higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE (VOCATIONAL)

ECONOMIC ENVIRONMNET
NQF LEVEL 4

15 November 2022

This marking guideline consists of 7 pages.

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SECTION A

QUESTION 1

1.1	1.1.1	A		
	1.1.2	C		
	1.1.3	A		
	1.1.4	B		
	1.1.5	B		
	1.1.6	D		
	1.1.7	D		
	1.1.8	D		
	1.1.9	C		
	1.1.10	A		
			(10 × 1)	(10)

1.2	1.2.1	True		
	1.2.2	True		
	1.2.3	False		
	1.2.4	False		
	1.2.5	True		
	1.2.6	False		
	1.2.7	False		
	1.2.8	True		
	1.2.9	False		
	1.2.10	False		
			(10 × 1)	(10)
				[20]

QUESTION 2

2.1	2.1.1	H		
	2.1.2	L		
	2.1.3	F		
	2.1.4	I		
	2.1.5	J		
	2.1.6	K		
	2.1.7	A		
	2.1.8	G		
	2.1.9	E		
	2.1.10	B		
			(10 × 1)	(10)

2.2 The circular flow model is an economic model that represents how money, goods, and services move between sectors in an economic system.✓✓
OR
The circular flow model shows the interaction between two groups of economic decision-maker (households and businesses) and two types of economic markets (the market for resources and the market for goods and services). (2)

2.3
- Saving
- Taxes
- Imports (3)

2.4 Total spending = C (household consumption)✓ + G (government expenditure)✓ + I (investment expense)✓ + X-Z (net exports).✓✓ (5)
[20]

TOTAL SECTION A: 40

SECTION B

QUESTION 3

3.1 The consumer price index is a measure that examines the weighted average price of a basket of consumer goods and services,✓ such as transportation, food, and medical care.✓ (2)

3.2 Food and non-alcoholic beverages
Housing and utilities
Transport
Miscellaneous goods and services (Any 3 × 1) (3)

3.3
- Higher inflation rate erodes the real value of money✓✓
- Increasing rate of inflation means consumers pay money for the same number of goods and services✓✓
- Consequently, this leads to drop in consumer expenditure✓✓
- Other suppliers are left with their products unsold✓✓
- They then lay off some their labour
- Which tends to increase unemployment (Any reasonable answers 4 × 2) (8)

3.4 3.4.1
- Higher price of commodities
- Imported inflation
- Higher wages
- Higher taxes
- Profit-push inflation
- Higher food prices (6)

3.4.2 Cost-push inflation occurs when overall prices increase (inflation) due to increases in the cost of wages and raw materials✓✓ whilst demand-pull inflation occurs when the level of production or supply does not keep up with the level of demand in the economy✓✓
(2 × 2) (4)

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3.5 A rise in the price of petrol leads to a fall in demand for cars✓ (assuming the price of cars is constant) because cars and petrol are complementary goods,✓ i.e., you need petrol to run your car.✓ When petrol prices go up for any length of time, consumer demand goes down.✓ People will make fewer trips ✓and buy vehicles that have greater fuel economy.✓
Rising fuel prices have a negative impact on the automobile industry,✓ impacting vehicle demand,✓ while also adding to the overall inflationary pressure.✓ The petrol price indirectly affect costs such as transportation and manufacturing.✓ The increase in these costs can in turn affect the price of a variety of goods and services✓ as producers may pass production costs on to consumers.✓

(Any reasonable answer) (12)

3.6
- High and sustainable economic growth
- Price stability
- Full employment
- Balance of payments equilibrium
- Fair income distribution (5)

[40]

QUESTION 4

4.1 Is when a company buys a debt or invoice from another company✓✓ or is a technique where an enterprise sells its accounts receivable (i.e., invoices) to a 'factor' for immediate payment less a small discount. (2)

4.2
- Exporter:✓ The seller sells goods and receives payment according to the factoring agreement✓
- Export factor:✓ is the exporter's bank or local factoring house which receives money from the importer in the foreign country✓
- Importer:✓ is the customer in the foreign country✓
- Import factor:✓ a factoring house that acts on behalf of the importer in the foreign country✓ (4 × 2) (8)

4.3
- Phytosanitary certificate
- Airway bill
- Certificate of origin
- Insurance certificate
- Packing list
- Commercial invoice (6)

4.4 Factoring reduces your bookkeeping costs and your overhead expenses.✓✓
Factoring allows you to make cash payments to your suppliers, which means you can take advantage of discounts and reduce your production costs.✓✓
Factoring makes it possible for a business to finance its operations from its own receivables.✓✓ (Any reasonable answers 3 × 2) (6)

4.5
- Check client's business records regularly.
- Search for information about a customer
- Check the invoices a client brings for factoring.
- Check the creditworthiness of the client. (4)

4.6 Economic development refers to the improvement in the standard of living of the people in a particular locality✓✓ whereas economic growth refers to an increase in the real gross domestic product✓✓ (2 × 2) (4)

4.7
- Provides for the establishment of municipalities according to the requirements relating to categories and type of municipality
- Establishes criteria for determining the category of municipality to be established in an area
- Defines the type of municipality that may be established within each category
- Provides an appropriate division of functions and powers between categories of municipality
- Regulates the internal systems, structures, and office-bearers of municipalities
- Provides appropriate electoral systems and provides for matters in connection therewith (Any reasonable answers 5 × 2) (10)

[40]

QUESTION 5

5.1
- Assist with restoring electricity✓
- Restore water supply✓
- Supply clean water using water tanker trucks✓
- Provide temporary residential units and rebuild partially damaged houses✓
- Repair and rebuild infrastructure such as roads, bridges and schools that have been damaged. (Any 4 × 1) (4)

5.2 It is important for any government to manage disasters.✓ The government provides legislation,✓ allocates resources,✓ does rational planning✓and ensures sustainable development.✓ Disaster management and planning is a key part of government work. (Any reasonable answers 4 × 1) (4)

5.3
- Property taxes
- Surpluses generated from services
- Funding transfers from the national government (3)

5.4
- Accounting unit:✓ money is used to compare the value of different items in the goods market.✓
- Store of value:✓ money can be stored and used at a later date if it has not lost value.✓
- Standard of deferred payment:✓ money is used to settle debts.✓
- Medium of exchange:✓ money is generally accepted as means of payment for goods and services.✓ (4 × 2) (8)

5.5
- Goods and services must be available to purchase
- A community needs access to primary health care
- Law and order are necessary in a community
- Children need a school to go to
- Places for community gatherings such as churches and recreational areas are also necessary. (Any reasonable answer 5 × 2) (10)

5.6
- Expansion of South African trade to other countries
- Improving local production techniques
- Adding value to locally produced commodities
- Improving local economies
- Skills spill overs (Any reasonable answers 4 × 1) (4)

5.7 5.7.1 R18.42 × 5/100✓ = R0.92✓
R18.42 – R0.92✓ = R17.50
£1 = R17.50✓. (4)

5.7.2 R18.42 × 0.50% = R0.09✓
R18.42 + R0.09✓= R18.51
£1 = R18.51✓ (3)
[40]

QUESTION 6

6.1 6.1.1 Absolute advantage – refers to the ability to produce a certain good or service at a lower cost (i.e., more efficiently) than another party.

6.1.2 Promissory note – is a written undertaking signed by the customer promising to pay the exporter when they have received the goods

6.1.3 Market – is a place where buyers and sellers come together to buy and sell

(3 ×2) (2)

6.2
- When a market price is pitched above the equilibrium price, there is surplus in the market✓✓
- This encourages sellers to lower their prices and the lower the price the higher the demand✓✓
- Conversely, if the market is set below the equilibrium price, shortage will exist in the market✓✓
- This will drive suppliers to increase their prices because of excess demand.✓✓ In this manner, market forces drive prices toward equilibrium.

(Any reasonable answers 4 × 2) (8)

6.3 Foreign direct investment is founding or purchasing businesses and their associated infrastructure in a foreign country✓✓ while foreign portfolio investment is the purchase of securities like stocks and bonds of foreign countries on an exchange✓✓ (2 × 2) (4)

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6.4
- To protect local businesses and workers
- To protect the environment
- To ensure the laws of the country are upheld
- To protect the country's economy
- To earn an income for the country
- To control foreign exchange. (Any reasonable answer 4 × 2) (8)

6.5
- Exporting is risky – International trade is more complicated than sticking to a domestic market.
- The international trade environment changes rapidly and if you want to export it's necessary to be aware of and monitor these changes.
- Some exports need a license, and it can quickly become complicated to deal with licensing, classification, and other required compliance issues.
- Compared to domestic trade, getting paid can be difficult, exporters may deal with terms of payment, currency fluctuation and more.
- E-commerce can boom and the supply chain infrastructure may not be able to keep up with demand.
- Protecting your intellectual property is one of the most difficult aspects of exporting. (Any reasonable answer 3 × 2) (6)

6.6
- Sign a contract with the local export factor
- Accept the terms and agree that all money will be paid to the factor
- Agree to pay the export factor interest on early money received
- Must specify item to the export factor
- Agree to pay the export factor administration costs
- Means/mode of delivery must be specified. (Any 4 × 2) (8)

[40]

TOTAL SECTION B: 160
GRAND TOTAL: 200

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