higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

ECONOMIC ENVIRONMENT
NQF LEVEL 4

(3011022)

15 November 2022 (X-paper)
09:00–12:00

This question paper consists of 10 pages.

309Q1B2215

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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. Start each section on a new page.
5. Use only a blue or black pen.
6. 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 (1.1.1–1.1.10) in the ANSWER BOOK.

1.1.1 Who is the Minister of Finance that succeeded Tito Mboweni in 2021?

A Enoch Godongwana
B Pravin Gordhan
C Trevor Manuel
D Nhlanhla Nene

1.1.2 The current inflation target in South Africa is …

A 6% – 12%
B 9% – 12%
C 3% – 6%
D 3% – 7%

1.1.3 An inelastic demand curve …

A is vertical
B slopes upwards from left to right
C is horizontal
D slopes downwards from left to right

1.1.4 Which ONE of the following resources does NOT benefit the local economy?

A Informal sector
B Imported goods
C Improved infrastructure
D Exported goods

1.1.5 … means all other things being equal.

A Opportunity cost
B Ceteris paribus
C Utility
D Equilibrium

1.1.6 The largest source of government revenue is …

A value added tax
B corporate tax
C custom duties
D income tax

1.1.7 The … is responsible for providing people with public services.

A national government
B provincial government
C corporate governance
D local government

1.1.8 A consumer's purchasing power increases as …

A income increases
B expenses increase
C preferences/tastes improve
D income decreases

1.1.9 Commercial banks use the … to offer credit to their special customers.

A repo rate
B lending rate
C prime rate
D exchange rate

1.1.10 Which ONE of the following is NOT a direct tax?

A Customs duty
B Income tax
C Personal property tax
D Land tax

(10 × 1) (10)

1.2 Indicate whether the following statements are TRUE or FALSE by writing only 'True' or 'False' next to the question number (1.2.1–1.2.10) in the ANSWER BOOK.

1.2.1 Direct tax is calculated based on the taxpayer's ability to pay.

1.2.2 Anti-dumping duty is a type of indirect tax.

1.2.3 The Merchant Bank is responsible for the funding of both established and emerging farmers.

1.2.4 Local economic development (LED) legislation is not important because the Municipal Finance Management Act is there to guide local municipalities.

1.2.5 Without effective local economic development, poverty will remain a problem in South Africa.

1.2.6 South African Revenue Service (SARS) is responsible for formulating and implementing monetary policy.

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1.2.7 The import factor should have transit risk insurance cover to protect themselves from losses that could be incurred during the transport of goods.

1.2.8 An importer prefers an open account to a letter of credit.

1.2.9 Local governments fall under the Ministry of Cooperative Governance and Traditional Affairs.

1.2.10 An exporter should insist on using a letter of credit when trading with new and unfamiliar clients.

(10 × 1) (10)
[20]

QUESTION 2

2.1 Choose a term from COLUMN B that matches a description in COLUMN A. Write only the letter (A–L) next to the question number (2.1.1–2.1.10) in the ANSWER BOOK.

COLUMN A		COLUMN B	
2.1.1	measures both economic and social aspects of advancement	A	cost-push inflation
2.1.2	transactions involving the purchase or sale of currencies	B	current expenditure
2.1.3	a process whereby a government asset is sold or taken over by private individuals	C	budget surplus
2.1.4	provides an irrevocable payment undertaking to a beneficiary against complying documents as stated	D	globalisation
2.1.5	are calculated at a prescribed percentage of the value of the imported item/s	E	households
2.1.6	selling merchandise below the costs incurred in the production and shipment thereof	F	privatisation
2.1.7	occurs when overall prices increase due to increased wages and payment of raw materials	G	nationalisation
2.1.8	occurs when the government takes over or purchases a private asset	H	human development index
2.1.9	people who live together and make joint economic decisions	I	letter of credit
2.1.10	includes salaries and wages of government employees at provincial and national levels	J	ad valorem tariff
		K	dumping
		L	foreign exchange

(10 × 1) (10)

2.2 What is the circular flow model? (2)

2.3 What are the THREE leakages of circular flow? (3)

2.4 Identify the elements used in the following equation:

Total spending = C + I + G + (X-Z) (5)
[20]

TOTAL SECTION A: 40

SECTION B

QUESTION 3

Headline consumer price index (CPI for all urban areas)

Annual consumer price inflation was 3,2% in March 2021, up from 2,9% in February 2021. The consumer price index increased by 0,7% month-on-month in March 2021. The main contributors to the 3,2% annual inflation rate were food and non-alcoholic beverages; housing and utilities; transport; and miscellaneous goods and services. Food and non-alcoholic beverages increased by 5,7% year-on-year, and contributed 1,0 percentage point to the total CPI annual rate of 3,2%.

Housing and utilities increased by 2,2% year-on-year, and contributed 0,5 of a percentage point. Transport increased by 3,8% year-on-year, and contributed 0,5 of a percentage point. Miscellaneous goods and services increased by 4,0% year-on-year, and contributed 0,7 of a percentage point. The annual inflation rates for goods and for services were 3,9% and 2,6% respectively. Provincial annual inflation rates ranged from 3,1% in Gauteng and Mpumalanga to 3,7% in North West and Limpopo.

Note: Not all items in the CPI are surveyed every month.

[Source: *www.statssa.gov.za*]

3.1 In your own words, explain the term *consumer price index*. (2)

3.2 Identify THREE main contributors to the inflation rate. (3)

3.3 What impact does a higher inflation rate have on the South African economy? (4 × 2) (8)

3.4 The main causes of inflation are demand-pull inflation, cost-push inflation, and built-in inflation.

3.4.1 List SIX causes of cost-push inflation. (6)

3.4.2 Differentiate between *demand-pull inflation* and *cost-push inflation.* (2 × 2) (4)

3.5 Discuss how an increase in the price of petrol will affect the demand for petrol driven cars, as well as how this price increase affects the producers of these cars. (12)

3.6 List FIVE of South Africa's macroeconomic objectives. (5)

[40]

QUESTION 4

Read the extract below and answer the questions that follow.

FACTORING - A VALUABLE TOOL TO BOOST TRADE

While factoring is employed as a trade finance tool in many parts of the world, it is not common practice in Africa. But the African Export-Import Bank (Afreximbank) has identified factoring as a valuable tool to underpin trade, particularly for small and medium-size enterprises.

Afreximbank continues to play a significant role in supporting intervention mechanisms that create opportunities for SMEs to fully benefit from factoring.

[Source: *www.intracen.org/itc/news/latest-news*]

4.1 What is *factoring*? (2)

4.2 Explain FOUR parties involved in export factoring. (4 × 2) (8)

4.3 List SIX documents that an exporter should present to their bank for the letter of credit to be paid out. (6)

4.4 What benefits can small and medium size enterprises get out of factoring? (3 × 2) (6)

4.5 Name FOUR ways in which a factoring house can reduce its business risks. (4)

4.6 Distinguish between *economic development* and *economic growth*. (4)

4.7 Explain what the Municipal Structures Act (No. 117 of 1998) empowers the council to do. (5 × 2) (10)

[40]

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QUESTION 5

Read the extract below and answer the questions that follow:

Durban - Residents within the eThekwini Municipality have been given a glimmer of hope after the municipality provided an update on public services and service delivery, amongst other things, that had been affected during–heavy rains and flooding in the metro.

[Translated from: *Daily news/news/KwaZulu-Natal,* 13 April 2022]

5.1 List FOUR services that the eThekwini Municipality are required to deliver to people during a natural disaster. (4)

5.2 Why is it important for the government take responsibility for public services during a natural disaster? (4)

5.3 Name THREE sources of revenue for local governments. (3)

5.4 Natural disasters require a huge amount of money.

Briefly explain FOUR functions of money. (4 × 2) (8)

5.5 Explain FIVE key concepts central to local economic development. (5 × 2) (10)

5.6 Name FOUR opportunities that globalisation provides to local economic development. (4)

5.7 Suppose the exchange rate is R18.42 to a pound (£). With this in mind, answer the following questions and show all your calculations.

5.7.1 Calculate the new exchange rate if the rand were to gain strength by 5%. (4)

5.7.2 Calculate the new exchange rate if the rand depreciates by 0.50%. (3)

[40]

QUESTION 6

6.1 Explain the following terms:

6.1.1 Absolute advantage

6.1.2 Promissory note

6.1.3 Market

(3 × 2) (6)

6.2 Briefly explain how the forces of demand and supply affect the equilibrium of the market. (4 × 2) (8)

6.3 Distinguish between *foreign direct investment* and *portfolio investment*. (4)

6.4 Give FOUR reasons why South Africa would impose import controls. (4 × 2) (8)

6.5 Name THREE disadvantages that exporting goods to foreign markets can have for local businesses. (3 × 2) (6)

6.6 What are the legal and statutory factors required for an exporter to ensure successful trade? (4 × 2) (8)
[40]

TOTAL SECTION B: 160
GRAND TOTAL: 200

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