

**GRADE 8 ECONOMIC MANAGEMENT SCIENCES
YEAR-END EXAMINATION**

21 NOVEMBER 2011

MARKS: 140

Name: _____

Class: _____

INSTRUCTIONS:

1. This paper consists of 11 pages.
2. Please check that your question paper is complete.
3. Read the questions carefully.
4. Answer the questions in the space provided on this question paper.
5. It is in your interest to write legibly and present your work neatly.
6. You may **NOT** use green or red ink. **You may use a pencil, but please use a soft, dark pencil.**
7. Try to keep to the time allocation suggested below.

	TOPIC	MARKS	APPROX TIME	MARKS ACHIEVED
1.	Multiple Choice	20	10 min	
2.	True or False	10	10 min	
3.	Human Resources	8	10 min	
4.	Forms of Ownership	10	10 min	
5.	Source Documents	10	10 min	
6.	Inflation	25	15 min	
7.	Trade Unions	25	15 min	
8.	Savings and Investments	10	10 min	
9.	Accounting – Ledger	10	15 min	
10.	Accounting - Journals	12	15 min	
	TOTAL	140	120 min	

QUESTION 1 – Multiple Choice

- 1.1. The Tax year in SA runs from _____ to _____
A 1 March - 28 February

- B 1 January – 31 December
- C 1 April – 31 March
- D None of the above

1.2. The Euro is the currency used in which of the following countries?

- A United States of America
- B Great Britain / United Kingdom
- C Canada
- D Germany

D

1.3. The current exchange rate for the R / \$ is approximately?

- A R 7,98
- B R 0,0633
- C R 15,81
- D R 12,49

A

1.4. Which of the following form part of the concept of Owners Equity?

- (i) Capital
- (ii) Inventory
- (iii) Income
- (iv) Drawings
- (v) Expenses

Choose the correct combination

- A. All of the above
- B. i, ii, iii and iv
- C. ii, iii, and iv
- D. i, iii, iv and v

D

1.5. The double entry principle refers to the fact that:

- A. Financial statements should be as simple as possible, but items which are important to the reader of the statements should be highlighted and disclosed separately
- B. Every financial transaction has a double sided effect
- C. The income must be matched with the expenses that were incurred in generating that income
- D. None of the above

B

1.6. The _____ is that part of the cheque left in the cheque book used to complete the Cash Payments Journal.

- A cheque counterfoil
- B receipt
- C invoice
- D None of the above

A

1.7. A disadvantage of a Current Account would be:

- A The convenience of withdrawing money from an ATM as and when required
- B The ability to write out cheques to pay for regular monthly expenses
- C The low interest rate earned
- D None of the above

C

1.8. This form of ownership has a minimum of 2 owners _____

- A sole proprietorship.
- B close corporation.
- C partnership.
- D private company.

C

1.9. Which of the following businesses would be considered a service business?

- A. Sunset Beauty – toiletry shop
- B. Stationery Bizarre
- C. Lesego's Hair Salon
- D. Step Ahead Shoe Store - Fourways

C

1.10. If Ms. Bramley paid ONE months' rent of R 4 500 plus a deposit equivalent to ONE months' rent. What is the value of the cheque she must write? _____

- A. R 4 500
- B. R 9 000
- C. R 9 500
- D. None of the above are correct

B

(10 x 2 = 20)

QUESTION 2 – True OR False

State whether the following statements are true or false:

- 2.1. When private companies want to raise capital or get more capital they advertise shares in a **prospectus**. TRUE
- 2.2. An owner of a Close Corporation is called a **shareholder**. FALSE
- 2.3. The **CPI** is often referred to as "Customer inflation at the factory gate". FALSE
- 2.4. An increase in household disposable income is one of the causes of **Supply Pull** inflation. FALSE
- 2.5. "Take-home pay" is another term for **Net Salary**. TRUE
- 2.6. **NUM** was one of South Africa's first (and biggest) Trade Union Alliances. FALSE
- 2.7. The Basic Conditions of Employment Act, 1997 stipulates that it is a criminal offence to employ a child of less than **15 years of age**. TRUE
- 2.8. The current company tax rate in South Africa is **29 %** of profits. TRUE
- 2.9. A cash receipt is one of the source documents of the **Creditors Journal**. FALSE
- 2.10. **Full time** employees work flexi-time and are paid by the hour. FALSE

(10 x 1 = 10)

QUESTION 3 – Human Resources

3.1. Salaried staff at Dainfern College receive a number of benefits in addition to their basic salary. List any FOUR of the **benefits** received by staff. (4)

• Medical Aid✓	• UIF✓
• Pension Fund✓	• 13 th Cheque✓

3.2. Choose **TWO** of the above benefits and give a brief description of each

•
•

(4)

QUESTION 4 – Forms of Ownership

Complete this table by contrasting a Partnership and a Public Company:

	Partnership	Public Company
Number of owners:	2✓	Minimum of 7 shareholders✓
Official ending of the business name:	None✓	Ltd✓
Continuity of the business:	Limited to the lifespan of the partners✓	Unlimited lifespan✓
Liability for debts of the business:	Partners are jointly and severally liable for the debts of the firm✓	Limited liability to the amount invested✓
Legal formation requirements:	Partnership articles✓	Memorandum of Association Articles of Association✓

(10)

QUESTION 5 – Source Documents

5.1. Complete the following Source Document on the question paper using the information provided:

D. Morkel deposited R150 000 into her business **Music 4 Africa** as her capital contribution on 1 May 2011. The business issued her receipt 012 which was signed by you, her bookkeeper. (5)

MUSIC 4 AFRICA		RECEIPT
No: 012 ✓	Date: 01/05/11 ✓	
Received from: D. Morkel ✓		
The amount of: One hundred and fifty rand only ✓	(words and figures must match)	R 150 000-----
For: Capital ✓		
With Thanks: The bookkeeper's signature		

5.2. Answer the following questions based on the source documents below:

STANDARD BANK OF SOUTH AFRICA	
DATE: _____	MOOIRIVER
TO: _____	DATE: _____ YYYY – MM - DD
FOR: _____	Or Bearer
AMOUNT: _____	PAY: _____
BALANCE: _____	THE SUM OF: _____
87	; _____
87 006315 19630414 01	TANDI'S DAIRY LTD

- a) Name the Drawer of this cheque? **Tandi's Dairy** _____ (1)
- b) Name the Drawee? **Standard Bank** _____ (1)
- c) Identify one thing which is recorded on the cheque counterfoil and not on the cheque? **The reason for the payment** _____ (1)
- d) State the cheque number for this cheque **87** _____ (1)
- e) Give ONE reason why the Bank would refuse to process a cheque.
Not signed (1)

QUESTION 6 - Inflation

Read the following article and answer the questions that follow:

Why fast foods are bucking economic trends

According to Statistics South Africa (Stats SA), the income generated on food and drink overall is down 2,7% from last year. Restaurants and coffee shops have been the hardest hit – their sales are down by 6,5%. But fast food and take-away outlets have seen an increase in sales of a surprising 11,2%. Bars have also seen income increase by 6,7%.

Market analysts believe that it is usual to see fast foods and take-aways show healthy growth when consumers come under financial pressure. This is because consumers trade down from their usual restaurant-eating habits to favour take-aways, which are cheaper. Restaurants and coffee shop can expect better consumer support once the market turns.

The good news is that the economic tide seems to be turning and the entire industry can look forward to better consumer support in the coming year. This upward trend will be supported by the FIFA World Cup in the middle of the year. Overseas visitors are bound to make use of favourable exchange rates to support both restaurants and fast food outlets alike.

Stats SA also revealed that in October last year inflation had fallen below the targeted 6% mark for the first time in more than two years. This is good news for consumers, but just how long this trend will last once factors such as the electricity price hikes come into play, remains to be seen.

(Succeed – April 2010)

Questions:

- 6.1. According to Statistics SA, by what % did the income generated from the food and drink industry decrease, from 2009 to 2010? (1)
2.7%
- 6.2. Which part of the food and drink industry was the hardest hit? (1)
Restaurants and Coffee shops
- 6.3. Which parts of the industry saw an increase in sales and by how much? (4)
Fast food & take aways ✓ up by 11.2% ✓
Bars ✓ up by 6.7% ✓
- 6.4. What was the reason for this increase? (2)
Fast foods and take aways usually show healthy growth when there is financial pressure because consumers rather go for the cheaper option ✓✓
- 6.5. Do you think that the South African economy benefitted from the 2010 World Cup Soccer? Motivate your answer. (5)
Yes/No
Motivation – 2 good points ✓✓ each
e.g. tourists → foreign money → economic growth etc
- 6.6. Stats SA also revealed that in October of 2009, ‘inflation had fallen below the target ...’
- a) Define inflation. (2)
Inflation is sustained and continued increase in the general prices of goods and services ✓✓
- b) Briefly explain **demand-pull inflation**. (4)
This is when the demand for products is so high that their prices are pulled up

By the actions of consumers✓✓

When the demand for goods & services is greater than the suppliers are willing or able to produce✓✓

c) Name and describe **3 consequences** of inflation (6)

• Reduction in purchasing power, the buying power of money is less✓✓

• Standard of living may decrease✓✓

• Decrease in value of savings and the value of money✓✓

QUESTION 7 – TRADE UNIONS

Read the following article and answer the questions that follow:

THIGH-HIGH IN RUBBISH AS MUNICIPAL STRIKE TALKS FALTER

Johannesburg commuters, school-children and motorists have had to navigate gutters overflowing with rotting refuse and piles of thigh-high rubbish on the seventh day of the municipal workers' strike.

Talks between the SA Municipal Workers' Union and employer grouping the SA Local Government Association were deadlocked. The union said it had been fighting low wages and the use of expensive lawyers in internal disciplinary hearings for seven years. The association yesterday bowed to pressure to raise pay and dispense with lawyers, but the parties disagree on how many years back-pay should be given. Union spokesman Tahir Sema said the union was prepared to settle for two years of back-pay.

There have been more reports that striking workers are intimidating their non-striking colleagues. Jack Bloom the DA's Gauteng health spokesman, visited a clinic in Bezuidenhout Valley yesterday morning only to find it closed.

In Durban and Cape Town, the effects of the strike were said to be minimal. Durban municipal manager Michael Sutcliffe said only 8% of council workers were on strike.

"Though some services have been partially affected by the strike, the contingency plans the municipality has prepared ensure that critical services continue. But people should expect some disruption to services due to intimidation of non-striking workers," he said.

There has been no picketing or marches in KwaZulu-Natal since Friday. Durban mayor Obed Mlaba condemned last week's trashing and vandalism in the city centre during a mass march.

Taken from www.timeslive.co.za

7.1. Which strike is being referred to in the article? (1)

National Municipal Strike✓

7.2. Which union is representing these workers? (1)

SA Municipal Workers Union✓

7.3. Who is the union's spokesman? (1)

Tahir Sema✓

7.4. Outline 3 functions of a Trade Union. (6)

- | |
|---|
| • Improve standard of educational training of its members |
| • Represent workers in the collective bargaining process |
| • Improve productivity of workers – Improve conditions of service |
| • Settle disagreements and differences between employers and workers |
| • Any 3 x ✓✓ |

7.5. Why were these workers striking? (1)

- | |
|--------------------------|
| About low wages ✓ |
|--------------------------|

7.6. What is the difference between a strike and a “go slow”? (4)

- | |
|---|
| • A strike is a collective refusal to work by employees until demands are met ✓✓ |
| • A go slow is when employees work but at a much slower pace, which affect productivity ✓✓ |

7.7. The article states “there has been no **picketing** since Friday. What do they mean by picketing? (2)

- | |
|---|
| • Picketing is a form of protest outside the work place e.g. toy-toying ✓✓ |
|---|

7.8. Give 2 effects that strikes have on the economy? (4)

- | |
|--|
| • They cause disruption and sometimes disruption to public property ✓✓ |
| • It lowers productivity, loss of sales, decrease in economic growth ✓✓ |
| Any 2 valid points |

7.9. Why was the **Employment Equity Act** passed? (2)

- | |
|--|
| • To eliminate unfair discrimination and to correct the imbalances of the past ✓✓ |
|--|

7.10. What do the following abbreviations stand for? (1)

- | |
|--|
| a) UIF
Unemployment insurance fund ✓ |
|--|

- | |
|---|
| b) BEE
Black economic empowerment ✓ |
|---|

7.11. Which Act states all the working conditions of employment? (1)

- | |
|---|
| Basic conditions of employment act ✓ |
|---|

QUESTION 8 – SAVINGS AND INVESTMENTS

8.1. Calculate the Simple and Compound Interest for the following two scenarios, and comment on which is the better interest to receive on your savings? (10)

You save R 8 000 at 12% p.a. interest for 1 year.

Simple Interest	Compound Interest i.e. $A=P(1+r/100)^n$
------------------------	---

$8\,000 \times 12/100 \checkmark$ $= 960 \checkmark$	$8\,000 (1 + 12/100)_1 \checkmark$ $= 8\,000 (1.12)_1$ $= 8\,960$ Interest = 960 \checkmark
You save R 125 000 for 3 years at an interest rate of 15 %	
Simple Interest	Compound Interest i.e. $A=P(1+r/100)^n$
$125\,000 \times 15/100 \times 3 \checkmark$ $= 56\,250 \checkmark$	$125\,000 (1 + 15/100)_3 \checkmark$ $= 125\,000 (1.15)_3$ $= 190\,109,38 - 125\,000$ Interest = 65 109,38 \checkmark

Comment: Compound interest \checkmark because your interest from the years before is added to the principle amount and is growing annually \checkmark

QUESTION 9 – Accounting (Ledgers)

Ms. Dube opened her interior decorating business called *Yebo Creations*.

Required: Using the information below extracted from the CPJ and CRJ for the first month of operation, record the information in the General Ledger. Use the Capital, Bank and Wages accounts **only**. **Balance the Bank account.**

CRJ – Total of the Bank Column = R 145 000

Total of the Current Income Column = R 45 000

Sundry Account = R 100 000 for Capital

CPJ – Total of the Bank column = R 37 000

Total of the Wages column = R 14 500

Total of the Consumable Stores column = 10 500

Total of the Sundry accounts column = R12 000

(10)

General Ledger of Yebo Creations Balance Sheet Section

DR				B1. Capital				CR	
				Jan	1	Bank \checkmark	CRJ	\checkmark 100 000	

DR				B2. Bank				CR		
Jan	31	Total Receipts ✓	CRJ	✓ 145 000	Jan	31	Total Payments ✓	CPJ	✓ 37 000	
							Balance	b/d	✓ 108 000	
				145 000					145 000	
Feb	1	Balance	c/d	✓ 108 000						

2

6

DR				Nominal Section N4. Wages				CR		
Jan	31	Bank ✓	CPJ	✓ 14 500						
									2	

QUESTION 10 – Accounting (Journals)

Take a careful look at the two Journals on the next page and fill in the missing information represented by the letters A to I in the space below – Dainfern Dealers uses a profit mark-up of 40%. (12)

A	Dainfern Dealers ✓
B	R 5 600 ✓
C	R 4 000 ✓
D	Day ✓
E	R 5 040 ✓
F	R 5 040 ✓
G	R 5 040 ✓
H	R 13 580 ✓
I	Telkom ✓
J	R 3 978 ✓
K	Stationery ✓
L	R 320 ✓

QUESTION 10 – Accounting Journals

(12)

Cash Receipts Journal of _____ A _____ – August 2011

Doc	D	Details	Analysis of Receipts	Bank	Sales	Cost of Sales	Sundry A/c Details	Amount
100	1	Mr. S. West	25 000				Capital	25 000
CRR		Sales	5 600	B	5 600	C		
CRR	12	Prefect Properties	6 300	6 300			Rent Income	6 300
CRR	18	Sales	E	F	G	3 600		
CRR	29	Sales	2 940	2 940	2 940	2 100		
				44 800	H	9 700		31 300

Cash Payments Journal of Dainfern Dealers – August 2011

Doc	D	Name of Payee	Bank	K	Material Costs	Sundry A/c Details	Fol	Amount
001	5	Makro	900		900			
002	8	Local City Council	250			Trading licence		250
003	10	Hoover	550			Equipment		550
004	12	Minit Print	150	150				
005	13	Waltons	275	275				
006	16	I	365			Telephone		365
007	18	Makro	790		790			
008	20	SA Post Office Ltd	148			Drawings	B2	148
009	23	Local Metro Council	550			Water & electricity		230
						Rates & Taxes		L
			J	425	1 690			1 863