JUNE 2013 EXAMINATION

DATE: 11 JUNE 2013

TIME: 09H00 – 12H00

TOTAL: 100 MARKS

DURATION: 3 HOURS

PASS MARK: 40%

(BUSBUS10)

BUSINESS PRACTICE

THIS EXAMINATION PAPER CONSISTS OF 4 SECTIONS:

SECTION A: CONSISTS OF:
(i) 8 MULTIPLE-CHOICE QUESTIONS (8 MARKS)
(ii) 5 TRUE OR FALSE QUESTIONS (10 MARKS)
(iii) 12 MATCHING-STATEMENT QUESTIONS (12 MARKS)
ANSWER ALL THE QUESTIONS

SECTION B: CONSISTS OF 3 SHORT QUESTIONS
ANSWER ALL THE QUESTIONS (25 MARKS)

SECTION C: CONSISTS OF 2 LONG ANSWER QUESTIONS
ANSWER BOTH QUESTIONS (25 MARKS)

SECTION D: CONSISTS OF 2 INTERPRETATIVE QUESTIONS
ANSWER ONE OF THE QUESTIONS (20 MARKS)

INSTRUCTIONS:

1. Read the following instructions carefully before answering the paper, as failure to act upon them will result in a loss of marks.
2. Write your answers in your answer book, which is provided in the exam.
3. Ensure that your name and student number are clearly indicated on your answer book.
4. Write your answers in either blue or black ink in your answer book.
5. Read each question very carefully before you answer it and number your answers exactly as the questions are numbered.
6. Begin with the question for which you think you will get the best marks.
7. Note the mark allocations for each question – give enough facts to earn the marks allocated. Don't waste time by giving more information than required.
8. You are welcome to use diagrams to illustrate your answers.
9. Please write neatly – we cannot mark illegible handwriting.
10. Any student caught cheating will have his or her examination paper and notes confiscated. The College will take disciplinary measures to protect the integrity of these examinations.
11. If there is something wrong with or missing from your exam paper or your answer book, please inform your invigilator immediately. If you do not inform your invigilator about a problem, the College will not be able to rectify it afterwards, and your marks cannot be adjusted to allow for the problem.
12. This paper may be removed from the examination hall after the examination has taken place.
(i) **MULTIPLE-CHOICE QUESTIONS**

Choose the correct option for each of the following. Write only the question number and your chosen answer. For instance, if you think that the correct answer for number 1 is (a), then write it as 1. (a).

1. Which one of the following details a business's assets and liabilities?
   
   (a) the cash book  
   (b) the journal  
   (c) the ledger  
   (d) the balance sheet

2. Which one of the following is a future financial plan that determines expenditure?
   
   (a) a worksheet  
   (b) a budget  
   (c) a journal entry  
   (d) a trial balance

3. Which one of the following is an example of a production unit?
   
   (a) a private yacht  
   (b) a jet ski  
   (c) a fishing vessel  
   (d) a racing car

4. Businesses that make goods either by hand or machinery are called:
   
   (a) wholesalers.  
   (b) manufacturers.  
   (c) retailers.  
   (d) suppliers.

5. In order to achieve a competitive edge an organisation can undergo:
   
   (a) differentiation.  
   (b) assimilation.  
   (c) divergence.  
   (d) liquidation.

6. A period when the economy is growing very fast is known as:
   
   (a) recession.  
   (b) inflation.  
   (c) boom.  
   (d) recovery phase.
7. Which one of the following is a production system that concentrates on producing specific type of goods only e.g. running shoes?

(a) tertiary industry  
(b) wholesalers  
(c) importing  
(d) specialisation

8. A record of money coming into and leaving a country in exchange for goods and services, usually over a period of one year is called:

(a) a balance of payment.  
(b) a budget.  
(c) a cash flow.  
(d) a balance sheet.  

(ii) TRUE OR FALSE QUESTIONS

Indicate whether the following statements are true or false. Motivate all your answers.

1. Fidelity insurance is insurance you can take out to protect yourself against dishonesty by your employees.

2. The software of a computer refers to input devices, output devices and processing units.

3. Fashion designers compare people's needs against how these needs are satisfied e.g. they look at how the need for clothing is met by the fashion and retail world.

4. In countries with a free market system, the business world can be divided into three sections.

5. An overdraft is a bank facility which allows you to borrow more money from your current account than is actually available.

[5 × 2 = 10]
(iii) MATCHING-STATEMENT QUESTIONS

Match the terms in Column B to the statements in Column A. Write down the answers only, for example 1. (a).

<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. the path a product takes to get from the manufacturer to the customer</td>
<td>(a) exchange rate</td>
</tr>
<tr>
<td>2. when earnings equal costs</td>
<td>(b) memorandum of association</td>
</tr>
<tr>
<td>3. the price at which one currency is exchanged for another</td>
<td>(c) partnership</td>
</tr>
<tr>
<td>4. a loan in which property is used as security</td>
<td>(d) primary industries</td>
</tr>
<tr>
<td>5. a document detailing the company’s purpose (must be drawn up when registering a company)</td>
<td>(e) public company</td>
</tr>
<tr>
<td>6. a business organisation that has two to twenty owners, all with unlimited liability</td>
<td>(f) tertiary industries</td>
</tr>
<tr>
<td>7. industries involved in extracting raw materials from nature e.g. farming, mining, fishing</td>
<td>(g) break even</td>
</tr>
<tr>
<td>8. industries processing raw materials into finished goods</td>
<td>(h) sole proprietorship</td>
</tr>
<tr>
<td>9. industries that deal with the finished product, including industries that provide services</td>
<td>(i) co-operative</td>
</tr>
<tr>
<td>10. an association of persons that pursues the common and mutual interest of its members</td>
<td>(j) channel of distribution</td>
</tr>
<tr>
<td>11. includes all those who have become self-employed because the modern formal job market is shrinking, offering fewer and fewer jobs</td>
<td>(k) secondary industries</td>
</tr>
<tr>
<td>12. a company allowed by law to invite the general public to subscribe to its capital</td>
<td>(l) mortgage</td>
</tr>
</tbody>
</table>
SECTION B: SHORT QUESTIONS

(25 MARKS)

QUESTION 1

Briefly explain the following terms:

(a) 'nationalisation'  (4)
(b) 'privatisation'  (4) [8]

QUESTION 2

(a) Identify the disadvantages of opening a franchise. (5)
(b) What are the initial costs of opening or running a franchise? (2) [7]

QUESTION 3

(a) List the three main types of production systems. (3)
(b) Name and describe the product-related factors that influence pricing. (7) [10]

[25]
SECTION C: LONG ANSWER QUESTIONS (25 MARKS)

ANSWER BOTH QUESTIONS

QUESTION 1
Discuss the reasons why businesses combine and reorganise and give the advantages of combining and reorganising. [10]

QUESTION 2
Explain how the credit control department needs to administer effective control of credit sales. [15]
SECTION D: INTERPRETATIVE QUESTIONS  
(20 MARKS) 

ANSWER ONE OF THE QUESTIONS 

QUESTION 1 
Why is capital management an important part of the financial management of a business? Discuss the following in you answer: 

- fixed and working capital 
- the efficient use of capital (over-capitalisation and under-capitalisation) 
- how to determine the capital needs of a business (in terms of fixed capital and working capital) 

[20] 

OR 

QUESTION 2 
The nature and extent of business risks depend to some extent on the type of business and its locality. For example, a restaurant in an area that is popular with tourists is likely to have more competition than a restaurant in a small country town. 

Discuss the methods businesses can apply to manage risks. 

[20] 

[20] 

Section A: 30 marks 
Section B: 25 marks 
Section C: 25 marks 
Section D: 20 marks 
TOTAL: 100 MARKS