higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE (VOCATIONAL)

ECONOMIC ENVIRONMENT
NQF LEVEL 4

24 November 2023

This marking guideline consists of 9 pages.

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SECTION A

QUESTION 1

1.1	1.1.1	D
	1.1.2	B
	1.1.3	A
	1.1.4	A
	1.1.5	D
	1.1.6	A
	1.1.7	A
	1.1.8	A
	1.1.9	A
	1.1.10	D

(10 × 1) (10)

1.2	1.2.1	True
	1.2.2	False
	1.2.3	False
	1.2.4	True
	1.2.5	False
	1.2.6	False
	1.2.7	True
	1.2.8	True
	1.2.9	True
	1.2.10	False

(10 × 1) (10)

QUESTION 2

2.1 2.1.1 Leakages: = Savings + Taxes + Import expenditure
= R125 000✓ + R200 000✓ + R150 000✓
= <u>R475 000</u>✓ (4)

2.1.2 Injections: = Investment + Government expenditure + Export
= R250 000✓ + R120 000✓ R100 000✓
= <u>R470 000</u>✓ (4)

2.2 2.2.1 A government approach towards economic development✓ which allows and encourages local people in a community to work together and achieve sustainable economic growth and development.✓ (2)

2.2.2 Costs or benefits that arise from economic activities✓ that are not reflected in the market or actual prices of Transactions.✓ (2)

2.3 Open account:✓ The customer only pays the seller after the goods have been sent to and received by the customer.✓
Payment in advance:✓ The customer must pay the seller before sending the goods to the foreign country.✓
Letter of credit:✓ Customer's bank in the foreign country agrees to pay the local seller for the goods sold to the customer.✓
Documentary collections:✓ A process in which the seller instructs their bank to forward documents related to the export of goods to a buyer's bank with a request to present these documents to the buyer for payment.✓
Consignment: Is like an open account in some ways, but payment is sent to the exporter only after the goods have been sold by the importer and distributor to the end customer. (8)
[20]

TOTAL SECTION A: 40

SECTION B

QUESTION 3

3.1 Poverty is a state or situation in which a person or a group of people don't have enough money or the basic things they need to live.✓✓
People and families who are poor may not have a good place to live, clean water, healthy food, or medical care. (2)

3.2
- Social Relief Grants
- Disability Grant
- Foster Care Grant
- Child Support Grant
- Care Dependency Grant
- Pension. Men who have turned 65 and women who have turned 60 can apply for a state pension if they do not have other income over a certain amount. (Any 4 × 1) (4)

3.3 Most manufactured goods are produced in factories which are situated in urban areas;✓ the cost of transporting it to rural areas are passed on to the buyer;✓ imperfect information;✓ lack of competition;✓ scarcity/insufficient facilities and lack of technology. (4)

3.4
- LED encourages local enterprise
- Increases the profile of entrepreneurship.
- Stimulates competition.
- Helps to alleviate poverty.
- Nurtures the environment.
- Promoting business (Any 4 × 1) (4)

3.5
- Tourism offers potential pro-poor economic development✓ because it highlights natural resources and culture.✓
- Provides opportunities to diversify local economies✓ possessing few other export and diversification options.✓
- Enables opportunities for selling additional goods and services✓ offers labour-intensive and small business opportunities.✓ (3 × 2) (6)

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(Any other applicable correct answer)

3.6 The purpose of this Human Resources Development (HRD) Strategy is to provide a plan✓ to ensure that people are equipped to participate fully in society.✓ Able to find or create work,✓ and to benefit fairly from it.✓ To provide the framework for helping employees develop their skills, knowledge, and abilities,✓ which in turn improves an organization's effectiveness.✓

(Any other applicable correct answer) (3 × 2) (6)

3.7

DEVELOPED COUNTRIES	**DEVELOPING COUNTRIES**
A country having an effective rate of industrialisation and individual income.✓	A country which has a slow rate of industrialisation and low per capita income.✓
Life expectancy is high in developed countries (75 years).✓	Life expectancy in developing counties is low due to malnutrition, diseases and ill health (45 years).✓
Developed countries have the most up-to-date technology and resources.✓	Developing countries usually have less resources and money; their citizens are more likely to suffer from poverty.✓
Developed countries subsidise production; developing countries can't compete.	Developing countries are marginalised by subsidies.
Mass production of minerals.	Focus on agriculture
High levels of economic growth.	Low levels of economic growth

(Any 3 × 2) (6)

3.8 Consumer price index:✓ It measures the percentage change in the price of a basket of goods and services consumed by households.✓ (2)

3.9
- The Gross National Product (GNP) in South Africa is generally lower than the GDP (Gross Domestic Product) because there are foreign business people, companies and professionals working in South Africa.
- When the GNP is lower than the GDP, the flow of funds from other countries, from citizens of South Africa, is considerably less.
- The value of finished domestic goods and services, is more than the value of goods and services, which includes flow of funds from abroad. (3 × 2) (6)

[40]

QUESTION 4

4.1 4.1.1 Fallacy of composition: Is an error in economic thinking when people assume that something that is true for one person or situation is true for all persons or situations. (2)

4.1.2 Marginal analysis: Shows the cost or benefit of the extra value added to the total value when one or more item is consumed or produced. (2)

4.2 Price elasticity of supply: $\frac{\text{\% change in quantity supplied}}{\text{\% change in price}}$ ✓✓ (2)

4.3 Elastic supply means that change in quantity supplied is proportionately greater than change in price✓ whereas inelastic supply means that change in quantity supplied is proportionately less than change in price.✓
Elastic goods include luxury items and certain foods and beverages as changes in their prices affect demand.✓ Inelastic goods may include items such as tobacco and prescription drugs as demand often remains constant despite price changes.✓ (4)

4.4
- A community needs access to primary health care.
- Children need to go to school.
- Law and order are necessary in a community.
- Goods and services must be available to purchase.
- Places for community gathering such as churches and recreation areas are also necessary. (Any 4 × 1) (4)

4.5
- Create wealth.
- Generate jobs.
- Increase income.
- Reduce poverty.
- Improve the quality of life for both women and men in the locality. (Any 4 × 1) (4)

4.6
- Increased dependency on technology
- Often large costs involved with using the latest technology especially for small businesses
- Increased risks of job cuts (unemployment)
- Closure of stores in favour of online business
- Security risk in relation to data and fraud (Any 4 × 2) (8)

4.7 Forward exchange contract (2)

4.8 In this contact the seller agrees with the customer at what rate of exchange the seller will get paid.✓✓ The seller is assured of how much money he will be earning on the deal and will be able to budget expenses according to that income.✓✓ (4)

4.9
- Counterparty credit risk/credit risk/default risk:✓ Risk that the counterparty in a transaction cannot honour their obligations. If the importer does not pay the import factor the export factor runs a risk that the import factor is unable to pay.✓
- External fraud by clients:✓ The exporter may create a fake invoice that is fraud; the import factor may end up paying more to the exporter than is the value of the goods that they receive from export factor.✓
- Legal compliance:✓ Export factor runs the risk that if any legal aspect is missed or if any document is not properly processed, the deal can fall through, but the costs will still have been incurred for which the export factor is liable.✓
- Disputes:✓ Disputes may occur because of misunderstandings over the contract such as language or cultural barrier, the factoring company might not accept the invoice and the deal falls through.✓
- Overseas factor house: The export factor may be at risk that the import factor it is working with is incompetent. (Any 4 × 2)

(8)
[40]

QUESTION 5

5.1
- Cost and freight (CFR)
- Cost, Insurance and Freight (CIF)
- Carriage Paid to (CPT)
- Carriage and Insurance paid to (CIP)
- Delivered at Frontier (DAF)
- Delivered Duty Paid (DDP)
- Ex Works (EXW)
- Free Alongside Ship (FAS)
- Free on Board (FOB) (Any 6 × 1) (6)

5.2 5.2.1
- Send the letter of credit to the beneficiary.
- Check the transport and delivery documents.
- Pay the beneficiary.
- Send the transport and delivery documents to the issuing bank.

(Any 2 × 1) (2)

5.2.2
- Send the letter of credit to the advising bank.
- Pay the advising bank when it sends the transport and delivery documents.
- Get payment from the applicant and give him the transport and delivery documents. (Any 2 × 1) (2)

5.3 Economic growth: Growth of real GDP which implies an increase in capacity of the economy to produce more goods and services.✓✓
Employment: Provision of a job to everyone who is willing to work at a current wage rate. Increased employment reduces loss of production and increased production of goods and services; thus increased economic growth and development in the economy.✓✓ (4)

5.4
- An increase in the repo rate will mean a decrease in inflation✓ so that the demand for money will decrease✓ according to the money supplied by banks. Which then in turn should stabilize the economy.
- If the repo rate increases, the bank's prime lending rate✓ (the rate it charges customers who need to borrow money) goes up.✓
- This will affect the amount of interest that someone who has taken a bank loan will have to pay. It will also increase the monthly loan repayment amount.
- When the repo rate increases, the interest rates on your debt will increase✓ but the good news is that the interest rates on savings and investment products will increase too.✓ This is the perfect time to start saving towards that one goal you have been putting off.

(Any other applicable correct answer) (6)

5.5
- Co-existence of the Private and Public Sectors✓
  In a mixed economy, both public sector as well as private sector industries will be functioning.✓ Certain industries will be in the public sector and certain industries in the private sector.
- Existence of Joint Sector✓
  A joint sector is one where both the government and private individuals establish an organization jointly by contributing the necessary capital.✓
- Regulation of Private Sector✓
  In a mixed economy, government exercises strict control and regulation over private sector industries.✓
- Planned Economy✓
  The entire economic structure is subject to the planning of the government. Mixed economy is a planned economy.✓ The planning commission decides the objectives, targets and allocation of resources, etc.
- Private Property✓
  In a mixed economy, private firms and individuals have the right to own and use property.✓
- Provision of Social Security
  In a mixed economy, government takes steps to provide social security.
- Motive of Business Concerns
  The motive of the business concerns is profit but coupled with the objective of social welfare.
- Reduction of Inequalities of Income and Wealth
  The government takes steps to reduce inequalities of income and wealth.
- Complete Economic Freedom
  There is complete economic freedom in a mixed economy. Hence, the consumer is free to buy any commodity they like. (Any 5 × 2) (10)

5.6
- Analysing the place
- Laws and regulations
- Logistics
- Customer perspective
- Capital and resources
- Cost
- Insurance of the business. (Any 4 × 1) (4)

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5.7 Cash in Advance is a risky, undesirable method for importers because they have the risk of goods not being shipped,✓ and it is also not favourable for cash flow.✓ Cash in advance is usually only used for small purchases.✓ No exporter who requires only this method of payment can be competitive. The Exporters prefer cash in advance before shipping orders because there is no risk of default.✓ The exporter can avoid the credit risk as payment is received before the transfer of ownership of the goods.✓ Importers have a fear that the goods will not be delivered on time if payment is made in advance.✓ (6)

[40]

QUESTION 6

6.1 Monetary policy (1)

6.2 The primary objective of the SARB is to protect the value of the currency (1)

6.3
- Cash reserve requirement
- Open market operations
- The discount rates
- Interest on excess reserves (4)

6.4 To reduce inflation, the government can increase taxes✓ (such as income tax and VAT) and cut spending.✓ This improves the government's budget situation and helps to reduce demand in the economy.✓ Both these policies reduce inflation by reducing the growth of aggregate demand.✓
Allowing businesses to make investment decisions knowing that prices will be stable. Ensuring the central bank adjusts interest rates if inflation is outside the target range of 3-6%. (4)

6.5
- Essential to a country's economy.
- Goods not available to a country's domestic market.
- Manufactured goods at a cheaper cost somewhere else.
- Sold at lower prices when produced in another country. (4)

6.6
- To protect raw materials
- To protect our national assets
- To uphold international agreements and laws
- To encourage the growth of business in the country
- To control foreign currency (Any 4 × 1) (4)

6.7
- Applicant might be insolvent (bankrupt) and unable to pay back the money for the transaction.
- If the applicant can't pay. it becomes the responsibility of the issuing bank to make payment for the transaction.
- Bank will also be responsible for collecting debt from the applicant.
- Subject to risks associated with fraud. (Any 3 × 2) (6)

6.8 6.8.1 R18,65 × 0.98% = 0,18✓
= R18,65 – 0,18✓ = R18,47✓
New exchange rate: €1=R18,47✓ (4)

6.8.2 R18,47 × 2% = 0,37✓
= R18,47 + 0,37✓ = R18,84✓
New exchange rate: €1=R18,84✓ (4)

6.9 Merit goods are goods which when consumed provide external benefits,✓ although these may not be fully recognised✓ hence the goods are under-consumed.✓ Examples include education and healthcare.✓ As can be seen, when merit goods are consumed it generates positive externalities.

OR

The concept of merit goods assists governments in deciding which public or other goods should be supplied. Merit goods are commodities that the public sector provides free or cheaply because the government wishes to encourage their consumption. (4)

6.10
- Decision-making should be shifted from central government closer to the communities themselves.
- There should be a shift towards decentralised decision-making by including the people affected in the design of development projects.
- All policies must be focused on achieving sustainable development.
- Fight against poverty needs an adequate security system.
- Fiscal and monetary policy must work together to promote growth, redistribution, poverty reduction and the creation of employment.

(Any 2 × 2)
(4)
[40]

TOTAL SECTION B: 160
GRAND TOTAL: 200

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