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Proverto National Olympiad 2019

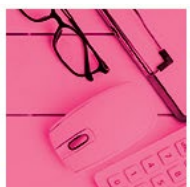
Grade 12 - Round 1

Instructions to Candidates:

1. You have been provided with a question paper and red answer sheet. Make sure you have the correct paper for your grade.
2. The question paper consists of 3 sections with 30 multiple choice questions per section: Section A – Accounting; Section B – Business Studies; and Section C – Economics. You can choose which sections you want to complete. *(You can write 1, 2 or all 3 sections.)*
3. The red answer sheet has 3 sections. Please answer the section on the space provided for the subject; Example if you are answering the Accounting questions you must mark the correct answer in the Accounting block on the answer sheet. Each section will be marked separately.
4. Each question have 4 possible answers (A, B, C, or D). Only one answer is correct.
5. See the instructions on the answer sheet on how to mark the correct answer, failing to comply with the instructions can lead to disqualification.



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



Companies – Accounting Equation

The information below is taken from the books of AGC Ltd. The financial year ends on 28 February 2019.

Study the accounting equation provided in questions 1 to 4.

Always select the CORRECT adjustment associated with the accounting equation entry.

Each question is INDEPENDENT from one another and does not relate.

1.	Account debited	Account credited	Assets	Equity	Liabilities
	SARS (Income tax)	Bank	-48 000	0	-48 000

- A** Refund of R48 000 from SARS due to overpayment during the 2018 financial year.
- B** According to a SARS assessment, the income tax for the financial year amounts to R48 000.
- C** There is a balance of R48 000 outstanding to SARS (Income Tax) on 28 February 2019.
- D** Pay R48 000 to SARS as second provisional tax payment.

2.	Account debited	Account credited	Assets	Equity	Liabilities
	Retained income	Bank	-39 200	-39 200	0

- A** Pay profits from retained income to shareholders as dividends, R39 200.
- B** 39 200 shares were repurchased from existing shareholders at 100 cents per share.
- C** Buy back 70 000 shares from the deceased estate of a shareholder at 56 cents per share above the average share price.
- D** Remaining profits of R39 200 are paid into the company's Retained income account.

3.	Account debited	Account credited	Assets	Equity	Liabilities
	Ordinary share dividends	Shareholders for dividends	0	-159 600	+159 600

- A** Interim dividend declared and paid on 1 September 2018, R159 600.
- B** Final dividend of 14 cents per share was declared on the 1 140 000 issued shares on 28 February 2019.
- C** Dividend per share (DPS) for the year amounts to 40 cents per share; the company has 399 000 issued shares.
- D** None of the above.

4.	Account debited	Account credited	Assets	Equity	Liabilities
	Appropriation Account	Retained earnings	0	+14 800 -14 800	0

- A** Taxes amount to R133 000 (at 28% of net profit), total dividends of R327 200 were declared and paid. All remaining profits are retained by the company.
- B** Repurchase of 10 000 shares at 148 cents per share.
- C** Net profit before taxes amounted to R342 000, total dividends of R327 200 were declared and paid. All remaining profits are retained by the company.
- D** Earnings per share (EPS) amounted to 345 cents per share and dividends per share (DPS) amounted to 271 cents per share. The company issued 200 000 shares during the 2019 financial year. Allow for the remaining profits retained by the company.

Company Accounts

Questions 5 to 11 relate to the General Ledger Accounts provided.

Snowy Ski Ltd is the largest supplier of ski equipment in Europe.
The company has authorized share capital of 1 200 000 shares.

Refer to the information provided for the financial year ended 30 June 2019.

Ordinary share capital

2019	28	Bank	CPJ	②	2018	01	Balance	b/d	6 892 000
Feb					Jul				
2019	30	Balance	c/d		2018	30	Bank	CRJ	①
Jun					Sep				
					2019	01	Balance	b/d	
					Jul				

Ordinary share dividends

2018	31	*	CPJ	③					
Des									
2019	30	Shareholders for dividends	GJ	391 300					
Jun									

Retained income

2019	28	Bank	KBJ	63 000	2018	01	Balance	b/d	392 900
Feb					Jul				
Jun	30	Balance	c/d		2019	30	*	*	⑥
					Jun				
					Jul	01	Balance	a/b	

Appropriation Account

2019	30	Income tax	GJ	⑤	2019	30	Profit and loss	GJ	④
Jun					Jun				
		Ordinary share dividends	GJ						
		*	GJ						

Additional information:

Ordinary share capital

- 70% of the shares were in issue on 1 July 2018.
- 160 000 shares were issued on 30 September 2018 at R8,80 per share.
- 90 000 ordinary shares were repurchased from a disgruntled shareholder on 28 February 2019. The company paid 70 cents above average share price per share.

Dividends and taxes

- An interim dividend of 43 cents per share was declared and paid on December 30, 2018.
- Income tax amounts to 30% of net profit.

Financial indicators

- Earnings per share (EPS) on 30 June 2019 is 124 cents per share.
- Net asset value (NAV) on 30 June 2019 is 900 cents per share.

5. Calculate the outstanding Bank amount on the credit side of the Ordinary share capital account (number ①).

- A** R1 312 000 **B** R1 408 000 **C** R1 471 000 **D** R1 322 000

6. Calculate the outstanding Bank amount on the debit side of the Ordinary Share Capital account (number ②).

- A** R738 000 **B** R661 000 **C** R747 000 **D** R810 000

7. Calculate the outstanding amount on the debit side of the Ordinary shares dividends account (number ③).

- A** R516 000 **B** R361 200 **C** R391 300 **D** R430 000

8. Calculate the outstanding Profit and loss amount on the credit side of the Appropriation Account (number ④).

- A** R1 612 000 **B** R1 304 333 **C** R1 128 400 **D** None of the above

9. Calculate the outstanding Income tax amount on the debit side of the Appropriation Account (number ⑤).

- A** R338 520 **B** R391 300 **C** R483 600 **D** R690 857

10. Calculate the outstanding amount on the credit side of the Retained income account (number ⑥).

- A** R637 000 **B** R700 000 **C** R307 100 **D** R91 733

11. Calculate the return on average shareholder equity (ROSHE) percentage.

- A** 5,70% **B** 30,98% **C** 15,49% **D** 14,58%

Company theory and financial statements

Questions 12 to 15 relate to COLUMNS A and B that are provided.

Match the term in COLUMN A with the best description in COLUMN B. Choose only A, B, C or D on the answer sheet.

COLUMN A	
12.	Memorandum of Incorporation (Mol)
13.	Companies Act 71 of 2008
14.	AGM
15.	IFRS

COLUMN B	
A	Annual meeting for all shareholders where, among other things, statements are approved, auditors and directors elected.
B	Document outlining the rules agreed upon by the shareholders for the management and maintenance of the business.
C	The law provides for the protection of a company's shareholders, its potential shareholders and its creditors through proper registration, rules of reporting and management.
D	Aiming to continually bring consistency in accounting standards around the world.

Questions 16 to 30 relate to the information with regard to Green Saver Ltd provided below.

Green Saver Ltd supplies and installs eco-friendly machines to reduce and prevent pollution. These machines are also serviced at a fee.

- The machines are sold at a standard price of R3 800 per unit. Green Saver Ltd applies a profit margin of 60% at cost. In an effort to attract more customers, the selling price has remained unchanged for the past 2 years.
- Green Saver Ltd has an authorized share capital of 600 000 ordinary shares.

Information:

A. Extract from the Trial balance as on 30 June:

	30 June 2019 R	30 June 2018 R
Loan: Nedbank	275 000	?
Property, plant and equipment	1 945 000	2 890 000
SARS (Income Tax)	6 800 (dr)	4 900 (cr)
Total sales	?	1 710 000
Debtors allowances	40 200	
Rent income	372 500	
Interest on loan	21 000	

B. All adjustments and additional information provided in the questions have not yet been recorded.

- Debtors' allowances was correctly recorded the previous year, but was handled incorrectly in the Statement of Comprehensive Income for 2019. This error must be corrected.

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

Green Saver Ltd
Statement of Comprehensive Income for the year ended 30 June 2019

	30 June 2019 R
Turnover	①
Cost of sales	
Gross profit	
Other operating income	
Rent income (372 500)	②
Discount received	
Fee income	
Gross operating income	
Operating expenses	
Advertisements	
Bank costs	
Audit Fees	
Debtors' allowances (40 200)	
Discount allowed	
Depreciation	⑤
Donations	③
Loss due to burst pipe	
Salaries and loans	
Directors' fees	
Provision for bad debts adjustment	312
Operating profit	
Interest income	
Profit before interest expense	
Interest expense (21 000 + ④)	
Net profit before tax	
Tax for the year	⑥
Net profit after tax	

Green Saver Ltd
Extract from the Statement of Financial Position as at 30 June 2019

	30 June 2019 R	30 June 2018 R
CURRENT ASSETS		
Inventories	⑦	218 500
Trade and other receivables	⑧	
Cash and cash equivalents	⑨	

16. The company reported a 12% increase in sales for the year ended June 30, 2019.

Calculate the correct **turnover** amount for the year ended 30 June 2019 (number ①).

- A R205 200 B R1 915 200 C R1 875 000 D None of the above.

17. Rent income was incorrectly recorded for 14 months. Green Saver Ltd increased the rent by 18% on 1 April 2019.

Calculate the correct rent income for the year ended 30 June 2019 (number ②).

- A R347 500 B R313 500 C R322 500 D R319 286

18. Which GAAP principle applies to the rent income adjustment in question 17?

- A Matching principle B Materiality principle
C Going concern principle D Prudence principle

Questions 19 to 21 relate to the following inventory adjustments. Refer to the above Trial balance and additional information.

On June 28 2019, a pipe burst on the site that completely damaged twelve (12) machines in total and five (5) other machines suffered 20% damage. The latter units were tested and are still in working order.

Following a meeting with the insurance company, it was determined that they will pay out 100% of the cost of the completely damaged (twelve) machines during August 2019. The other 5 machines were donated to the local municipality at the remaining value of the original cost, the remainder of the value will be written off.

19. Choose the correct accounting equation to record the twelve damaged machines.

	Account debited	Account credited	Assets	Equity	Liabilities
A	Accrued income / Income receivable	Trading Stock	± 28 500	0	0
B	Deferred income / Income received in advance	Trading Stock	- 45 600	0	- 45 600
C	Insurance	Trading Stock	- 27 360	+27 360	0
D	Bank	Trading Stock	± 45 600	0	0

20. Calculate the correct value for the donation to the local municipality after considering 20% damage to the machines (number ③).

- A R11 875 B R9 120 C R15 200 D R9 500

21. Loss-due-to-burst-pipe-account is created due to the ... principle.

- A matching B materiality C prudence D entity

22. The annual loan repayment of R25 000 was made on 1 February. An increase in the 1% interest rate came into effect on 30 April 2019. Green Saver Ltd currently pays 15% p.a. interest on loan as at 30 June 2019. Interest is not capitalized.

Calculate the outstanding interest on loan (number ④).

- A R20 250 B R20 000 C R22 896 D R15 917

23. Provision for bad debts must be increased by R312 from R1520 to R1 832 (5% of outstanding debtors).

Why is this entry recorded in the company's books?

- A This ensures that debtors are subjectively approached by taking the matching principle into account and records the certainty of the collection.
B This ensures that debtors are passively approached by taking the materiality principle into account and records the uncertainty in the collection.
C It ensures that debtors are conservatively approached by taking the principle of prudence into account and records the uncertainty in the collections.
D None of the above.

24. Calculate the outstanding **net trade debtors** on 30 June 2019.

- A R36 328 B R34 808 C R32 976 D R36 640

Questions 25 to 30 relate to the information below from the cash flow statement and financial indicators. Refer back to the above Trial Balance and additional information.

According to the cash flow statement for the year ended June 30 2019:

- An inflow of R15 000 from the change in inventory.
- Tax paid amounts to R74 700 (outflow).
- Proceeds from the sale of fixed assets at carrying value amounted to R1 420 000 (inflow).
- Purchase of fixed assets amounts to R870 000 (outflow).

Current liabilities for the year amounted to R170 000 and the acid-test ratio on June 30, 2019 was 0,7: 1.

25. Calculate the Depreciation amount as it will appear on the Statement of Comprehensive Income for the year ended 30 June 2019 (number ⑤).

- A R155 000 B R395 000 C R550 000 D R705 000

26. Why is Depreciation shown as an inflow in Note 1 (Cash generated from operating activities) to the Cash Flow Statement?

- A Depreciation is an expense thus it must be shown as an outflow on the cash flow statement.
B Depreciation is an investment activity and is therefore shown on the face of the cash flow as an outflow.
C Depreciation is a financing activity and is therefore shown on the face of the cash flow as an inflow.
D Depreciation is not cash and is therefore taken out of profit. So, because it was previously deducted from earnings on the income statement, it is now being added back on the cash flow statement.

- 27.** Calculate the Income tax amount as it will appear on the Statement of Comprehensive Income for the year ended 30 June 2019 (number **6**).
- A** R63 000 **B** R74 700 **C** R76 600 **D** R72 800
- 28.** Calculate the Inventories amount as it will appear on the Statement of Financial Position on June 30, 2019 (number **7**).
- A** R233 500 **B** R192 125 **C** R203 500 **D** R205 000
- 29.** Calculate the Trade and other receivables amount as it will appear on the Statement of Financial Position on 30 June 2019 (number **8**).
(**TIP:** Refer back to question 24 and the above Trial balance)
- A** R36 640 **B** R43 440 **C** R75 640 **D** R41 608
- 30.** Calculate the Cash and cash equivalent amount as it will appear on the Statement of Financial Position on 30 June 2019 (number **9**).
- A** R82 360 **B** R75 560 **C** R43 360 **D** R77 392

Legislation and response to demands for redress and equity

- Which one of the following indicates that a company is complying with the Broad-Based Black Economic Empowerment (BBBEE) Act 53 of 2003 (as amended)?
 - Ensuring previously disadvantaged employees have working conditions that meet minimum requirements.
 - Granting employment preferences to female workers.
 - Direct empowerment of previously disadvantaged employees through a share of ownership.
 - Ensuring that previously disadvantaged disabled employees have physical access to offices.
- One of the specifications of the BCEA is that workers must receive double pay for working on _____.
 - management projects
 - Sundays
 - dangerous projects
 - Saturdays
- The changes in banking legislation were implemented because of the Consumer Protection Act, and form part of theenvironment.
 - market
 - macro
 - micro
 - internal
- Refer to the following extract:

No person may unfairly discriminate, directly or indirectly, against an employee in any employment policy or practice, on one or more grounds including race, gender, pregnancy, marital status, family responsibility, ethnic or social origin, colour, sexual orientation, age, disability, religion, HIV status, conscience, belief, political opinion, culture, language, and birth.

Adapted from: <https://labourguide.co.za>, accessed 12/03/2019

Identify the act mentioned in the above extract.

 - Basic Conditions of Employment Act
 - Employment Equity Act
 - Labour Relations Act
 - Skills Development Act
- As an HR manager, you need to make sure that a contract is signed between the business and the new employee. Name the law that you would use to base your contract on.
 - Labour Legislation
 - Skills Development Act
 - Employment Act
 - Basic Conditions of Employment Act
- The independent organisation that can make unbiased judgments when called upon to resolve a dispute referred to it in terms of the LRA
 - CCMA
 - NEDLAC
 - BCEA
 - SAQA
- Miriam is a supervisor in a grocery store. Her normal working hours are from 07:00 to 19:00 and from 19:00 to 07:00 on alternative weeks. She also works every second weekend from 07:00 to 19:00 and she receives no overtime for these hours. Which Act is being violated by her employer?
 - Occupational Health and Safety Act
 - Basic Conditions of Employment Act
 - Employment Equity Act
 - Skills Development Act

8. John owns a grocery store and has three employees. Janice earns R10 000 per month, Jake earns R5 000 per month and Eunice earns R12 000. John aims to constantly improve his employees and contributes towards the skills development levy. Calculate how much John contributes to the levy for his three employees.
- A** R2.70 **B** R270 **C** R0.27 **D** R270 000
9. Rearrange the following steps in dispute resolution so that the steps comply with the Labour Relations Act.
1. Labour Appeal Court
 2. Bargaining Council
 3. Labour Court
- A** Step 1, step 2, step 3 **B** Step 2, step 3, step 1
C Step 3, step 2, step 1 **D** Step 1, step 3, step 2

Human Resource Function

10. Companies should have a comprehensive staff induction programme. This implies that:
- A** Existing employees are given preferential consideration when filling managerial positions.
B All new employees are required to attend a seminar on the mission, vision and goals of the organisation.
C Employees must undergo an annual job appraisal completed by top management.
D External sources will be used to fill vacant posts in the operations department
11. If an employee were to steal resources they could be dismissed for...
- A** operational reasons. **B** unethical behaviour.
C incapacity. **D** misconduct.
12. The following actions may result in disciplinary procedures:
- I. habitual late coming
 - II. drunkenness during working hours
 - III. refusing to wear a hair net while working with food
 - IV. refusing to accept dangerous assignments.
- A** I, II and III **B** II, III and IV **C** I, III and IV **D** I, II and IV
13. The main function) of performance appraisal is _____.
- A** to give feedback to employees on past performance and to communicate future expectation
B to pick up areas of strength and weaknesses and to put strategies in place to use strengths to improve on weaknesses
C to discuss employment issues such as salary progression, bonuses, merits, perks and promotional opportunities
D all of the above
14. Which **TWO** statements are **FALSE**?
1. Employees must be given encouragement and emotional support to be creative.
 2. Top level management is involved in strategic planning and is not involved with innovation and new ideas.
 3. Employees should not receive material rewards for making new suggestions, because it is part of their job.
 4. Positive feedback is very important to encourage creativity.

Choose the correct combination.

- A** 1 and 4 **B** 2 and 3 **C** 2 and 4 **D** 1 and 3

Professionalism and ethics

15. Select the definition that best describes the Code of Ethics.
- A A set of unfair rules and regulations.
 - B A guide to being trustworthy.
 - C A guide to help employees and employers to make ethical decisions in the workplace.
 - D A set of guidelines for corruption in the workplace.

16. Refer to the following extract:

The philosophy of the code consists of the three key elements of leadership, sustainability and good corporate citizenship. It views good governance as essentially being effective, ethical leadership.

Identify the professional guideline described in the above extract.

- A Ethics code
- B Professionalism code
- C South African Code
- D King Code

17. Determine which of the following does not relate to professionalism.

- A Specialised knowledge in the field.
- B Excellent skills.
- C Divulging client information.
- D Master in the field.

18. Analyse which of the following is an effective strategy to address ethical issues.

- A Avoid the issue.
- B Name and shame the individual with the issue.
- C Employees feel safe and protected if something is in writing.
- D Dismissal due to misconduct.

19. Argue the consequences of tenderpreneurs in South Africa.

- A Decreased opportunities in the market for small and medium businesses.
- B Increased competition.
- C Increased threats to government owned businesses.
- D Governments neglect their duty.

Creative thinking

20. Which one of the following statements is **not true** of a creative thinker? Creative thinkers are likely to.....

- A develop new ideas.
- B take risks.
- C see things in the same way as others.
- D plan strategically.

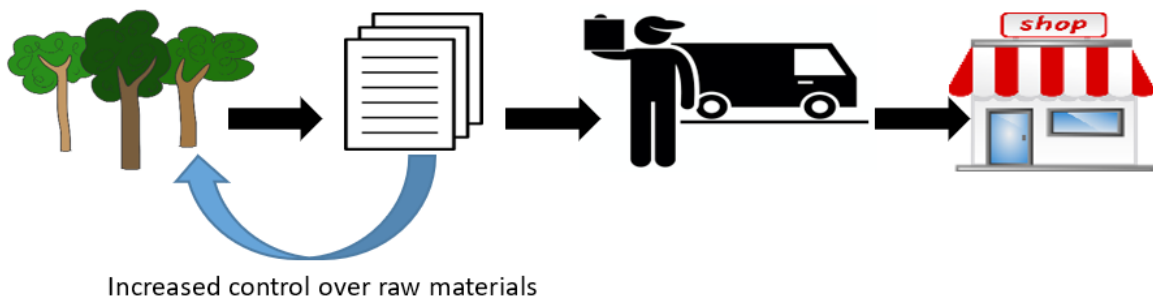
21. Explain the acronym SCAMPER as it relates to problem-solving.

- A Scramble, Combine, Amplify, Modern, Put to another use, Eliminate, Reverse
- B Substitute, Calculate, Amplify, Modify, Pattern, Eliminate, Reverse
- C Substitute, Combine, Adapt, Modern, Pattern, Elaborate, Reverse
- D Substitute, Combine, Adapt, Modify, Put to another use, Eliminate, Reverse

22. Categorise the following statement: "He who runs after good fortune runs away from peace. — African proverb
- A** Consumerism **B** Values and ethics
C Delphi knowledge **D** Indigenous knowledge
23. A problem-solving technique focusing on expert opinions.
- A** Delphi technique **B** Force-field analysis **C** Empty chair technique **D** Mind-mapping
24. Globalisation is a problem faced by most organisations. Why is it critical to solve this problem?
- A** Environmental problems **B** Increased competition
C Energy shortage **D** Changing technology

Challenges in the external environment

25. Identify the **FALSE** statement with regard to the economic environment.
- A** The income of consumers of final products and services is directly influenced by the economic growth rate.
B The higher the economic growth rate, the lower the living standard of the population.
C A weak economic growth rate leads to poverty of the consumer.
D A high growth rate of the South African population and a weak economic growth rate weaken the income of consumers.
26. Identify the 2018 overall GDP growth rate for South Africa.
- A** 0.8 percent **B** 10 percent **C** 15 percent **D** 0.1 percent
27. Assess which of the following definitions best describes Horizontal integration.
- A** Business gains control over their consumers
B Business gains control over their suppliers
C Business gains control over their distribution
D Business gains control over their competitors.
28. Justify the use of liquidation as a defensive strategy.
- A** Can save costs **B** Motivates staff
C Legal process **D** Can lose money
29. Identify the strategy in the picture below:



- A** Forward integration **B** Backward integration
C Horizontal integration **D** Producer integration
30. Tech IT sold some of its delivery trucks to pay creditors. This strategy is known as...
- A** liquidation **B** solvency
C exchange control **D** diversification

The circular flow

- The circular flow model is a _____ economic model.
A macro **B** micro **C** monetary **D** national aggregate
- The circular flow model of a market economy assumes that consumers spend all their income. As such there is no _____ in this model.
A monetary flow **B** injections **C** consumption **D** savings
- Which one of the following is **TRUE** with regards to the basic flows in the circular flow model?
A Factors of production flows from producers to households via the factor market.
B The remuneration of factors of production flows from producers to households via the factor market.
C Goods and services flow from households to producers via the foreign exchange market.
D The remuneration for goods and services consumed by all participants give rise to the real flow in the circular flow model.
- A basic assumption of the circular flow model is that the model is in equilibrium. This means that
A $TP = TY = TE = C + I + G + X + M$
B $TP > TY < TE = C + I + G + X - M$
C $TP = TY = TE = C + I + G + X - M$
D $TP > TY < TE = C + I + G + X - M$
- If the aggregate expenditure of households, producers, government and the foreign sector is
A greater than aggregate income, then dissaving is taking place.
B smaller than aggregate income, then dissaving is taking place.
C equal to aggregate income, then dissaving is taking place.
D equal to aggregate income, then saving is taking place.
- The following was taken from the SARB Quarterly Bulletin (March 2018).

R million	2015	2016	2017
Compensation of employees	1 906 052	2 063 973	2 219 844
Consumption of fixed capital	559 212	613 292	630 129
Net operating surplus	1 056 128	1 126 109	1 237 578
Subsidies on production	8 132	7 854	8 838
Subsidies on products	15 327	14 575	15 953
Taxes on production	80 403	85 304	93 016
Taxes on products	441 034	14 575	15 953
Extract from KB601			

The value of the GDP at market prices for 2017 is

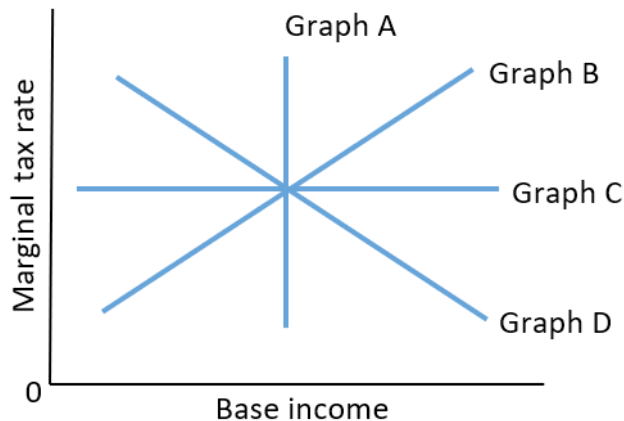
- A** R4 003 373 million **B** R4 157 499 million
C R4 017 603 million **D** R4 171 729 million

7. Country Y has a closed economy with no government. An increase of R1 000 000 in investment leads to an increase in consumption of R5 000 000. What is the value of the marginal propensity to consume (mpc)?
- A** 0.2 **B** 0.5 **C** 2.5 **D** 5
8. If the government wants the economy to expand, it can
- A** increase both taxes and imports.
B decrease both government expenditure and taxes.
C increase both imports and the consumption of goods and services.
D decrease taxes and increase government expenditure.

Business cycles

9. A trough is the point on a business cycle where
- A** inflation is at its lowest. **B** the money supply declines.
C aggregate economic activity are declining. **D** the employment rate is at its highest.
10. Peaks and troughs on a business cycle can best be described as ...
- A** recovery points. **B** turning points.
C equilibrium points. **D** trend points.
11. A recession phase can best be described as a phase where the economic growth rate on a year-to-year basis is ...
- A** negative, but at an increasing rate.
B negative, but at a decreasing rate.
C positive, but at an increasing rate.
D positive, but at a decreasing rate.
12. A heading in a financial newspaper reads that it is extremely likely that political change will occur as a result of the latest election and that this may lead to political instability in the country. Based on this heading, which one of the following best explains the reasons for business cycles?
- A** Exogenous reasons **B** Endogenous reasons
C Structural reasons **D** Monetary reasons
13. The phase of a business cycle that occurs after a trough and before a peak can be described as a/an _____ phase.
- A** expansion **B** contraction **C** recession **D** depression
14. An expansionary fiscal policy will be implemented when the economy is in a recession. Which of the following is an example of expansionary fiscal policy?
- A** Controlling the money supply **B** Manipulating interest rates
C Reducing taxes **D** Open market transactions
15. Which one of the following changes in aggregate demand and aggregate supply will lead to economic growth?
- A** An increase in aggregate demand while aggregate supply remains constant
B An increase in aggregate supply while aggregate demand remains constant
C A decrease in aggregate demand and a decrease in aggregate supply
D An increase in aggregate demand and an increase in aggregate supply

16. The assumption that future economic activities will follow the economic activities of the recent past is called forecasting based on
- A** historical models. **B** econometric models.
C extrapolation. **D** moving averages.
17. One of the aims of government is the redistribution of income. Which tax scale as depicted in the graphs, will have no effect on the distribution of income?



- A** Graph A **B** Graph B **C** Graph C **D** Graph D
18. Which one of the following statements regarding a common good and a public good is true?
- A** A common good is rival and non-excludable and a public good is non-rival and non-excludable.
B A common good is non-rival and non-excludable and a public good is rival and non-excludable.
C A common good is rival and non-excludable and a public good is rival and excludable.
D A common good is rival and excludable and a public good is rival and non-excludable.
19. Which one of the following statements are **FALSE**?
- A** As many people do not realise the importance of saving for retirement, investing in a pension fund can be considered a merit good.
B Over-the-counter medication can be seen as a demerit good as people can become addicted to it.
C If medical care was only provided by private hospitals and people financed it by means of private medical schemes, then unhealthy people would end up paying the highest premiums for these schemes.
D It is absolutely fair that university students pay the full cost of higher education as they will receive all the benefits of being educated.
20. Privatisation refers to ...
- A** a private business that sells assets to local government.
B the government that obtains privately owned assets without compensation.
C a state owned enterprise is sold in full or partially to private investors.
D a private firm that sells its assets to another private firm.
21. Which one of the following best describes a positive externality?
- A** The budget surplus for 2019 is R100 million
B The government spends R100 million on improving the N1-highway
C Exports exceed imports with R100 million
D Carbon dioxide pollution increases

22. Health care regulations is an example of
- A increasing the accountability of the public sector.
 - B managing government spending programmes.
 - C government regulating economic activities.
 - D government curbing corruption.
23. It is highly unlikely that a private firm would provide street lighting in a suburban suburb because
- A it would be too costly to produce street lighting.
 - B not everybody can afford to pay for street lighting.
 - C non-payers could still make use of street lighting.
 - D consumers will not demand street lighting.

Foreign exchange markets

24. Which of the following reasons for international trade can be classified as a demand reason?
- A Increase in disposable income
 - B Cost differences and specialisation
 - C Climatic conditions differ between different parts of the world
 - D Factors of production are not readily available all over the world
25. Countries have a natural tendency to produce and export those goods that they have an advantage in. According to the theory of comparative advantage, Country A and Country B will gain from trade because the
- A firms in both Country A and Country B can make use of inexpensive labour.
 - B market power of firms in both Country A and Country B are reduced because they behave more competitive.
 - C total output of firms in both Country A and Country B increases as each country has an absolute advantage in producing one good.
 - D total global output will increase when firms in both Country A and Country B specialises in the production of that good that it has a relative advantage in.
26. The Balance of payment consists of four accounts, namely ...
- A Current account, Capital transfer account, Financial account and Reserve account
 - B Current account, Terms of trade account, Merchandise import account and Net gold exports account.
 - C Direct investment account, SDR allocations account, Current transfers account and Reserve account
 - D Capital transfer account, Financial account, Direct investment account and Current transfers account
27. A South-African citizen went to America and exchanged Rand for Dollar at an exchange rate of \$1:R14.38. From America he went to Europe and exchanged his Dollars for Euros at a rate of \$1:€0.88. What is the Euro/Rand exchange rate?
- A €1.00:R13.50
 - B €1.00:R12.65
 - C €1.00:R16.34
 - D €1.00:R15.26

- 28.** Country D has a floating exchange rate system. If the exchange rate is above the equilibrium level then there is a situation of excess
- A** demand and the exchange rate should fall.
 - B** supply and the exchange rate should fall.
 - C** demand and the exchange rate should rise.
 - D** supply and the exchange rate should rise.
- 29.** Based on the demand and supply model of determining exchange rates, which one of the following could cause an appreciation in the Zimbabwean Dollar?
- A** Global concerns increase over the safety of cashew nuts exported from Zimbabwe.
 - B** Zimbabwean labourers working abroad send more money home to their families.
 - C** The Zimbabwean government repays debt and interest to the IMF.
 - D** Zimbabweans imports more electronic goods from China.
- 30.** Due to the implementation of better technology, Country F experience an increase in productivity. This will cause the currency of Country F to _____ because goods are produced at a _____ price.
- A** appreciate; lower
 - B** depreciate; lower
 - C** appreciate; higher
 - D** appreciate; lower