higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

ECONOMIC ENVIRONMENT
NQF LEVEL 2

(3011022)

8 March 2018 (X-Paper)
09:00–12:00

This question paper consists of 10 pages.

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TIME: 2½ HOURS
MARKS: 150

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. ALL work you do not want to be marked must be clearly crossed out.
5. Write neatly and legibly.

NCSO

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 The law of supply states that when the price of a product increases, the quantity supplied …

A remains constant.
B Increases.
C decreases.
D changes with time.

1.1.2 The physical environment does not function in isolation, it is integrated with the ...

A social environment.
B economic environment.
C technological environment.
D all of the above-mentioned.

1.1.3 A … balance of payments indicates that our exports exceed our imports.

A negative
B positive
C downward
D horizontal

1.1.4 Unemployment refers to …

A visiting another country.
B dislike of foreigners.
C actively looking for a job unsuccessfully.
D studying for your future career.

1.1.5 In running the business, the existence of … will allow improvement of goods and services.

A legal forces
B culture
C technology
D inflation

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1.1.6 When exports exceed imports, the balance of payments is …

A positive.
B downward.
C unfavorable.
D favorable.

1.1.7 Which ONE of the following forces will create changes in society?

A Market forces
B Legal and political forces
C Physical factors
D Socio-economic forces

1.1.8 The rate charged by the South African Reserve Bank to commercial banks is the … rate.

A exchange
B interest
C repo
D allocation

1.1.9 … indicates an increased level of economic activity.

A Expansion
B Trough
C Peak
D Contraction

1.1.10 Ministers Pravin Gordhan and Mcebisi Jonas were in the news when they were dismissed from which department:

A Sports, Arts and Culture
B Finance
C Trade and Industry
D Safety and Security

(10 × 1) (10)

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

COLUMN A		COLUMN B	
1.2.1	Cyclical changes	A	Brian Molefe, former Eskom CEO
1.2.2	Trade block	B	business operates in an international market
1.2.3	Demand- pull inflation	C	when total spending in the economy grows faster than output
1.2.4	HIV/AIDS	D	demand meets supply
1.2.5	Deforestation	E	interests rates
1.2.6	Globalisation	F	habits, belief and lifestyle of a group of people
1.2.7	Newsworthy	G	Human immunodeficiency virus infection and acquired immune deficiency syndrome
1.2.8	Domestic trade	H	cutting down trees without replanting them
1.2.9	Culture	I	doing business within the borders of a country
1.2.10	Equilibrium position	J	group of countries united by trade agreements

(10 × 1) (10)
[20]

QUESTION 2

Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (2.1–2.10) in the ANSWER BOOK.

2.1 The best alternative given up is called opportunity cost.

2.2 To be able to make better decisions and becoming a better citizen is a good reason to study economics.

2.3 The fact that my grandmother keeps her money under her bed is a good example of using money as a standard of deferred payments.

2.4 Minister Fikile Mbalula has been appointed as the new Finance Minister.

2.5 Customs and excise duty refunds are a form of an incentive for exports.

2.6 The turning point before an expansion starts is the peak.

2.7 Petrol is an example of a semi- durable good.

2.8 Cost-push inflation happens when demand for goods and services increases much faster than production.

2.9 Coal is an example of a non- renewable natural resource.

2.10 Protectionism is the opposite of free trade.

(10 × 1) (10)
[30]

TOTAL SECTION A 30

SECTION B

QUESTION 3

Read the extract below and answer the questions.

MOTOR GIANT IN NEW PACT WITH BCM

Buffalo City metro council has given a nod to a new partnership between the city and giant car manufacturer Mercedes-Benz South Africa in an effort to create jobs and stimulate economic growth in the region.

[Source: Daily Dispatch 24 April 2017]

3.1 Job creation increases the tax revenue for the government:

3.1.1 Which tax revenue is generated by car manufacturer Mercedes-Benz South Africa? (1)

3.1.2 Name other TWO forms of tax that are sources of revenue for the South African government. (2)

3.1.3 What effect does an increase in taxation have on the South African economy? (3)

3.2 Briefly explain FOUR causes of unemployment. (4 × 2) (8)

3.3 Briefly explain how the partnership between Buffalo city metro council and Mercedes-Benz will benefit the people who stay in that region. (6)

3.4 Explain TWO consequences that Buffalo City metro council would encounter if Mercedes –Benz decides to withdraw the agreement. (4)

3.5 What effect does inflation have on consumers? (3 × 2) (6)

[30]

QUESTION 4

4.1 Read the extract below and answer the questions.

JONAS: NEW POLITICAL LEADERSHIP NEEDED TO SAVE ECONOMY

A change in political leadership may be what South Africa needs to save the economy, says former deputy Finance Minister Mcebisi Jonas. Jonas explained that state-owned enterprises have effective roles to play in the economy, but there should be zero tolerance for corruption.

[Source: *www.fin24.com.]*

4.1.1 In your own words, explain the concept *corruption*. (2)

4.1.2 Give TWO examples of corruption that are currently taking place in South Africa. (2)

4.1.3 Explain how corruption affects the South African economy. (3 × 2) (6)

4.2 Explain the following political situations that could affect the economy of a country:

4.2.1 Unstable political situations (2)

4.2.2 Stable political situations (2)

4.2.3 Would you agree or disagree with the former deputy minister's view of South Africa's political situation. (4)

4.3 Differentiate between formal and informal sector and give an example of each. (4)

4.4 'Deputy Central Bank Governor Francois Groepe said South Africa's monetary policy stance remains accommodative and its tightening cycle would have been more aggressive had economic growth been strong.'

4.4.1 In your own words, explain the concept *monetary policy*. (2)

4.4.2 Who is the current Governor of the South African Reserve Bank? (2)

4.4.3 State FOUR functions of South African Reserve Bank. (4)

[30]

QUESTION 5

5.2 Read the extract below and answer the questions.

CHINA'S HUGE INVESTMENT IN AFRICA NOT WITHOUT CHALLENGES

Although China is Africa's largest infrastructure financier with 40% year growth in foreign direct investment (FDI) on the continent, the country's involvement is not without challenges, according to a new report by McKinsey Africa.

China's involvement puts pressure on local companies. The steel companies in particular are under threat of collapse as local producers struggle to compete with imports from China. There are allegations that Chinese steel producers engage in 'dumping' which means selling exports at prices below those charged to domestic customers and below the cost of production.

[Source: *www.fin24.com*]

5.1.1 Briefly explain the difference between direct investment and portfolio investment. (4)

5.1.2 Explain how imports from China put pressure on local companies. (6)

5.1.3 Explain the importance of importing goods and services from China on the local economy. (4)

5.1.4 Give TWO reasons why dumping is not good for the economy. (2)

5.1.5 Explain THREE measures that can be put in place to avoid exploitation by countries like China. (6)

5.2 'Cosatu threatened strikes against corruption, for the nuclear project to be put on hold and against state capture which has compromised the revolution against the closure of coal mines.'

5.2.1 Identify TWO groups of people likely to be affected by strikes. (2)

5.2.2 What impact does strikes have on the business sector? (6)

[30]

QUESTION 6

6.1 Study the table below and answer the questions.

PRICE(IN RANDS)	FIRM A	FIRM B	FIRM C	MARKET SUPPLY
60	40	35	30	(a)
80	50	40	39	(b)
100	54	48	42	(c)
120	58	50	56	(d)
200	65	58	60	(e)

6.1.1 Calculate the market supply at each price level (a-e). (5)

6.1.2 Use the information from above to draw the market supply curve. (5)

6.1.3 Which ONE of the above firms (suppliers) shows confidence in the market? (1)

6.2 Give FOUR kinds of non-renewable natural resources. (4)

6.3 List FOUR factors of production. (4)

6.4 Give an example of a mobile telecommunication network operator. (1)

6.5 Explain how an increase in population size can impact on business. (6)

6.6 Identify FOUR government services that can be in high demand because of urbanisation. (4)

[30]

TOTAL SECTION B: 120
GRAND TOTAL: 150

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