higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

ECONOMIC ENVIRONMENT
NQF LEVEL 4

(3011024)

24 November 2023 (X-paper)
09:00–12:00

This question paper consists of 9 pages.

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)
ECONOMIC ENVIRONMENT
NQF LEVEL 4
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 A person who attempts to start a business or introduce a new product

A Producer
B Labourer
C Shareholder
D Entrepreneur

1.1.2 The economic system in which government involvement is most limited

A Traditional economy
B Capitalism
C Communism
D Mixed economic system

1.1.3 Which of the following factors influence the growth of the government?

A Population growth
B Microeconomic issues
C Demand and supply of goods and services
D Public welfare

1.1.4 Government expenditures have increased over time because of …

A inflation and unemployment.
B new government programmes.
C new spending bills that have been passed.
D lack of stability in the market.

1.1.5 The act that aims to allow people who have previously been disadvantaged to find jobs

A Municipal Systems Act
B Skills Development Act
C Labour Relations Act
D Employment Equity Act

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1.1.6 Local Economic Development (LED) initiatives can produce competitively priced goods and services by …

A linking the formal and informal economies.
B maintaining a high standard of living.
C managing land.
D identifying where and what type of needs exist.

1.1.7 If the price of automobiles were to increase substantially, the demand curve for gasoline would most likely …

A shift to the left.
B shift to the right.
C remain unchanged.
D become steeper.

1.1.8 The certificate of origin must be endorsed by the … to confirm the manufacturer.

A chamber of commerce
B importer
C exporter
D state

1.1.9 A letter of credit is suitable for …

A first-time exporters.
B regular exporters.
C micro-enterprises.
D multinational companies.

1.1.10 One of the following is not an example of customer-related risks.

A Culture
B Tastes and preferences
C Fashion trends
D Credit agreements

(10 × 1) (10)

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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 An increase in the flow of goods and services from firms to households also implies an increase in the flow of spending on goods and services from households to firms.

1.2.2 The gross domestic product provides a measure of the total value of final goods and services that are consumed within the borders of the country.

1.2.3 The decision to increase income tax is part of the monetary policy.

1.2.4 Education can be regarded as merit goods.

1.2.5 A change in technology forces cyclical changes in an economy because it forces businesses to change the way they do business.

1.2.6 If the population growth is 2,5% and the real economic growth rate is 1,5%, this will lead to an increase in the real per capita income.

1.2.7 The maintenance and construction of infrastructure are funded mandates of local government.

1.2.8 South Africa exports more goods and services to the developed world than to Africa.

1.2.9 Exchange rate systems are the ways that countries choose to manage their currencies in relation to the foreign exchange market.

1.2.10 If you send a small package, which is not for commercial use but for gift purposes, it will be subject to export control with freight costs covered.

(10 × 1) (10)
[20]

QUESTION 2

2.1 Study the table below and answer the questions. SHOW ALL CALCULATIONS.

Item	R million	
Consumer spending by households	300 000	00
Investment spending	250 000	00
Government spending	120 000	00
Spending by foreigners on SA goods	100 000	00
Spending by South Africans on foreign goods	150 000	00
Total production	1 200 000	00
Savings	125 000	00
Spending on imports by firms	100 000	00
Income taxes	200 000	00
Spending on imports by households	50 000	00

2.1.1 Calculate the total leakages (4)

2.1.2 Calculate the total injection (4)

2.2 Define each of the following concepts:

2.2.1 Local economic development (2)

2.2.2 Externalities (2)

2.3 Briefly explain FOUR payment agreements used in international trade. (4 × 2) (8)

[20]

TOTAL SECTION A: 40

SECTION B

QUESTION 3

Read the extract below and answer the questions that follow.

SA'S RURAL AREAS AND SMALLER MUNICIPALITIES NEED NATIONAL SUPPORT TO TACKLE POVERTY

Poverty in South Africa's rural areas and smaller municipalities is exacerbated by their small revenue base. Immediate targeted interventions by the national government are needed for severely impoverished areas in less populated provinces.

[Adapted from: https://www.dailymaverick.co.za/opinionista/2022-08-29]

3.1 Explain the term *poverty* in your own words. (2)

3.2 Give FOUR examples of social benefits provided by government to address poverty. (4)

3.3 Why do people in rural areas sometimes pay higher prices for goods and services than those living in urban areas? (2 × 2) (4)

3.4 What are the FOUR main principles of Local Economic Development? (4)

3.5 Explain how the tourism industry can impact positively on the poor rural communities of South Africa. (3 × 2) (6)

3.6 What is the purpose of a human resources development strategy? (3 × 2) (6)

3.7 Tabulate the differences between developed countries and developing countries. (3 × 2) (6)

3.8 Identify the index used to measure South Africa's inflation rate and give a brief explanation. (2)

3.9 Give THREE reasons why GNP figures in South Africa are generally lower than the GDP figures. (6)

[40]

QUESTION 4

4.1 Define each of the following concepts:

4.1.1 Fallacy of composition

4.1.2 Marginal analysis

(2 × 2) (4)

4.2 Give the formula used to calculate the elasticity of supply. (2)

4.3 Explain the difference between elastic and inelastic supply and give examples. (4)

4.4 Give FOUR key concepts central to Local Economic Development (LED). (4)

4.5 Name FOUR objectives of Local Economic Development. (4)

4.6 Give FOUR disadvantages of technological change. (4 × 2) (8)

4.7 Name the type of insurance the seller can take out to protect him/her from exchange rate fluctuations. (2)

4.8 Briefly explain the type of insurance identified in QUESTION 4.7. (4)

4.9 Discuss key risks associated with export factoring from the export factor's point of view. (4 × 2) (8)

[40]

QUESTION 5

5.1 List SIX types of shipping terms associated with international trade. (6)

5.2 Explain the responsibilities of each of the following parties in the Letter of Credit.

5.2.1 Advising bank (2)

5.2.2 Issuing bank (2)

5.3 Describe economic growth and employment as economic objectives of fiscal policy. (2 × 2) (4)

5.4 Explain the effects of an increase in the repo rate on the South African economy. (3 × 2) (6)

5.5 Discuss FIVE characteristics of a mixed economy. (5 × 2) (10)

5.6 What are the precautions to consider before exporting of goods and services to another country? (4)

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5.7 Explain how payment in advance can be regarded as a risky method for the importer and best method for the exporter. (6)

[40]

QUESTION 6

Read the extract below and answer the questions that follow.

WARNING OVER 'SECOND-ROUND' THREATS TO INFLATION IN SOUTH AFRICA WITH MORE RATE HIKES ON THE WAY

The South African Reserve Bank's Monetary Policy Committee (MPC) surprised financial markets by delivering its biggest increase in borrowing costs in almost two decades and signalled a faster pace of hikes through next year.

A combination of runaway inflation and a tightening policy cycle by major global central banks, led the Monetary Policy Committee to raise the repurchase interest rate to 5.5% from 4.7%,

[Source: https//businesstech.co.za/*news/business* /606969/]

6.1 Which policy is used by the central bank to control the money supply? (1)

6.2 What is the primary objective of the South African Reserve Bank (SARB)? (1)

6.3 Name FOUR main tools a central bank uses to implement monetary policy. (4)

6.4 What measures can government take to reduce inflation in South Africa? (2 × 2) (4)

6.5 Explain FOUR reasons why countries import goods. (4)

6.6 Give FOUR reasons for export control. (4)

6.7 What kind of risks are faced by the issuing bank in the Letter of Credit agreement? (3 × 2) (6)

6.8 The exchange rate to British Pound is R18,65. That means £1 = R18,65.

6.8.1 Calculate the new exchange rate if the rand appreciates by 0.98%. Show all calculations. (4)

6.8.2 What would the new exchange rate be if the rand depreciates by 2% the next day? Show all calculations (4)

6.9 What are merit goods in economics? Provide ONE example. (4)

6.10 Explain TWO strategies suggested by UNDP for South Africa in dealing with challenges facing sustainable development. (2 × 2) (4)

[40]

TOTAL SECTION B: 160
GRAND TOTAL: 200

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