

Stock valuation

You are provided with information relating to **NICCI'S ACCESSORIES** for the financial year ended 30 June 2019. The business sells a wide range of locally produced accessories. **NICCI'S ACCESSORIES** uses the periodic inventory recording system and the **Specific identification method** for stock valuation. All products are sold at 100% mark-up on cost.

INFORMATION FOR SIX MONTHS [1 January 2019 to 30 June 2019]

| | Units | Unit price | Total Value |
|--|------------|------------|----------------|
| Accessories on hand on 1 January 2019 | 800 | R90 | R72 000 |

| | | | |
|--|--------------|------|-----------------|
| Accessories purchased during the period | 5 000 | | R510 500 |
| Purchases on 7 January 2019 | 1 100 | R95 | R104 500 |
| Purchases on 31 March 2019 | 1 600 | R105 | R168 000 |
| Purchases on 5 May 2019 | 1 900 | R100 | R190 000 |
| Purchases on 14 June 2019 | 400 | R120 | R48 000 |

| | | | |
|--|----|------|--------|
| Accessories returned to suppliers during the period | | | |
| Returns on 21 May 2019 | 80 | R100 | R8 000 |

| | | | |
|---|--------------|------|-------------------|
| Accessories sold during the period | 5 320 | | R1 063 600 |
| Sales | | | |
| – January 2019 | 660 | R180 | R118 800 |
| – January 2019 | 80 | R190 | R15 200 |
| Sales | | | |
| – February 2019 | 140 | R180 | R25 200 |
| – February 2019 | 300 | R190 | R57 000 |
| Sales | | | |
| – March 2019 | 480 | R190 | R91 200 |
| Sales | | | |
| – April 2019 | 100 | R190 | R19 000 |
| – April 2019 | 580 | R210 | R121 800 |
| Sales | | | |
| – May 2019 | 10 | R190 | R1 900 |
| – May 2019 | 400 | R210 | R84 000 |
| – May 2019 | 870 | R200 | R174 000 |
| Sales | | | |
| – June 2019 | 550 | R210 | R115 500 |
| – June 2019 | 900 | R200 | R180 000 |
| – June 2019 | 250 | R240 | R60 000 |

| | | | |
|--|-----|-----|---------|
| Accessories donated to Ms Valentine Teen Beauty Pageant | | | |
| Donation on 10 February 2019 | 110 | R95 | R10 450 |

| | | | |
|--|----------|--|----------|
| Accessories on hand on 30 June 2019 | ? | | ? |
|--|----------|--|----------|

- Stock valuation method is used to calculate...
 - the stocktake units at the end of the year.
 - the closing stock rand value at the end of the year.
 - the units stolen / misplaced during the year.
 - the value of the units sold during the year.
- The formulae needed to calculate the cost of sales for the periodic inventory system are...
 - Opening stock + Net purchases + Additional stock charges – Closing stock
 - Closing stock + Net purchases + Additional stock charges – Opening stock
 - Opening stock + Purchases – Closing stock
 - Opening stock + Purchases - Additional stock charges + Closing stock
- Calculate how many units should be left over at the end of the six month period from each batch purchased.

| | Opening stock | January purchase | March purchase | May purchase | June purchase | Total |
|---|---------------|------------------|----------------|--------------|---------------|-------|
| A | 0 | 130 | 920 | 540 | -1 300 | 290 |
| B | 0 | 130 | 70 | 50 | 150 | 400 |
| C | 0 | 20 | 70 | 50 | 150 | 290 |
| D | 0 | 130 | 70 | 130 | 150 | 480 |

- According to the Specific identification method the closing stock value on 30 June 2019 would be?
 - R32 250
 - R50 700
 - R42 700
 - R53 400
- The owner of **NICCI'S ACCESSORIES** has concerns about the Specific identification method as it takes a lot of time to keep track of all the stock separately per month.
Calculate the closing stock value on 30 June 2019 using the FIFO (First-in-first-out) method.
 - R59 000
 - R56 000
 - R48 000
 - R34 800
- The owner of **NICCI'S ACCESSORIES** has concerns about the Specific identification method as it takes a lot of time to keep track of all the stock separately per month.
Calculate the weighted average price per unit if she was using the Weighted average method.
 - R100,43 per unit
 - R100,54 per unit
 - R102,10 per unit
 - R99,96 per unit

Value Added Tax

Lula Ltd is a registered VAT vendor. VAT is charged at 15% and is payable to SARS according to the invoice base method. The business uses a mark-up of 75% on cost.

- A business has to register as a VAT vendor and pay VAT every two months if their annual turnover exceeds ...
 - R1 500 000
 - R1 000 000
 - R2 500 000
 - R5 000 000
- Once the business exceeds an annual turnover of more than ... they have to pay VAT every month.
 - R20 000 000
 - R35 000 000
 - R45 000 000
 - R30 000 000

Study the transactions provided in questions 9 to 10.

Always select the **CORRECT** accounting equation option associated with the transaction.

9. A debtor disappeared without a trace. The business decided to write off her debt of R1 656.

| | Account debited | Account credited | Assets | Equity | Liabilities |
|---|-----------------|------------------|--------|--------|-------------|
| A | Debtors Control | Bad debts | -1 656 | -1 656 | 0 |
| | Output VAT | Debtors Control | -216 | 0 | -216 |
| B | Debtors Control | Input VAT | ±248 | 0 | 0 |
| | Bad debts | Debtors Control | -1 440 | -1 440 | 0 |
| C | Bad debts | Debtors Control | -1 440 | -1 440 | 0 |
| | Output VAT | Debtors Control | -216 | 0 | -216 |
| D | Input VAT | Debtors Control | -1 656 | -1 656 | 0 |
| | Bad debts | Debtors Control | ±248 | 0 | 0 |

10. Send a cheque of R6 900 to a creditor in settlement of the business's account of R7 590.

| | Account debited | Account credited | Assets | Equity | Liabilities |
|---|-------------------|-------------------|--------|--------|-------------|
| A | Creditors control | Bank | -6 000 | 0 | -6 000 |
| | Creditors control | Input VAT | -900 | 0 | -900 |
| | Creditors control | Discount received | 0 | +690 | -690 |
| B | Creditors control | Bank | -6 900 | 0 | -6 900 |
| | Creditors control | Discount received | 0 | +600 | -600 |
| | Creditors control | Input VAT | -90 | 0 | -90 |
| C | Creditors control | Bank | -6 000 | 0 | -6 000 |
| | Input VAT | Bank | ±900 | 0 | 0 |
| | Creditors control | Discount received | 0 | +600 | -600 |
| | Creditors control | Input VAT | -90 | 0 | -90 |
| D | Creditors control | Bank | -6 900 | 0 | -6 900 |
| | Creditors control | Discount received | 0 | +690 | -690 |

11. At the end of the financial year, after all adjustments were taken into account, the following information appeared in the books of Lula Ltd:

| | Pre-adjustment Trial Balance | Post-adjustment Trial Balance |
|---------------------|------------------------------|-------------------------------|
| VAT control account | R8 100 (CR) | |
| VAT control account | | R7 350 (DR) |

Where would the final VAT control account balance appear in the financial statements?

- A Statement of comprehensive income (as an income)
- B Statement of comprehensive income (as an expense)
- C Statement of financial position (in Trade and other receivables note)
- D Statement of financial position (in Trade and other payables note)

The following information was extracted from the accounting records of BOZTI LIMITED.

INFORMATION:

- Income tax for 2019 year amounted to R780 000.
- Interest on borrowed funds:
 - The loan was decreased to its current figure on 1 November 2018. Interest is calculated at 13% p.a.
 - Interest on overdraft, R16 625.
- **Shares:**
 - ? Ordinary shares were in issue at the end of the previous financial year, 28 February 2018.
 - 400 000 ordinary shares were issued on 1 November 2018.
 - 100 000 ordinary shares were repurchased on 31 December 2018 from the estate of a shareholder who had died. The shares were repurchased at R3,12 above the average issue price.
- **Financial indicators on 28 February 2018:**
 - Net asset value: 859,5 cents per share
- **Financial indicators on 28 February 2019:**
 - Earnings per share: 140 cents per share.
 - Dividends per share: 125 cents per share
- **Post-closing trial balance of BOZTI LIMITED on 28 February**

| | 2019 | | 2018 | |
|--------------------------------------|------------|------------|------------|------------|
| | Debit | Credit | Debit | Credit |
| Ordinary share capital | | 9 100 000 | | 6 360 000 |
| Accumulated profit / Retained income | | 2 118 000 | | 2 235 000 |
| Fixed assets at carrying value | 12 398 000 | | 12 357 000 | |
| Trading stock | 1 713 500 | | 2 200 000 | |
| Debtors control | 1 128 000 | | 950 000 | |
| Provision for bad debts | | 16 920 | | 14 250 |
| Accrued income / Income receivable | 213 500 | | 5 000 | |
| Prepaid expense (insurance) | 93 600 | | - | |
| Prepaid expenses (interest on loan) | 15 420 | | - | |
| SARS (Income tax) | | 72 000 | 65 000 | |
| Bank | 530 000 | | | 210 000 |
| Cash float | 10 000 | | 10 000 | |
| Creditors control | | 904 000 | | 1 030 000 |
| Income received in advance | | 16 000 | | 8 000 |
| Accrued expenses (interest on loan) | | - | | 14 750 |
| Consumable Stores on Hand | 46 500 | | 5 000 | |
| Shareholders for dividends | | 921 600 | | 620 000 |
| Loan | | 3 000 000 | | 5 100 000 |
| | 16 148 520 | 16 148 520 | 15 592 000 | 15 592 000 |

Study the given answer sheet by indicating the correct answer to the questions on your answer sheet.

Cash Flow Statement of BOZTI LIMITED for the year ended 28 February 2019.

| | | |
|---|----------|------------------|
| Cash flow from operating activities | | |
| Cash generated from operations | 1 | 3 706 195 |
| Interest paid | | ⑥ |
| Dividends paid | | ⑦ |
| Tax paid | | ⑧ |
| Cash flow from investing activities | | (709 000) |
| Purchase of non-current assets | | (880 000) |
| Proceeds of sale of non-current assets | | 171 000 |
| Cash flow from financing activities | | |
| Proceeds from shares issued | | ⑩ |
| Repurchase of shares | | ⑨ |
| Repayment of long-term borrowings | | (2 100 000) |
| Net change in cash and cash equivalents | | 740 000 |
| Cash and cash equivalents at the beginning of the year | | ⑪ |
| Cash and cash equivalents at the end of the year | | 540 000 |

Note 1: Reconciliation of profit before tax and generated from operations

| | | |
|--|--|------------------|
| Net profit before tax | | ③ |
| Adjustments in respect of: | | |
| Depreciation | | ① |
| Interest expense | | ② |
| Operating profit before changes in working capital | | |
| Changes in working capital | | |
| Change in inventory | | |
| Change in trade and other receivables | | ④ |
| Change in trade and other payables | | ⑤ |
| Cash generated from operations | | 3 706 195 |

12. Choose the correct explanation as to why an adjustment to net profit in terms of depreciation and interest expense is needed.

| | Depreciation | Interest expense |
|----------|---|---|
| A | Non-cash item, should be excluded from cash operations. | Exclude from net profit in note 1, to show more prominently on the face of the cash flow statement. |
| B | Exclude from net profit in note 1, to show more prominently on the face of the cash flow statement. | Non-cash item, should be excluded from cash operations. |
| C | Non-cash item, should be excluded from cash operations. | Non-cash item, should be excluded from cash operations. |
| D | Exclude from net profit in note 1, to show more prominently on the face of the cash flow statement. | Exclude from net profit in note 1, to show more prominently on the face of the cash flow statement. |

13. Calculate depreciation for the year ended 28 February 2019 (number ①).
- A R668 000 B R212 000 C R750 000 D R839 000
14. Calculate interest expense for the year ended 28 February 2019 (number ②).
- A R611 375 B R679 625 C R572 000 D R588 625
15. Calculate the number of shares in issue?

| | 28 February 2019 | 28 February 2018 |
|---|------------------|------------------|
| A | 1 039 965 shares | 739 965 shares |
| B | 1 300 000 shares | 1 000 000 shares |
| C | 560 034 shares | 260 035 shares |
| D | 1 305 177 shares | 1 005 177 shares |

16. Calculate net profit before tax for year ending 28 February 2019 (number ③).
- A R2 785 714 B R2 689 655 C R2 600 000 D R2 437 500
17. Calculate the changes in trade and other receivables for the year ending 28 February 2019 (number ④).
- A R477 430 outflow B R482 430 outflow C R388 830 outflow D R178 000 outflow
18. Calculate the changes in trade and other payables for the year ending 28 February 2019 (number ⑤).
- A R132 750 outflow B R118 000 outflow C R126 000 inflow D R126 000 outflow
19. Calculate the interest paid for the year ending 28 February 2019 (number ⑥).
- A R587 955 B R618 795 C R589 295 D R558 455
20. Calculate the dividends paid for the year ending 28 February 2019 (number ⑦).
- A R838 200 B R1 541 600 C R1 323 400 D R1 625 000
21. Calculate the income tax paid for the year ending 28 February 2019 (number ⑧).
- A R917 000 B R787 000 C R780 000 D R643 000
22. Calculate the cash outflow for the repurchase of shares during the year (number ⑨).
- A R1 012 000 B R312 000 C R948 000 D R117 000
23. Calculate the cash inflow from the proceeds of shares issued during the year (number ⑩).
- A R2 544 000 B R3 752 000 C R2 740 000 D R3 440 000
24. Calculate the cash and cash equivalents at the beginning of year (number ⑪).
- A R200 000 inflow B R200 000 outflow C R220 000 inflow D R220 000 outflow
25. What is **BOZTI LIMITED's** dividend policy?
- A 89% B 112% C 50% D 68%

26. The net asset value (NAV) of **BOZTI LIMITED** on 28 February 2019 was ...
- A** 2003 cents per share **B** 859,5 cents per share
C 862,9 cents per share **D** 1078,7 cents per share
27. **BOZTI LIMITED** had a return on total capital employed (ROTCE) of ... for the year ending 28 February 2019.
- A** 17,04% **B** 23,06% **C** 22,85% **D** 14,63%
28. The debt/equity ratio of **BOZTI LIMITED** on 28 February 2019 was ...
- A** 0,27 : 1 **B** 0,45 : 1 **C** 0,33 : 1 **D** 0,41 : 1
29. **BOZTI LIMITED** decreased the long term borrowings by R2 100 000 during the current financial year. Was this a wise decision?
- i. **BOZTI LIMITED** is now low geared.
ii. **BOZTI LIMITED** was positively geared for loans, therefore no need to pay back the loan. ROTCE exceeds the interest rate on the loan of 13%.
iii. **BOZTI LIMITED** were able to raise enough own capital to pay back the borrowed capital.
iv. **BOZTI LIMITED** would save on future interest on the loan; this would have a positive effect on profitability.
- Choose the best combination.**
- A** i, iii **B** ii **C** ii, iii, iv **D** All of the above.
30. Apart from the repayment of the loan, what other major decisions were taken by the directors during the year. Choose the best THREE.
- i. Raised more own capital by issuing 400 000 more shares
ii. Increase productivity by replacing the old fixed asset with new fixed assets
iii. Repurchase 100 000 shares from deceased shareholder to issue again in future
iv. Changed overdraft bank account to a current bank account
v. Paid a large amount of dividends during the year
- A** i, iii, v **B** ii, iii, iv **C** i, ii, iv **D** ii, iv, v

Professionalism and Ethics

7. Which of the following is NOT an ethical principle?
- A** Fairness **B** Integrity **C** Competency **D** Respect
8. Which of the following is a criterion for professionals?
- A** The ability to secure government tenders due to being influential.
B The ability to use client information to benefit the business
C The ability to produce high quality work in the field
D The ability to make lucrative, secret deals

Use the extract below to answer question 9.

Consultation

Citizens should be consulted about the level and quality of the public services they receive and, wherever possible, should be given a choice about the services that are offered.

Service standards

Citizens should be told what level and quality of public service they will receive so that they are aware of what to expect.

Access

All citizens should have equal access to the services to which they are entitled.

(localgovernmentaction.org.dedi6.cpt3.host-h.net, accessed 26/04/2019)

9. Identify the document containing guidelines for regulating ethics within the government.
- A** Nelson Mandela Principles **B** Batho Pele Principles
C National Ethics Principles **D** None of the above

Creative thinking and problem solving

10. The problem-solving technique that focuses on looking at the positives and negatives of a situation is:
- A** Delphi-technique **B** Mind-mapping
C Force-field analysis **D** Empty chair technique
11. Identify an indigenous South African approach to problem-solving.
- A** Voetstoots to save money **B** Money market account
C Stokvel to save money **D** Buying shares on the New York stock exchange
12. Solve the Rebus puzzle below:

JANOB

- A** No Job **B** An inside job **C** Outside Job **D** None of the above

Challenges in the Macro environment

Use the information below and answer questions 13 and 14.

April is an important month in the fuel price calendar to revise road and pipelines tariffs as well as fuel and Road Accident Fund (RAF) levies, to be implemented into the price structures of petrol, diesel and Illuminating paraffin (IP), the Department of Energy said.

(<https://businesstech.co.za/news/energy/308090/here-is-the-official-petrol-price-for-april-2019>, accessed 24/04/2019)

13. Identify the social challenge created by the information above.
- A Decreased pressure on citizen's income leading to an increase in standard of living and decrease in poverty.
 - B Increased pressure on citizen's income leading to a decrease in standard of living and increase in poverty.
 - C More jobs are created leading to an increased standard of living
 - D International investors see South Africa as a favourable and stable economy
14. What could a possible solution be for retail businesses in response to the challenge mentioned above?
- A Move manufacturing factories further from retail stores to increase transportation of goods.
 - B Participate in an unprotected strike
 - C Move manufacturing factories closer to retail stores to limit transportation of goods.
 - D None of the above.

Corporate Social Responsibility

Use the information below and answer questions 15, 16 and 17.

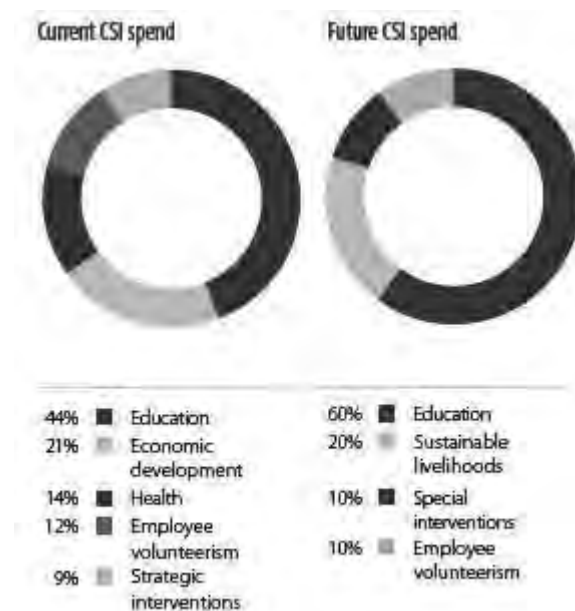


Figure 1:<http://staging.idc.co.za/people-corporate-social-investment.php>, accessed 25/04/2019)

15. What are the challenges of corporate social investment faced by businesses?
- A Businesses are seen doing good for the community
 - B CSI projects are not directly profitable.
 - C Promotes good relationships with the community
 - D It is by law a requirement to give 10% of profits to CSI

16. What is a possible reason for the increase in education contributions?
- A Education leads to relief in other areas such as poverty and unemployment
 - B Triple Bottom Line requirements
 - C Education failed in CSR, now they have to implement it in CSI
 - D None of the above
17. Evaluate the impact of the Employment Equity Act on CSI programs.
- A Ethical and legal codes for CSI
 - B Improvement of productivity
 - C Many CSI initiatives aim to develop skills that link back to the Employment Equity Act
 - D The Employment Equity Act promotes SETA's in business.

Human Rights, Inclusivity and environmental issues

Use the picture below to answer questions 18 and 19.



Figure 2: <http://whk25.misa.org/wp-content/uploads/sites/25/2016/04/listen-to-us.jpg>, accessed 25/04/2019

18. Identify two human rights depicted in the picture.
- A Right to privacy and Freedom of assembly
 - B Right to education and Right to secrecy
 - C Labour relations and Access to courts
 - D Right to Human dignity and just administrative action
19. Human rights are listed in which international document?
- A Commission for Conciliation, Mediation and Arbitration
 - B Commission for Human Rights and Dignity
 - C Nations' Commission for Equality
 - D Nations' Universal Declaration of Human Rights

Team performance and conflict management

20. Which of the following is necessary for an effective team?
- A Members who share similar views and opinions
 - B A strong leader who is confident of the correct solution
 - C Mutual respect for all team members
 - D Members who avoid conflict and agree on issues

21. The Conflict-Resolution process includes:
- A Listening, define, formulate and evaluate
 - B Listening, gather information, brainstorming and negotiate
 - C Identifying, allocating resources, evaluating and process
 - D Problem, follow a process and evaluate the process.
22. Identify the team theory described by the following statement:
People can be categorised into psychological types which indicate how they prefer to behave and interact.
- A Jungian theory B Belbin role theory C MTR-I theory D Group consensus theory

Business environments and sectors

23. How can businesses in the secondary sector influence their market environment?
- A The market environment cannot be influenced
 - B Improve service delivery
 - C Find highly skilled employees
 - D Change price to influence supply and demand
24. Which sector/s are influenced by BBBEE laws?
- i. Primary sector
 - ii. Secondary sector
 - iii. Tertiary sector
 - iv. Public companies in the tertiary sector
 - v. Private companies in the secondary sector
- A i,ii,iii B i, ii,iii,iv,v C i,ii D v

Management and Leadership

25. Laissez-fair leadership is characterised by:
- A A hands-off approach
 - B Autonomy for the workers
 - C Delegated tasks to workers
 - D All of the above
26. When will a democratic leadership style be appropriate?
- A When a new policy on staff communication is being implemented.
 - B In a crisis
 - C When financial changes are made
 - D When bonuses are rewarded to staff

Quality performance

27. Smaller businesses can offer better quality because:
- A They have the best available products
 - B They have full control over the aspects of quality
 - C They have unlimited growth and investment opportunities.
 - D They employ fewer, but more talented people.

28. State whether the following statement is true or false. If false, correct the term in bold.

Three basic principles of Balance Score Card(BSC) is:
Satisfy the customer, Satisfy the supplier and satisfy the management

- A** True
- B** False
- C** False, ROI (Return On Investment)
- D** False, TQM (Total Quality Management)

29. How can quality assurance be implemented in the Public Relations function?

- A** Financial statements need to be updated on a regular basis
- B** Raw materials must be checked on delivery
- C** Advertising must be focused on target market
- D** Respond to dissatisfied customers and media quickly

30. Inspection is a quality control method used by companies such as Coca-Cola.
Explain what is meant by inspection.

- A** Method of determining whether to accept or reject material that is being produced.
- B** Checking, measuring, or testing one or more product
- C** Listen to your customers by monitoring interactions
- D** Ask your customer what they think.

Protectionism and free trade

1. During April 2019 the Business Insider SA ran the following article on their website:
Take a look: The London Underground gets South African Trellidor gates.

This is a typical example of

- A** regulating international trade. **B** import substitution.
C protection. **D** export promotion.
2. On 29 March 2019 the Egyptian ambassador to South Africa, Sherif Eissa has called for increased bilateral trade and investment between his country and South Africa. The Egyptian ambassador wants to encourage
- A** a large free trade area by means of one or more trade agreements between Egypt and South Africa.
B dividing Egypt and South Africa into different regions in order to simplify administration and international trade between these two countries.
C preferential trading status between Egypt and South Africa by standardising business operations and levelling the playing field.
D limited consumer choice by making local products more readily available in the home countries.
3. In 2015 the South African government lifted a quota that allows some 65 000 tonnes of poultry meat from U.S. producers to be imported each year into South Africa.

This is an example of

- A** export promotion. **B** import substitution. **C** protection. **D** free trade.
4. On 3 April 2019 the following article was published on www.iol.co.za/business-report:
Africa dumping ground for world poultry.

How can South African residents benefit from dumping?

- A** It will increase the market share of the producer of the dumped goods in the local market.
B It will lead to an increase in local jobs.
C Lower prices are paid in the local market.
D The Balance of Payments will be influenced positively as international trade gains momentum.

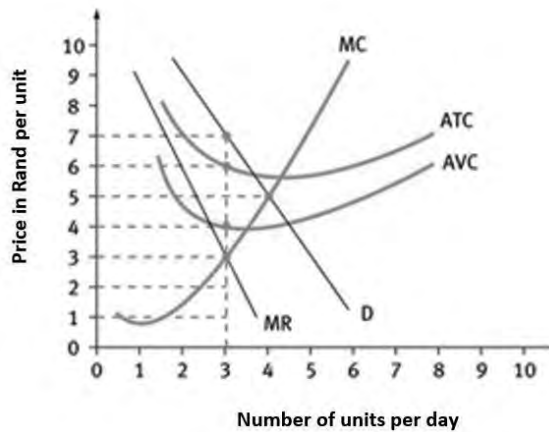
The dynamics of imperfect markets

5. **Firms in monopolistic competition have some degree of market power.**

Which ONE of the following is the LEAST likely to be classified as a monopoly?

- A** The sole general practitioner in a small rural town.
B A pharmaceutical company with a patent for AIDS preventative medicine.
C A restaurant in a large shopping mall.
D A PostNet shop in a suburban town.

6. Refer to the following graph:



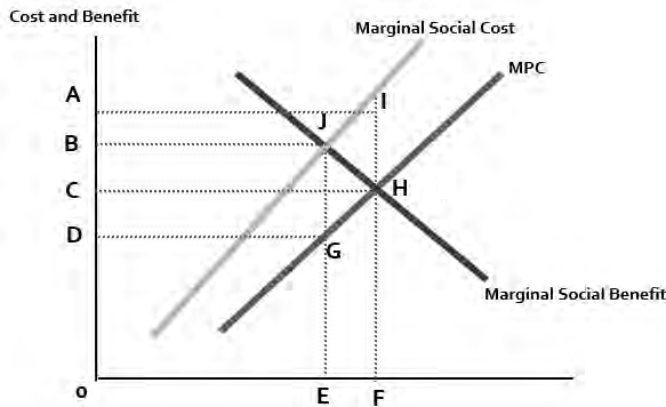
The total revenue at the profit-maximising price and output is equal to

- A** R21 **B** R18 **C** R12 **D** R9
7. Business B operates under perfect competition and Business C operates under monopolistic competition. Which one of the following best describes the difference between perfect competition and monopolistic competition?
- A** The products are slightly differentiated among firms under perfect competition.
B Perfect competition has no barriers to entries whereas monopolistic competition do have barriers to entry.
C There are a larger number of firms in monopolistic competition.
D Firms that operate in a monopolistic competition market have some degree of market power.
8. Which one of the following industries would you classify as monopolistically competitive?
- A** Firms in the automobile industry **B** The railway transport industry
C Automobile panel beaters **D** Electrical power generating industry
9. The demand curve for a firm that operates in a monopolistically competitive market is
- A** inelastic. **B** unit-elastic. **C** elastic. **D** perfectly elastic.
10. Firm D, a monopolist, charges R28 for each of the 28 000 units it produces. The marginal revenue is R16 and the marginal cost is R14 and increasing. The average total cost is R20 and average variable cost is R18. Given this scenario, Firm D should
- A** increase output, which will reduce Firm D's economic losses.
B increase output, which will result in an increase in Firm D's positive economic profit.
C decrease output, which will result in an increase in Firm D's positive economic profit.
D shut down, which will reduce Firm D's economic losses.

Market failures

11. Government will supply public goods in a market economy. Which one is the best description of why this would happen?
- A** Governments can levy zero tariffs on imports.
B Taxes must be used to fund public goods.
C Governments do not experience information failure.
D It is very unlikely that a market will form to produce these goods.

12. When merit goods are consumed, it generates positive external benefits. In a free market system these goods will most likely be
- A subjected to an indirect tax like VAT.
 - B overconsumed by the participants in the economy.
 - C undersupplied by the firms in the economy.
 - D oversupplied by the government of the country.
13. The following graph refers to Firm Z that produces an essential good with a high external cost on the environment.



Which of the following areas represent the net welfare loss gained if over-production occurs?

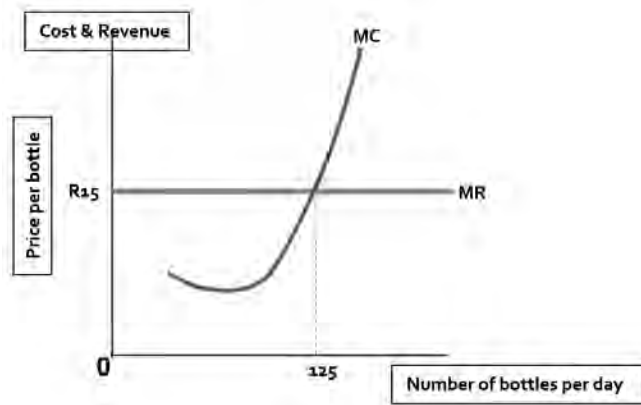
- A GHIJ
 - B GHJ
 - C HIJ
 - D EFGH
14. Firm A produces an absolute essential product. As a result of the production process smelly gasses are omitted. The ideal level of economic activity and related smelly gasses from the people's point of view transpires where
- A Marginal private benefit = Marginal private cost.
 - B Marginal social benefit = Marginal social cost.
 - C Marginal social benefit > Marginal social cost.
 - D Marginal social benefit < Marginal social cost.

The dynamics of perfect markets

Firm Y is a bakery and sells bread. Answer questions 15 and 16.

15. In this market in which Firm Y operates, it faces a perfectly
- A elastic demand curve.
 - B inelastic demand curve.
 - C elastic supply curve.
 - D inelastic supply curve.
16. The short term abnormal profits made by Firm Y are absorbed by
- A a rival bakery leaving the industry.
 - B a rival bakery entering the industry.
 - C an increase in expenditure on advertising.
 - D the government increasing taxes.
17. In the short term firms in perfect competition will still produce, provided that the price covers the _____ cost.
- A average variable
 - B variable
 - C average fixed
 - D fixed
18. The best example of a perfect competitive market would be
- A pastries baked by different bakeries in Paris.
 - B low-cost airlines operating in South Africa.
 - C the taxi-industry.
 - D the foreign exchange market.

19. The following graph shows the marginal revenue and marginal cost curves of Charlee's Chutney. Currently, Charlee is producing 150 bottles of chutney per day. To increase her profit, Charlee should



- A reduce the number of units produced to increase revenue.
 B continue producing the current level of units to get the most revenue.
 C increase output to increase revenue.
 D Not enough information is given to determine if Charlee should increase, decrease or maintain current production levels.

The circular flow, national aggregates and business cycles

20. The following was taken from an article on www.fortune.com " Don't Let the Business Cycle Run You Over."

... even after an extraordinary 110 months of nonstop growth—the second-longest expansion in 164 years of measuring—a change in tide is inevitable.

The "change in tide" the author is referring to indicates a phase where the economic growth rate on a year-to-year basis is

- A negative, but at a decreasing rate. B negative, but at an increasing rate.
 C positive, but at an decreasing rate. D positive, but at an increasing rate.
21. The South African government wants to influence spending on goods and services in the short-term. They will use monetary policy to directly influence _____ rates.
- A economic growth B interest C inflation D unemployment
22. If a foreign country invests in South Africa, the investment is seen as a/an _____ aggregate demand.
- A injection that decreases B injection that increases
 C withdrawal that decreases D withdrawal that increases
23. Which one of the following does not describe an injection into the circular flow of income?
- A Spending on exports.
 B Spending by firms on investment.
 C Spending by government on public goods and services.
 D Spending on imports.
24. Which one of the following statements about gross domestic product (GDP) can be considered incorrect?
- A GDP is the value of all goods and services produced in an economy over a particular time period
 B GDP is the best measure to study and compare the economic health of the overall economies of different countries.
 C GDP counts goods and services produced by nationals in a foreign country, and not goods and services produced by foreigners in the domestic country.
 D GDP comprises consumption, investment, government spending, imports and exports.

25. Which of the following best describes a macro economic issue?
- A** The price of houses in Cape Town. **B** The wage rate of unskilled labourers in Gauteng.
C Your decision to work or to study next year. **D** The level of unemployment in South Africa.
26. Which of the following does NOT form part of fiscal policy?
- A** Income tax **B** Interest rate **C** UIF **D** VAT
27. Which one of the following cannot be regarded as an export by South Africa?
- A** Sales of locally manufactured automobiles in North Africa
B Acquisition of components and machinery from Germany
C Students from Cuba studying in South Africa
D Rendering of financial services in Europe
28. If South Africa experienced a balance of payments deficit, then, under the floating exchange rate system,
- A** the external value of the currency would likely fall.
B the external value of the currency would likely rise.
C the injections from trade are greater than the withdrawals.
D aggregate demand is increasing.
29. The supply of Rands to the currency market will be upward sloping if the demand for
- A** SA exports are price-elastic. **B** SA exports are price-inelastic.
C imports into SA are price-elastic. **D** imports into SA are price-inelastic.
30. If the South African monetary government wants to prevent the external value of the Rand to increase, they should
- A** sell Rands. **B** increase interest rates.
C purchase Rands. **D** sell foreign reserves.

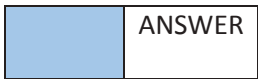


PROVERTO

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Proverto National Olympiad 2019

Grade 12 - Round 2 Memorandum



ACCOUNTING

| Topic | | A | B | C | D | |
|-----------------|-----|--------|----------------|----------------|-----------------------|-----------------------|
| Stock Valuation | 1. | | LOWER LEVEL | | | |
| | 2. | ANSWER | LOWER LEVEL | | | |
| | 3. | | | | HIGHER LEVEL | |
| | 4. | ANSWER | HIGHER LEVEL | | | |
| | 5. | | | | | ANSWER MODERATE LEVEL |
| | 6. | | | MODERATE LEVEL | | |
| VAT | 7. | | LOWER LEVEL | | | |
| | 8. | | | | ANSWER MODERATE LEVEL | |
| | 9. | | | | HIGHER LEVEL | |
| | 10. | | | HIGHER LEVEL | | |
| | 11. | | | | MODERATE LEVEL | |
| | 12. | ANSWER | LOWER LEVEL | | | |
| | 13. | ANSWER | MODERATE LEVEL | | | |
| | 14. | | | | ANSWER MODERATE LEVEL | |
| | 15. | | | HIGHER LEVEL | | |

| Topic | | A | B | C | D | |
|----------------------------------|--------|----------------|----------------|----------------|---------------------|-----------------------|
| Companies Cash Flow And Analysis | 16. | | | | ANSWER HIGHER LEVEL | |
| | 17. | ANSWER | HIGHER LEVEL | | | |
| | 18. | | | MODERATE LEVEL | | |
| | 19. | | | HIGHER LEVEL | | |
| | 20. | | | | HIGHER LEVEL | |
| | 21. | | | | | ANSWER MODERATE LEVEL |
| | 22. | ANSWER | HIGHER LEVEL | | | |
| | 23. | | | | | ANSWER HIGHER LEVEL |
| | 24. | | | LOWER LEVEL | | |
| | 25. | ANSWER | LOWER LEVEL | | | |
| | 26. | | | | | ANSWER MODERATE LEVEL |
| | 27. | | | | HIGHER LEVEL | |
| | 28. | ANSWER | MODERATE LEVEL | | | |
| | 29. | | | | | ANSWER MODERATE LEVEL |
| 30. | ANSWER | MODERATE LEVEL | | | | |



For more information sms "Name, Surname and Olympiad" to 41721



BUSINESS STUDIES

| Topic | | A | B | C | D |
|---|-----|---|---|---|---|
| Legislation HR function | 1. | | | | |
| | 2. | | | | |
| | 3. | | | | |
| | 4. | | | | |
| | 5. | | | | |
| | 6. | | | | |
| Professionalism Creative thinking Macro Environment | 7. | | | | |
| | 8. | | | | |
| | 9. | | | | |
| | 10. | | | | |
| | 11. | | | | |
| | 12. | | | | |
| | 13. | | | | |
| | 14. | | | | |
| 15. | | | | | |

| Topic | | A | B | C | D |
|---|-----|---|---|---|---|
| Corporate Social Human rights Team performance | 16. | | | | |
| | 17. | | | | |
| | 18. | | | | |
| | 19. | | | | |
| | 20. | | | | |
| | 21. | | | | |
| Business Environment Management Quality performance | 22. | | | | |
| | 23. | | | | |
| | 24. | | | | |
| | 25. | | | | |
| | 26. | | | | |
| | 27. | | | | |
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ECONOMICS

| Topic | | A | B | C | D |
|-------------------|-----|---|---|---|---|
| Protectionism | 1. | | | | |
| | 2. | | | | |
| | 3. | | | | |
| | 4. | | | | |
| Imperfect markets | 5. | | | | |
| | 6. | | | | |
| | 7. | | | | |
| | 8. | | | | |
| | 9. | | | | |
| Market failures | 10. | | | | |
| | 11. | | | | |
| | 12. | | | | |
| | 13. | | | | |
| | 14. | | | | |
| | 15. | | | | |

| Topic | | A | B | C | D |
|--|-----|---|---|---|---|
| Perfect markets | 16. | | | | |
| | 17. | | | | |
| | 18. | | | | |
| | 19. | | | | |
| Circular flow, national aggregates | 20. | | | | |
| | 21. | | | | |
| | 22. | | | | |
| | 23. | | | | |
| | 24. | | | | |
| Public sector, foreign exchange | 25. | | | | |
| | 26. | | | | |
| | 27. | | | | |
| | 28. | | | | |
| | 29. | | | | |
| | 30. | | | | |