higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

ECONOMIC ENVIRONMENT
NQF LEVEL 2

(3011022)

20 November 2018 (X-Paper)
09:00–11:30

This question paper consists of 9 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. 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 … is an example of a cultural change.

A Technology
B Urbanisation
C Transport system
D Globalisation

1.1.2 Formulating and implementing monetary policy is the responsibility of:

A ABSA
B SARB
C FNB
D Land Bank

1.1.3 One of the following is NOT an objective of the fiscal policy:

A Job creation
B Poverty alleviation
C Building more churches to combat crime
D Price stability

1.1.4 … is used by government to increase the level of spending in the economy by decreasing income tax.

A Expenditure policy
B Contractionary fiscal policy
C Debt management policy
D Expansionary fiscal policy

1.1.5 One of the following is an example of a support structure of business:

A CHAMSA
B PSA
C COSATU
D NUMSA

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1.1.6 One of the phases of the business cycle is …

A peak.
B slide.
C lower bend.
D upper bend.

1.1.7 If the cash inflow of the country is more than the cash outflow, the …

A rand will not be used as trading currency.
B rand will appreciate.
C rand will depreciate.
D profits will occur.

1.1.8 South African imports consist largely of …

A non-durable goods.
B capital goods.
C beverages.
D meat.

1.1.9 One of the following is NOT done by South African government to encourage exportation:

A Export credit insurance
B Customs and excise duty refunds
C No travelling expenses for exporters
D Export credit incentive

1.1.10 The … account records a country's involvement in international capital flow.

A current
B financial
C official reserve
D savings

(10 × 1) (10)

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1.2 Choose a description from COLUMN B that matches a/an word/item 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	Depression	A	government spending is greater than its revenue
1.2.2	Absolute advantage	B	characterised by the decrease in the purchasing power of households
1.2.3	Trough	C	formulation and implementation of monetary policy
1.2.4	Prime rate		
1.2.5	Demand deposit	D	global warming
1.2.6	Import duty	E	turning point before an expansion phase
1.2.7	$1 = R7,20	F	favourable rate that banks offer their special customers
1.2.8	Factor affecting the physical environment	G	government charges this special tax on products imported into the country
1.2.9	Budget deficit	H	producing certain goods and services better than another country
1.2.10	SARB	I	exchange rate
		J	money that can be withdrawn without a notice

(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 Decrease in interest rate contributes to the increase in inflation.

2.2 A current account deficit occurs when imports are more than exports.

2.3 The upsurge in wheat price will result in inflation.

2.4 The trade cycle is divided into seven phases only.

2.5 Gold is used as a medium of exchange in South Africa.

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2.6 An increase in the rate of taxation will result in less disposable income.

2.7 The exchange rate has an influence on the prices of imports.

2.8 The euro is used as a currency for buying goods and services in Japan.

2.9 When the South African Reserve Bank increases the interest rates it means consumers have to pay less for their debt.

2.10 Spending a night in Dubai's expensive hotels is an example of an economic outflow.

(10 × 1) **[10]**

TOTAL SECTION A 30

SECTION B

QUESTION 3

Read the extract below and answer the questions.

SA INFLATION REGISTERS AT 5,4%

South Africa's targeted consumer price inflation registered at 5,4% in May, slightly up from 5,3% in April 2017. According to statistics South Africa the marginal increase in headline inflation was driven by some food items such as meat, as well as and transport.

Good news is that certain food items recorded deflation, resulting in CPI remaining within the targeted of range of 5% and 6% for the second straight month.

[Source: *SABC News, 21 June 2017*]

3.1 What is South Africa's current inflation rate, according to this report? (1)

3.2 Name TWO consumer items that are responsible for the increase in inflation. (2)

3.3 Differentiate between *consumer goods* and *capital goods*. (4)

3.4 Define *inflation*. (2)

3.5 According to the report, explain the reason why CPI remained within the target range for the past two months. (3)

3.6 What is the difference between *demand-pull inflation* and *cost-push inflation*? (4)

3.7 Briefly explain the effect of an increase in interest rates on individuals and businesses. (3)

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3.8 Assume in July 2017, the rand has weakened by 1% from R12,50 to R13,50.

State whether the rand has appreciated or depreciated. (1)

3.9 Explain TWO effects of a depreciation of domestic currency on the economy. (4)

3.10 Tabulate THREE differences between exports and imports. (6)

[30]

QUESTION 4

4.1 Study the table below and answer the questions.

PRICE(RAND)	**QUANTITY DEMANDED**	**QUANTITY SUPPLIED**	**SHORTAGE (-) OR SURPLUS (+)**
R1	11	0	(a)
R2	8	5	(b)
R3	6	6	(c)
R4	5	9	(d)
R5	4	10	(e)

4.1.1 Calculate the values of a, b, c, d and e from the above table. (5 × 1) (5)

4.1.2 Construct the demand and supply curves on the same set of axes. (5)

4.1.3 According to your graph, what are the equilibrium price and equilibrium quantity? (2)

4.2 Define the term *exchange rate.* (2)

4.3 'Traders buy on the cheapest markets and sell on the most expensive ones.'

4.3.1 Differentiate between *domestic trade* and *international trade*. (4)

4.3.2 Give FOUR reasons for international trade. (8)

4.4 State FOUR challenges that South African businesses have to overcome when trading with foreign countries. (4)

[30]

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QUESTION 5

Read the extract below and answer the questions.

KNYSNA FIRE RELIEF INITIATIVE



We have all seen the devastation in Knysna caused by fire; where Cape Town got much needed rain coupled with extreme winds and high seas, the Garden Route only received the wind, taking a presumably small blaze and making it unstoppable.

The devastation is widespread and although unconfirmed it has been reported that 200 houses, 2 schools, 3 golf courses and a hospital have been destroyed.
A reported 10 000 people have been displaced, before the blaze also spread east.

The neighbouring George council, its disaster relief unit, bus service and NGOs, as well as support from the City of Cape Town and Port Elizabeth, were all doing their part in terms of logistics and the immediate threat, but we need funds to cater for people after these organisations have withdrawn – people who are left in poverty or unemployed or even orphaned.

This was the worst disaster the Southern Cape has seen.

[Source: *www.backabuddy.co.za/knysna-fire-relief-initiative*]

5.1 In your own words, explain the concept of a *natural disaster*. (2)

5.2 Give TWO examples of natural disasters. (2)

5.3 What impact do natural disasters have on the economy? (6)

5.4 Define *poverty*. (2)

5.5 Explain THREE causes of poverty. (3)

5.6 Explain the effect of poverty on the South African economy. (3)

5.7 Give FOUR examples of social benefits that are provided by the South African government to address the problem of poverty. (4)

5.8 Explain FOUR types of unemployment. (8)

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QUESTION 6

WORKING WITH FARMERS TO INNOVATE, ATTRACT ENTREPRENEURS



Innovators need to work closely with famers to create data and technologies that will boost sustainable agricultural growth in the global South, nutrition and data experts say.

According to Pujara, embracing technologies such as aerial drones, automated tractors and the internet could assist farmers working on their land boost productivity and improve efficiency across the value chain, especially by helping farmers monitor their crops through the use of mobile phones.

Pujara explains that data and technological innovations could make agriculture become more attractive to most talented entrepreneurs, and it will no longer be the last resort for the poor.

[Source: www.*SciDev.Net's*]

6.1 List FOUR types of infrastructure that should be considered in agricultural business. (4)

6.2 Give FOUR advantages of an improved technology. (4)

6.3 What impact does infrastructure have on economic growth and the competitiveness of domestic producers? (6)

6.4 List FOUR forms of value created during the production process. (4)

6.5 Explain the importance of economics to entrepreneurs. (6)

6.6 Explain THREE reasons why migration occurs around the world. (6)
[30]

TOTAL SECTION B: 120
GRAND TOTAL: 150

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