higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

ECONOMIC ENVIRONMENT
NQF LEVEL 3

(3011023)

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09:00–12:00

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)
ECONOMIC ENVIRONMENT
NQF LEVEL 3
TIME: 3 HOURS
MARKS: 200

INSTRUCTIONS AND INFORMATION

1. Answer all the questions.
2. Read all the questions carefully.
3. Number the answers according to the numbering system used in this question paper.
4. Write neatly and legibly.

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SECTION A

QUESTION 1

1.1 Various options are given as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (1.1.1–1.1.5) in the ANSWER BOOK.

1.1.1 The longest series of activities which cannot be done in parallel; however, it determines how a project can be finished quicker.

A Product life skill
B Gantt chart
C Critical path analysis
D Long method

1.1.2 The system of economics that encourages free trade of goods between countries is known as …

A domestic trade.
B neighbourhood.
C globalisation.
D market trade.

1.1.3 … is a synonym for the free market system.

A Traditional system
B Socialism
C Capitalism
D Communism

1.1.4 Businesses that are small to medium, and that are not yet registered with the JSE main board, can be listed on the …

A South African Reserve Bank (SARB).
B Alternative Exchange.
C Johannesburg Stock Exchange.
D Small Businesses Enterprise.

1.1.5 An example of an informal sector activity is …

A a post office.
B a bank.
C selling goods on the street corner.
D a furniture shop.

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1.1.6 Inflation has increased by 15% over the past year. Goods that you would normally buy for R2 750 will now be worth R …

A 412,50.
B 2 337.50.
C 3 162, 50.
D 2 765.

1.1.7 CPIX is consumer price index … interest rate on mortgage bonds.

A excluding
B more
C including
D with increased

1.1.8 Equal opportunities and fair treatment of labour is promoted by the …

A Labour Relations Act.
B Employment Equity Act.
C Skills Development Act.
D Employment Insurance Fund.

1.1.9 When the SARB is expecting the inflation rate to increase, it … the repo rate.

A decreases
B increases
C includes
D excludes

1.1.10 The cost of borrowing money.

A Loan
B Overdraft
C Interest
D Liability

1.1.11 The potential to continue functioning the same way in the physical environment for a long period of time:

A Deforestation
B Preservation
C Logging
D Sustainability

1.1.12 Which currency is used by consumers when they are in Britain?

A Yen
B Euros
C Dollars
D Pounds

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1.1.13 … costs change as production increases or decreases.

A Fixed
B Variable
C Overheads
D Opportunity

1.1.14 Which of the following agencies is concerned with safety in the workplace?

A UIF
B WCA
C RAF
D OHS

1.1.15 The … is the amount of money that is paid for labour when working for a specific period of time.

A wage rate
B wages and salaries
C earnings
D commission

(15 × 1) (15)

1.2 Choose a description from COLUMN B that matches a/an word/item in COLUMN A. Write only the letter (A–K) next to the question number (1.2.1– 1.2.10) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.2.1	prime lending rate	A	Integrated trade between countries
1.2.2	liquidity	B	Using labour more than machines
1.2.3	direct proportion	C	Command economic system
1.2.4	portfolio investor	D	Interest charged by SARB to commercial banks
1.2.5	current account surplus	E	Currencies from other countries
1.2.6	globalisation	F	Measures inflation
1.2.7	repo rate	G	The value of exports is more than imports
1.2.8	labour intensive	H	When investment can be turned to cash
1.2.9	central authority	I	Lowest interest rate that is charged by banks to their loyal clients
1.2.10	foreign exchange	J	Only interested in financial return on investment
		K	Two quantities increasing or decreasing at the same time

(10 × 1) (10)

1.3 Indicate whether the following statements are TRUE or FALSE by writing only 'True' or 'False' next to the question number (1.3.1–1.3.10) in the ANSWER BOOK.

1.3.1 Trade unions cannot be considered as stakeholders in any business because they cause strikes.

1.3.2 Investment opportunities are created by JSE for small businesses.

1.3.3 An increase in the interest rate increases consumer spending.

1.3.4 Drought has a negative impact on any economy.

1.3.5 The highest consumption in the economy is from households.

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1.3.6 Fiscal and monetary policies are used by government to stabilise the economy.

1.3.7 The role of government is not important in a mixed economic system.

1.3.8 Risk of investment leads to lowering of the interest on capital.

1.3.9 The manufacturing of goods takes place in the primary sector.

1.3.10 Cash flow is another term for compound interest.

(10 × 1) (10)
[35]

QUESTION 2

2.1 Assume that the South African rand has appreciated by 30% against the US dollar. The current rate is $1 = R15,65. Calculate the new exchange rate.

Show all calculations. (5)

2.2 Briefly describe the THREE economic systems. (3 × 2) (6)

2.3 What do we call the amount of money that households are left with after tax has been deducted?

What would be the effect of an increased tax rate on this amount? (3)

2.4 Identify FOUR strategies by which business managers respond to what they observe in their environment. (4 × 1) (4)

2.5 Services are provided in the tertiary sector. Give any THREE examples of services in this economic sector. (3 × 1) (3)

2.6 List FOUR commercial banks under the authority of SARB. (4 × 1) (4)
[25]

TOTAL SECTION A: 60

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SECTION B

QUESTION 3

3.1 Read the following extract and answer the questions that follow:

Big petrol price cut in September

The wholesale price of diesel is expected to decrease by around R2.30 a litre and the price of illuminating paraffin by almost R2 a litre.

The price of oil this year soared to its highest since 2008, climbing above $139 a barrel in March after Western countries imposed severe sanctions on Russia over its invasion of Ukraine.

[Source: mg.co.za, 16 August 2022]

3.1.1 List the resources mentioned in the extract above. (3)

3.1.2 Briefly explain why the cutting of petrol price would be exciting news for South Africans. (3 × 2) (6)

3.1.3 What has been the main reason for the high petrol prices? (2)

3.1.4 Discuss how households would benefit from the fuel price-cut. (4 × 2) (8)

3.1.5 The change in the fuel price is an economic indicator. Write down FIVE economic indicators. (5 × 1) (5)

3.1.6 What is the SARB's inflation target range? (1)

3.1.7 Distinguish between *pure economic indicators* and *financial economic indicators*. (2 × 2) (4)

3.1.8 Name any news media where you would get the above story. (1)

3.2 Explain the term *economic environment*. (2)

3.3 In South Africa, who is responsible for issuing the currency notes? (2)

3.4 Define the term *sanctions.* (2)

3.5 Distinguish between *consumer price index* and *producer price index*. (2 × 2) (4)

[40]

QUESTION 4

Gold hits high amid Russian- Ukraine conflict

Gold prices are hovering near the all-time high of US$2 075.
There is uncertainty around the impact of the ongoing conflict on commodity prices and the continuing supply chain disruptions, with inflation hinting that it's going to be higher for longer. However the gold price is still giving hope for the South African economy.

[source: www.new24/fin.co.za 16 March 2022]

4.1 Name FOUR natural resources besides gold, that South Africa exports to the world. (4 × 1) (4)

4.2 Distinguish between *portfolio investment* and *direct investment*. (2 × 2) (4)

4.3 Give THREE functions of the financial markets. (3 × 1) (3)

4.4 Differentiate between *bull market* and the *bear market*. (2 × 2) (4)

4.5 Name the type of economic indicator that will cause the following reactions in the economy:

4.5.1 If it decreases, credit will become cheaper and consumption will increase.

4.5.2 Its increase will cause an increase in the costs of transport.

4.5.3 An increase in its price affects the cost of bread.

4.5.4 All prices of products will be affected by a change in its rate.

4.5.5 Consumers are affected by its depreciation and appreciation.

(5 × 2) (10)

[25]

QUESTION 5

5.1 Lucinda from Mexico won a holiday trip to South Africa, that was worth $15 000. Calculate how much money will she have in rand at the following exchange rates:

5.1.1 $1= R14,65

5.1.2 $1 = R 16,70

5.1.3 Which amount from the two above would you say the rand has appreciated against the dollar? State your reasons for your view.

(3 × 3) (9)

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5.2 Define the term *landed costs*. (2)

5.3 What is meant by the term *break-even* point? (2)

5.4 Why is it important for managers of businesses to conduct a break-even analysis? (2)

5.5 Identify the currencies used by the following countries:

5.5.1 Japan

5.5.2 Britain

5.5.3 Botswana

5.5.4 United States of America

(4 × 1) (4)

5.6 Mr Pierce, a furniture revamp business owner, decided to offer Andrew a share of the profit of the business instead of considering a wage increase. Study the terms of agreement below and answer the questions:

Cost to produce	:	R10 per furniture unit
Profit percentage	:	12%
Number sold	:	50 units
Andrew's profit percentage	:	20%

5.6.1 Calculate the selling price. (5)

5.6.2 Calculate the total of sales. (3)

5.6.3 Work out how much is Andrew going to get. (3)

[30]

QUESTION 6

6.1 Briefly explain the THREE levels of government in South Africa. (3 × 2) (6)

6.2 Identify any THREE examples of essential services that the government strive to supply to its citizens. (3 × 1) (3)

6.3 Distinguish between the concepts *procurement* and *tender*.

(2 × 2) (4)

6.4 What was the Government's objective in introducing the National Credit Act? (3)

6.5 Technology brings changes in the economy. Identify FOUR advantages of technology to a business. (4 × 1) (4)

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6.6 Define the concept *labour mobility*. (2)

6.7 In a socio-political environment, businesses have no control of what is happening around them; they could only adapt.

6.7.1 What business opportunities were brought about by the COVID-19 pandemic? (3 × 2) (6)

6.7.2 Discuss how COVID-19 was the most severe pandemic to humanity when it is compared with other pandemics. (4 × 2) (8)

6.8 Define the following terms:

6.8.1 *Poverty*

6.8.2 *Pandemic*

6.8.3 *Public opinion*

6.8.4 *Social diversity*

(4 × 2) (8)

6.9 Write the acronym Asgisa in full. (1)

[45]

TOTAL SECTION B: 140
GRAND TOTAL: 200

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