explanations may vary but as long as it is sensible to the marker, the full mark will be awarded)

2.2 You are the owner of an accounting service company, you have Laptops, Computers, telephones, Desks and Chairs which are used in your business.

2.2.1 Which of these items in 2.2 are assets and/or liabilities. Explain your answer. Remember to include the definitions of assets and liabilities in your answer (4)

All items are assets, the Laptops, Computers, telephones, Desks and Chairs are used by the business to generate future economic benefits)

(2 marks are awarded for identifying all items as assets and 2 marks for the definition in accordance with the examples)

2.2.2 The Wi-Fi that is used in the running of your business would be identified as a fixed cost or variable cost

Discuss the above statement. Include in your answer the definition of fixed and variable costs. (3)

The Wi-Fi that is used in the running of the business is a fixed cost because it is a requirement for the business such as this accounting firm which deals with clients and SARS, thereby making internet access a requirement for the business to run, therefore this is a fixed cost as the business will have to pay for it every month.

(1 mark is awarded for choosing fixed cost and 2 marks for the explanation)

Question 3: Use the information below to complete the statement of net worth for Ms Marvel

Savings account: R 650

Infinity necklace: R 5210

Watch: R2348

Loan from Iron man: R930

Clothes: R 5674

Space ship: R36900

Shoes: R 10

House: R 876000

Categorise the list into assets and liabilities in the table below (4)

ASSETS	R	LIABILITES	R
Savings account	650	Loan from iron man	930
watch	2348		
clothes	5674		
shoes	10		
house	876000		
Infinity necklace	5210	$\frac{1}{2}$ mark for each correct listing	
spaceship	36900		

b) Calculate the total assets and total liabilities for Ms Marvel (4)

Total assets (650+2348+5674+10+876000+5210+36900) – (930)

($\frac{1}{2}$ Mark for each correct listing) (total assets:926792 – total liabilities:930)

c) Calculate her net worth (4)

(926792 – 930) = R925862 (2 marks for correct final answer and 1 mark each for the correct variables in the calculation)

Question 4: Answer the following questions

4.1 Discuss the provision for capital and include the different types of capital contribution (4)

Provision for capital refers to the acquisition of capital resources required for the initial and perpetual running of the business. These include start-up capital and running capital

4.2 Provide reasons for owners reinvesting in their business and explain why it is important to do so (3)

Possible answers

- To grow the business

- Lower long term liabilities

-Any other logical reason

4.3 Explain why you think budgets play a key role in the financial and strategic planning of a business? (4)

Budgets ensure all income and expenses are accounted for based on past data.

Budgets ensure there isn't any over spending

Provide you with a clear plan

Ensures the correct allocation of funds

4.4 List and explain all the factors of a budget. (2)

1 mark each for any two

- Income structure

- Spending habits

- List of expenses

- List of income

REMEMBER:)

Actions speak louder than words, so do good and always be good

GOD BLESS!!!