higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

JUNE EXAMINATION

ECONOMICS N5

14 JUNE 2016

This marking guideline consists of 7 pages.

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SECTION A (COMPULSORY)

QUESTION 1

1.1 D
1.2 D
1.3 B
1.4 B
1.5 D
1.6 A
1.7 C
1.8 D
1.9 D
1.10 C
1.11 C
1.12 C
1.13 A
1.14 A
1.15 B
1.16 D
1.17 A
1.18 C
1.19 B
1.20 D
1.21 True
1.22 False
1.23 False
1.24 True
1.25 False (25 x 2) **[50]**

TOTAL SECTION A: 50

SECTION B

QUESTION 2

2.1 **GDP** = (Pw x Qw) + (Pc + Qc) + (Pb x Qb) + (Pm x Qm)
= (5 x 200) + (3 x 120) + (1 x 500) + (2 x 400)]
= 1 000 + 360 + 500 + 800
= 2 660 (8)

2.2 2.2.1 Transfer payments

2.2.2 Double counting

2.2.3 Real national income

2.2.4 Economic growth

2.2.5 Human capital

(2 x 5) (10)

2.3 A Indirect Taxes
B Subsidies
C Net factor payments
D Real Gross National Product (4 x 2) (8)

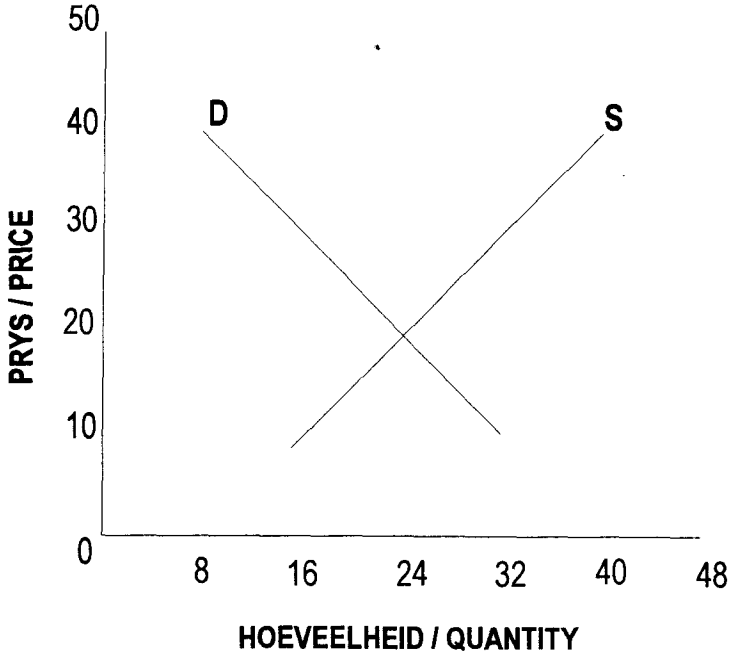
2.4 2.4.1 Increase

2.4.2 Decrease

2.4.3 Increase

(2 x 3) (6)

2.5



(8)

2.6 2.6.1 A decrease in the value of the rand against foreign exchange (2)

2.6.2 The lower the value of the rand, the more expensive the exports / more money is being spend / less money is being received (2)

2.6.3
- Great effluent of capital funds from the country
- Country becomes poorer
- Great oversupply of rand that has no value (2)

2.6.4
- Foreign exchange control measures = measures to try and prevent or control the sudden appreciation or depreciation of the rand against other monetary units
- example: to prevent a dropping in the demand for rand, the Reserve Bank would have to sell dollars on the market commercial rand, the 'ordinary' exchange rate of the rand, which is determined by the interaction of normal import and export activities (4)

[50]

QUESTION 3

3.1 3.1.1 Unemployment can be defined as a condition in which people who are qualified to pursue an occupation, are willing and able to work, but are unable to obtain work at the current wage rate. (4)

3.1.2 Cyclical (2)

3.1.3
- Period of time
- Decline in economic activity
- Workers cannot adapt to the changes
- Seasonal workers
- Prospective workers
- A high population growth rate
- The capacity of the economy

(5 x 2) (10)

3.1.4
- Economic growth
- Job creation
- Appropriate technology
- Industrialisation
- Housing
- Education and training
- Population policy
- Unemployment insurance
- Wage subsidies
- Informal sector
- Job creation programmes

(5 x 2) (10)

3.2 3.2.1 South Africa (2)

3.2.2 Stagflation refers to a condition in which high rates of unemployment and of inflation occur at the same time. A situation is reached within the economy where the real gross domestic product stagnates and decreases while the inflation rate rises rapidly. (4)

3.2.3
- Increase of productivity
- Price control
- Wage policy
- Stricter conditions for consumer credit
- The encouragement of personal saving (5 x 2) (10)

3.2.4
- Cost-push
- Demand-pull
- Demand-pull
- Cost-push (4 x 2) (8)

[50]

QUESTION 4

4.1 4.1.1 False
4.1.2 True
4.1.3 True
4.1.4 False
4.1.5 False
(5 x 2) (10)

4.2 4.2.1 South Africa will pay five rand two cents for one American dollar. (5)

4.2.2 The exchange rate is the price of the currency of a country (such as dollar) expressed in terms of the currency of another country (such as rand). (4)

4.2.3 Fixed and floating (4)

4.2.4
- Importing goods
- Services from foreign countries to the country concerned (shipping, services, insurance, et cetera.)
- Payment of interest and dividends on foreign capital
- Payments of instalments on repayments of overseas loans
- Transfer of capital to foreign countries (short and long-term investments)
- Tourists or representatives spending money in foreign countries
- Other payments of foreign countries which may take place from time to time (Any 2 x 2) (4)

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4.3
- Labour – Wages
- Capital – Interest
- Entrepreneurship – Profit
- Natural resources – Rent (4 x 2) (8)

4.4
4.4.1 True
4.4.2 True
4.4.3 False
4.4.4 True
(4 x 2) (8)

4.5 Devaluation: A deliberate measure taken by a government to decrease the value of its currency. (2)

4.6
- It describes the main relationships between economic aggregates.
- It shows the flow of goods, services, income, expenditure and money in the economy.
- It can be used to identify important macro-economic concepts such as total production, total expenditure and total income, imports and exports. (5)

[50]

QUESTION 5

5.1
- Natural resources
- Climate
- Characteristics of labour
- Capital
- Needs of people are heterogeneous
- Income
- Established industries
- International migration
- Development of infrastructure
- Cost differences (Any 4 x 3) (12)

5.2 5.2.1 Cost push inflation (2)

5.2.2
- An increase in the labour costs (higher wages), for example as a result of trade union negotiations, is a cost item for businesses. It must simply be added to the price of goods and services and therefore causes cost push inflation.
- Producers can contribute to cost push inflation. If they wish to increase their profits, they can raise the purchase prices of their products relatively more than the costs. The result is a rising price level.
- The state can contribute to this, for example, raising VAT.
- More expensive imported products, especially intermediate goods, raise the prices of finished goods on the supply side and thus add to cost push inflation. (Any 3 x 2) (6)

5.2.3 If supply costs decrease, there will be a decrease in the price paid. An increase in demand will cause a price increase. (4)

5.3 5.3.1 C
5.3.2 E
5.3.3 D
5.3.4 A
5.3.5 B (5 x 2) (10)

5.4 A = GNP
B = Indirect taxes
C = Subsidies (6)

5.5 5.5.1 D1 and S2 (2)

5.5.2 Quantity will increase and price will decrease (4)

5.5.3 **Labour supply** is usually associated with that part of the economically active population which is able and willing to work, and can be described as the number of people offering their labour for remuneration on the labour market.

The **demand for labour** depends on the goods and services which produce labour. A business concern requires labour (demand) to produce goods which can be sold. The low growth rate of the economy, the inability to create sufficient job opportunities and the lack of new investments and expansion, have led to such a decrease in the demand for labour that there is serious cause for concern. (4)
[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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