Mathematical Literacy 4 - Module 3

Name: Solutions   Marks Available: 60

                                                  Time: 45 minutes

Question 1:

Define the following terms:

    a. Fixed cost

        Costs that do not vary with the amount you produce.

    b. Pay as you earn

        A type of tax that requires employers to deduct tax from remuneration paid to employees.

    c. Current account

        An account with the bank, typically used for cheques.

    d. JSE

        The main place where stock and securities are bought and sold in South Africa.

    e. Hire Purchase contract

        A contract to purchase a good, while paying for it. It becomes yours after the last payment is made.

        [10]

Question 2:

State whether each of the following are true or false

    a. A government bond is a high risk investment.   (T / **F**)

    b. Options are rights to buy or sell any asset at a fixed price on or before the stated date.   (**T** / F)

    c. A debtor is someone you owe money to.   (T / **F**)

    d. Equities earn fixed interest.   (T / **F**)

    e. Cash provides no hedge against inflation.   (**T** / F)

        [10]

Question 3:

State whether each of the following are fixed or variable costs.

    a. Rent   **Fixed**

    b. Electricity   **Variable**

    c. Loan payments   **Fixed**

    d. Raw materials   **Variable**

    e. Telephone calls **Fixed**

        [5]

Question 4:

a. Define the following terms:
    a. Income tax (2)
    Assessed on the taxable income of individuals, companies and corporations in any one tax year.
    b. Value added tax (2)
    Tax on the value added to an item / service. Payable to the receiver of revenue and is calculated at 14%.
    c. Tax threshold (2)
    The amount you earn, above which, you have to pay tax.

Taxable income (R)	Rates of tax
0-122 000	18%
122001 - 195 000	21 960 + 25% of the amount above 80 000
195001 - 270 000	40 210 + 30% of the amount above 130 000
270 001 -380 000	62 710 + 35% of the amount above 180 000
380 001 - 490 000	101 210 + 38% of the amount above 230 000
490 001 +	143 010 + 40% of the amount above 300 000

b. How much tax will a person pay if he earns R230 000 per year? (4)
Tax payable = R40 210 + (R230 000 - R130 000)(0.30) = R70 210

c. If it costs R20 000 for a company to manufacture a good and it resells the good for R30 000, how much VAT must it pay at 14% for the good? (3)
Value added = R10 000
Tax payable = (R10 000)x(0.14)= R1 400

d. What is the end of the financial tax year? (2)
28 February

[15]

Question 4:

Read the following passage and answer the questions that follow:

Inflation Quickens

Inflation quickened to an annualized 6.3 percent in December, exceeding the central bank's target range for the first time in three months, Pretoria-based Statistics South Africa said Jan. 27. Price growth is expected to average 5.8 percent this year and 6.1 percent in 2011, the Treasury said yesterday.

1. If a basket of goods cost R149 at the beginning of 2010, what would be its price at the end of 2010? (3)

    (R149)x(1.058) = R157.64

2. What would it's price be at the end of 2011? (2)

    (R157.64)(1.058) = R167.25

[5]

Question 5:

Given the information below, draw up a sample income statement for the Merry Weather Company.

[15]

Sales	R1 500 000
Wages	R300 000
Water and Electricity	R50 000
Administration	R200 000
Purchases	R900 000

Sales	**1 500 000**
Less: Expenses	**(R1 180 000)**
Wages	**30 000**
Water and electricity	**50 000**
Administration	**200 000**
Purchases	**900 000**
Net Profit	**R320 000**