

**GRADE 9 ECONOMIC MANAGEMENT SCIENCES  
YEAR-END EXAMINATION 2011**

**TIME: 2 hours**

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**MEMORANDUM**

**Name:** \_\_\_\_\_

**Class:** \_\_\_\_\_

**INSTRUCTIONS:**

1. This paper consists of 13 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.**

	TOPIC	MARKS	APPROX TIME	MARKS ACHIEVED
1.	Multiple Choice	10	6 min	
2.	Concepts	18	10 min	
3.	True or false	5	3 min	
4.	Economic cycle	42	26 min	
5.	Journals & Source documents	20	13 min	
6.	Financial statements/ratio's	49	33 min	
7.	Accounting equation	35	22 min	
8.	General ledger	11	7 min	
	<b>TOTAL</b>	<b>190</b>	<b>120 min</b>	

Select the most correct answer by placing an X over the corresponding letter.

1.1 A person earns a \_\_\_\_\_, which is your salary after tax and all other deductions.

- A. **net salary**
- B. gross salary
- C. part-time salary
- D. wage

1.2 A programme instituted by the ANC government aimed at redressing past social and economic imbalance and developing economic growth.

- A. **RDP**
- B. GDP
- C. GNP
- D. PAYE

1.3 An open economy has the following participants

- (i) Consumers
- (ii) Private sector
- (iii) Public sector
- (iv) Foreign sector

Choose the correct combination:

- A. **All of the above**
- B. i, ii and iii
- C. ii, iii and iv
- D. None of the above

1.4 Which one of the following would **NOT** be considered a reason for international trade?

- A. Specialisation
- B. Comparative advantage of products
- C. Lack of technology in developing countries
- D. **International economic sanctions**

1.5 The rand value in terms of other currencies is **NOT** influenced by the following factor

- A. Monetary policy of the government
- B. Inflation
- C. **SARS**
- D. Gold price

5x2 (10)

**Question 2****CONCEPTS****(18 marks; 10 minutes)****Supply the concepts that are being described below:**

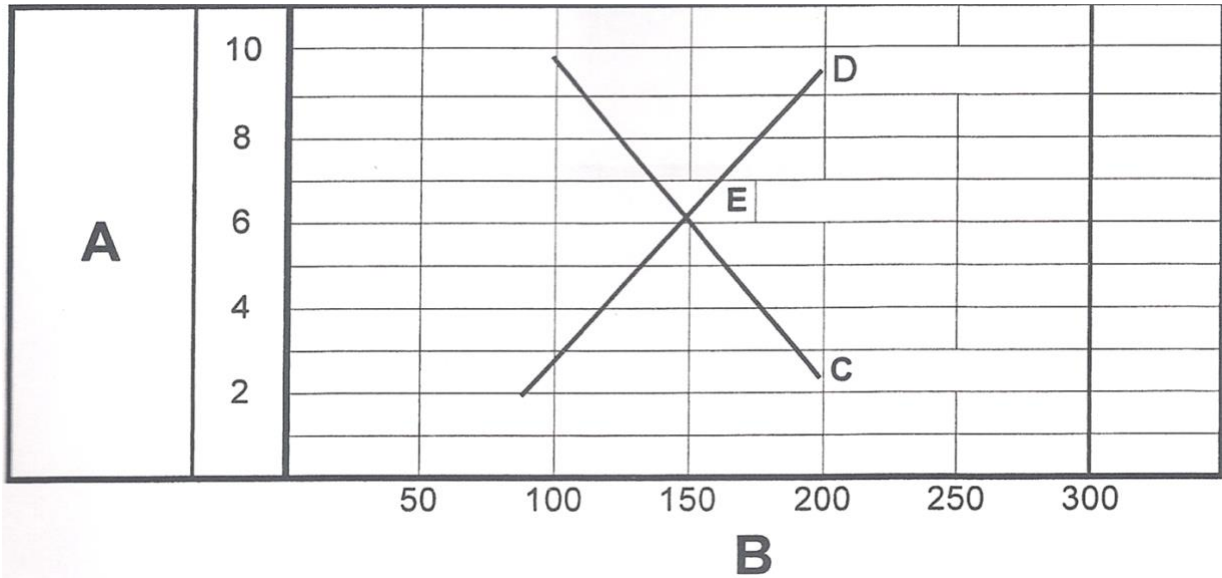
	<b>Concept</b>
2.1 International goods bought by South African businesses and brought into the country	<b>Imports</b>
2.2 The relationship between outputs and inputs	<b>Productivity</b>
2.3 This occurs when large quantities of low quality goods are exported to a country at a low price.	<b>Dumping</b>
2.4 A place where buyers and sellers make contact with the aim of exchanging information about the buying and selling of goods and services	<b>Market</b>
2.5 A short, memorable phrase used in advertising	<b>Slogan</b>
2.6 Businesses cannot control this type of marketing communication as it is largely under the control of the media.	<b>Publicity</b>
2.7 When a hand cream, body lotion and body scrub are packaged together, we refer to this as.....packaging	<b>Combination</b>
2.8 When a market is government controlled but at the same time depends on supply and demand, we call it a .....economy	<b>Socialist/mixed</b>
2.9 Countries can specialise in goods and services that they are able to produce well and exports good quality products. This is known as .....advantage	<b>Comparative</b>

9x2 (18)

**Question 3****TRUE OR FALSE****(5 marks; 3 minutes)****State whether the following statements are true or false.**

- 3.1 Exhaustion of natural resources is a disadvantage of international trade. **True**
- 3.2 An exchange rate of R7,30 to the dollar has depreciated if the exchange rate was R7,50 the previous day. **True**
- 3.3 Dependence on other countries is an advantage of international trade. **False**
- 3.4 Communist countries have privately owned businesses. **False**
- 3.5 Rent is an example of a variable cost **False**

Analyse the graph below and answer the questions that follow. The graph is based on RT jeans that is a clothing line at Mr Price.



4.1 Provide labels for A – E

(5)

<b>A Price</b>	<b>A</b>
<b>B Quantity demanded &amp; supplied</b>	<b>B</b>
<b>C Demand curve</b>	<b>C</b>
<b>D Supply curve</b>	<b>D</b>
<b>E equilibrium point</b>	<b>E</b>

4.2 State the equilibrium price and quantity

(2)

<b>The equilibrium price is R6</b>
<b>The equilibrium quantity is 150</b>

4.3 Discuss in your own words why the supply for any product may change.

(2)

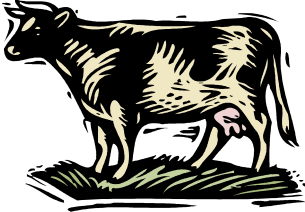
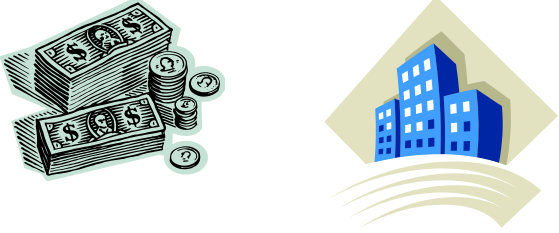


<b>The supply varies in direct proportion to the price. As the price increase the supply of the item also increase. / sellers will offer more if the price is high and less if the price is low.</b>
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4.4 Discuss in your own words why the demand for any product may change.

(2)

**As the price of the product increase the demand for the item decrease. Larger quantities will be bought at lower prices and smaller quantities at higher prices.**

4.5 Identify the four factors of production as well as the reward for each factor:

 <p>Factor: <u>          <b>Natural resources</b>          </u></p> <p>Reward: <u>          <b>rent</b>          </u></p>	 <p>Factor: <u>          <b>capital</b>          </u></p> <p>Reward: <u>          <b>interest</b>          </u></p>
 <p>Factor: <u>          <b>labour</b>          </u></p> <p>Reward: <u>          <b>salary or wage</b>          </u></p>	 <p>Factor: <u>          <b>Entrepreneur</b>          </u></p> <p>Reward: <u>          <b>profit</b>          </u></p>

(8)

4.6 Explain THREE advantages of higher productivity for a country.

(6)

<b>Promotes economic growth</b>
<b>Increase standard of living</b>
<b>May lead to a decrease in production costs</b>
<b>Profits will grow</b>
<b>Cheaper per unit as greater number of products are produced</b>
<b>Workers are encouraged to work harder as they are rewarded</b>

7 Define the term 'exchange rate'

(2)

<b>The price of one currency expressed in terms of another</b>

4.8 If you were importing jeans from the USA at a cost of \$39 each, what would the cost in Rands be when the exchange rate is R7,73 to the dollar?

(2)

$$\text{\$39} \times \text{R7.73} = \text{R310,47}$$

4.9 Why would consumers in the USA prefer to buy South African jeans when the rand is weaker in comparison to the dollar? (2)

**They would pay less if the rand is weaker. A weakening rand would be good as the rand becomes 'cheaper' in international terms.**

4.10 Why would South African exporters of jeans be influenced negatively when the rand gets stronger in relation to the dollar? (2)

**They would earn less if the rand is stronger if the dollars are converted to the rand**

4.11 A business associate of yours has arrived from Australia for a 5-year contract. He wants to buy a car for his use while in SA. Help him to calculate his monthly repayments on a R170 000 Toyota Verso. The deposit required is 5% and finance charge is 11% p.a for 3 years. (7)

$$\text{Deposit: } 170\,000 \times 5\% = \text{R8 500}$$

$$\text{Finance charge: } (170\,000 - 8\,500) \times 11\% \times 3\text{years}$$

$$= 161\,500 \times 11\% \times 3 \text{ yrs}$$

$$= 53\,295$$

$$\text{Instalments: } [(170\,000 - 8\,500) + 53\,295] / 36 \text{ months}$$

$$= 214\,795 / 36$$

$$= \text{R5 996,53 installments per month}$$

4.12 What would the cost of hotel accommodation of R2 990 be in dollars when the exchange rate is R7,35 to the dollar? (2)

$$2\,990 / 7.35 = \text{\$ 406.80}$$

**Question 5                      JOURNALS & SOURCE DOCUMENTS                      (20 marks; 13 minutes)**

State which journal & source document will be used for each of the following transactions. **It is important to state whether it is an original or a duplicate document where necessary.**

<b>TRANSACTION</b>	<b>JOURNALS</b>	<b>SOURCE DOCUMENTS</b>
1. Cash sales of R3 500.	<b>CRJ</b>	<b>Cash register roll</b>
2. Credit purchases of equipment, R9 000	<b>CJ</b>	<b>Invoice (original)</b>
3. Issued a cheque to City of Tswane for water and electricity, R1 300.	<b>CPJ</b>	<b>Cheque counterfoil</b>
4. Paid rent of R4 500	<b>CPJ</b>	<b>Cheque counterfoil</b>
5. Restore the imprest amount	<b>CPJ</b>	<b>Cheque counterfoil</b>
6. Sold goods on account to WCA Stores, R4 000	<b>DJ</b>	<b>Invoice (Duplicate)</b>
7. Owner increased his capital contribution by R25 000.	<b>CRJ</b>	<b>Receipt</b>
8. Received R1 500 from a debtor, in part-payment of their account.	<b>CRJ</b>	<b>Receipt</b>
9. Used money from the money box to pay for postage stamps, R12.	<b>PCJ</b>	<b>Petty cash voucher</b>
10. Services rendered to customers for cash, R10 000.	<b>CRJ</b>	<b>Cash register roll</b>

20x1 (20)

Read the information extracted from the books of **Hatfield Bakery**, one of the main suppliers to the hospitality industry, at the end of their financial year (30 October 2011)

**INSTRUCTIONS:**

- 6.1 Complete the Trial Balance that was drawn up by an inexperienced bookkeeper.
- 6.2 Use the Trial Balance to complete the Income Statement and Balance Sheet of Hatfield Bakery and answer the questions that follow.
- 6.3 Use the Balance sheet of Hatfield Bakery to calculate:
- the solvency ratio
  - quick acid test ratio and
  - the profitability of the business.

**Additional information:**

*The business sells all trading stock at a profit mark-up of 60%*

- 6.1 Complete the Trial Balance by solving the question marks and filling in the folio's.

<b>Hatfield Bakery</b>			
<b>Trial Balance on 31 October 2011</b>			
	FOL	DEBIT	CREDIT
<b>BALANCE SHEET SECTION</b>			
Capital	B1		? 836 000
Drawings	B2	6 000	
Land and buildings	B3	600 000	
Vehicles	B4	200 000	
Equipment	B5	20 000	
Trading stock	B6	50 000	
Debtors control	B7	80 000	
Bank	B8	25 000	
Creditors control	B9		115 000
<b>NOMINAL ACCOUNT SECTION</b>			
Sales	N1		250 000
Cost of sales	N2	? 156 250	
Rent income	N3		15 000
Water and electricity	N4	2 500	
Salaries	N5	35 000	
Wages	N6	20 000	
Telephone	N7	1 500	
Stationery	N8	1 250	
Consumables stores	N9	1 000	
Advertisements	N10	7 500	
Packing material	N11	10 000	
		<b>1 216 000</b>	<b>1 216 000</b>





6.2 Refer to the Trial Balance of Hatfield Bakery and complete the Financial Statements

Hatfield Bakery Income Statement for the year ended 31 October 2011		
<b>Sales</b>		<b>250 000</b>
<b>Cost of sales</b>		<b>(156 250)</b>
<b>Gross Profit</b>		<b>93 750</b>
<b>Other operating income</b>		<b>15 000</b>
<b>Rent income</b>		<b>15 000</b>
<b>Gross operating income</b>		<b>108 750</b>
<b>Operating expenses</b>		<b>(78 750)</b>
<b>Water and electricity</b>		<b>2 500</b>
<b>Salaries</b>		<b>35 000</b>
<b>Wages</b>		<b>20 000</b>
<b>Telephone</b>		<b>1 500</b>
<b>Stationery</b>		<b>1 250</b>
<b>Consumable stores</b>		<b>1 000</b>
<b>Advertisements</b>		<b>7 500</b>
<b>Packing materials</b>		<b>10 000</b>
Net Profit		<b>30 000</b>



<b>Hatfield Bakery</b>		
<b>Balance sheet on 31 October 2011</b>		
<b>ASSETS</b>		
<b>Non-current assets</b>		<b>820 000</b>
<b>Land and buildings</b>		<b>600 000</b>
<b>Vehicles</b>		<b>200 000</b>
<b>equipment</b>		<b>20 000</b>
<b>Current assets</b>		<b>155 000</b>
<b>Inventory</b>		<b>50 000</b>
<b>Trade and other receivables</b>		<b>80 000</b>
<b>Cash and cash equivalents</b>		<b>25 000</b>
<b>TOTAL ASSETS</b>		<b>975 000</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Owner's equity</b>		<b>860 000</b>
<b>capital</b>		<b>836 000</b>
<b>Net profit</b>		<b>30 000</b>
		<b>866 000</b>
<b>Drawings</b>		<b>(6 000)</b>
<b>Current liabilities</b>		<b>115 000</b>
<b>Trade and other payables</b>		<b>115 000</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>975 000</b>

(28)

6.2.1 What is the function/purpose of the Income Statement?

(1)

<b>To determine whether the business has made a profit or a loss</b>

6.2.2 Explain the term Gross Profit.

(1)

<b>The amount earned before any other deductions</b>

6.2.3 How could the owner of Hatfield Bakery increase his gross profit?  
Briefly discuss TWO possibilities.

(2)

**Increasing his sales/profit mark-up/promotions/specials**

**Decreasing his Cost of sales by finding cheaper suppliers**

**ANSWER THE FOLLOWING QUESTIONS RELATED TO THE FINANCIAL STATEMENTS OF HATFIELD BAKERY**

6.3 (a) Calculate the **solvency ratio** of the Bakery business and justify whether the business is in a solvent position.

(4)

**Solvency ratio: 975 000 : 115 000**

**8.48 : 1**

**Comment on your results : This is very good as it is greater than the norm 2:1 . It is in a solvent position as there are more assets than liabilities. The business may definitely borrow more over the long term.**

6.3 (b) Calculate the **Quick acid test ratio** of the Bakery business and comment on your results.

(4)

**Quick acid test ratio: 155 000 – 50 000 : 115 000**

**105 000: 115 000**

**0.91:1**

**Comment on your results : It is slightly below the norm 1:1. The business is dependent on selling stock in order to cover their debt**

6.3 (c) Calculate the **PROFITABILITY** of the Bakery business.

(3)

**30 000 / 860 000 x 100/1  
= 3,49%**

**Question 7****ACCOUNTING EQUATION****(35 marks; 22 minutes)**

Show the effect on the accounting equation for the following transactions of the Sun City Hotel.



- 7.1 The owner, C Sun, increased his capital contribution of R15 000 to R20 000, by cheque.
- 7.2 Issued a cheque to Telkom in payment of the hotel's telephone account, R120 and the owners account, R85.
- 7.3 One of the customers purchased 8 gowns at R370.50 each from the hotel shop. Issued him a receipt. The gowns had been marked up by 95% on cost.
- 7.4 Purchased new beds and furniture for the refurbishment of some rooms from Furniture City on account, R159 000 less 5 % trade discount.
- 7.5 Owner took R25 from Petty Cash for his personal use.
- 7.6 Received a cheque for R800 from Albertus Inc. for the rent of the function room.
- 7.7 Received a cheque from one of our clients; K. Giddy in settlement of her account of R550.
- 7.8 Purchased 7 R1,50 stamps and 3 postal orders of R10 each from Postnet, using petty cash.
- 7.9 Paid for cleaning materials for the week, R550.

	Account debit	Account credit	Amount	A	OE	L
7.1	Bank	capital	5 000	+	+	
7.2	Telephone	Bank	120	-	-	
	Drawings	Bank	85	-	-	
7.3	Bank	Sales	2964	+	+	
	Cost of sales	Trading stock	1520	-	-	
7.4	Equipment	Creditors control	151050	+		+
7.5	Drawings	Petty cash	25	-	-	
7.6	Bank	Rent income	800	+	+	
7.7	Bank	Debtors control	550	+/-		
7.8	Postage	Petty cash	40,50	-	-	
7.9	Cleaning materials	Bank	550	-	-	

(35)

**Question 8****GENERAL LEDGER****(11 marks; 7 minutes)**

Analyse the Trading stock and Sales account of Bower's Boutique and answer the questions that follow:

Note: Bower's Boutique uses a 25% mark-up on the stock sold for cash and on credit.

### TRADING STOCK

Nov	1	Balance	b/d	100 000	Nov	30	<b>A</b>	DJ	480 000
	30	<b>C</b>	CJ	550 000			Cost of sales	CRJ	<b>B</b>
							Balance	<b>D</b>	126 000
<b>E</b>	?	Balance	b/d	126 000					

### DEBTORS CONTROL

Nov	1	Balance	b/d	42 000	Nov	30	<b>G</b>	<b>H</b>	60 000
	30	Sales	DJ	<b>F</b>			Balance	?	<b>I</b>
<b>?</b>	?	Balance	b/d	<b>?</b>					

### Sales

					Nov	1	Total	b/d	200 000
						30	<b>J</b>	CRJ	555 000
							Debtors Control	DJ	<b>K</b>

#### 8.1 Provide labels for A - K

<b>A –Cost of sales</b>
<b>B –R444 000</b>
<b>C –Creditors control</b>
<b>D –c/d (carried down)</b>
<b>E –December 1</b>
<b>F –R600 000</b>
<b>G –Bank</b>
<b>H –CRJ</b>
<b>I –R990 000</b>
<b>J –Bank</b>
<b>K –R600 000</b>



