higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N370**(E)**(J14)H
JUNE EXAMINATION

NATIONAL CERTIFICATE

ECONOMICS N5

(22020095)

14 June 2016 (X-Paper)
09:00–12:00

This question paper consists of 14 pages.

GENERAL STUDIES

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE
ECONOMICS N5
TIME: 3 HOURS
MARKS: 100

NOTE: If you answer more than the required number of questions, only the required number of questions will be marked. All work you do not want to be marked, must be clearly crossed out.

INSTRUCTIONS AND INFORMATION

1. Section A is compulsory.
2. Chooses THREE questions from Section B
3. Read ALL the questions carefully.
4. Number the answers according to the numbering system used in this question paper.
5. Write neatly and legibly.

GENERAL STUDIES

SECTION A (COMPULSORY)

QUESTION 1

Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (1.1–1.20) in the ANSWER BOOK.

1.1 In the calculation of the national expenditure, the following is/are taken into account:

A Expenditure by consumers
B Expenditure by the State
C Expenditure by the industries
D All of these

1.2 Which of the following is not a method of calculating national income?

A Expenditure method
B Output method
C Income method
D Taxation method

1.3 Why is transfer payments not included in calculations of national income?

A They cannot be determined
B They have been included as part of other incomes
C They are not expended
D They are accounting procedures only

1.4 Supposing that the national income for the base year is R2 000 million and the index 100. If the national income increases to R2 700 million and the index to 150, the real national income will be ... million.

A R1 350
B R1 800
C R2 700
D R4 050

1.5 Technological development is essential for future economic growth because it…

A accelerates the economic growth rate.
B increases the competitiveness of industries.
C leads to further inventions, innovations and scientific discoveries.
D ALL of these are true.

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1.6 The largest component of GDP from the expenditure approach is…

A private consumption expenditure.
B government purchases.
C transfer payments.
D domestic investment.

1.7 Which of the following would be considered a transfer payment?

A Payment for a train journey
B Monthly instalments on a car
C Social security payments
D Payment for a room in a hotel

1.8 Macro-economics…

A studies the functioning of the economy in its entirety.
B offers explanations for variations in economic processes over time.
C measures economic processes over time.
D involves all of these.

1.9 The most important restriction on trade unions is…

A prohibition on party political activities.
B prohibition on strikes.
C that certain occupations are excluded.
D all of the above.

1.10 Trade unions are employees' organisations that…

A protect the interests of its members.
B protect the common interests of the workers when negotiating with employers.
C handle and promote common interests of the workers when negotiating with employers.
D handle and promote common interests of the workers.

1.11 Which ONE of the following is NOT a wage system?

A Incentive
B Piece
C Place
D Time

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1.12 International trade is a result of…

A the unlimited needs of man with its limited means.
B the ability of man to satisfy his needs to the absolute maximum.
C specialisation and barter.
D modern technology and the pursuit of profit.

1.13 The demand curve for foreign exchange…

A descent from top left to bottom right.
B ascent from top left to bottom right.
C descent from top right to bottom left.
D ascent from top right to bottom left.

1.14 The balance of trade is the difference between the value of…

A visible imports and exports.
B invisible imports and exports.
C total imports and exports.
D gold imports and exports.

1.15 Which ONE of the following trade entries does not appear on the debit side of the balance of payments?

A Visible imports
B Insurance premiums paid to other countries
C Long and short term loans from other countries
D Interest and dividends paid to foreign countries

1.16 Value added tax is fixed on the…

A government.
B salesman.
C producer.
D consumer.

1.17 Indirect taxes have strong…

A micro-economic implications.
B macro-economic implications.
C implications on work creation.
D implications on the progressive tax in a country.

1.18 The fiscal policy has got to do with…

A the supply of money in a country.
B the financial policy of the State.
C control over State revenue and -expenditure.
D exchange rate of the RSA.

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1.19 The most general scale used to measure inflation is the…

A consumer's index.
B consumer's price index.
C production price index.
D selling price index.

1.20 Stagflation occurs where prices…

A drop in an economic recession.
B rise in an economic revival.
C rise in an economic recession.
D drop in an economic revival.

Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (1.21–1.25) in the ANSWER BOOK.

1.21 Inflation indicates an increase in the general price level.

1.22 Cost push inflation determines the extrinsic value of money.

1.23 Price index influences the quantity of money in circulation.

1.24 Hyperinflation can be described as a situation where the value of money in the economy is completely destroyed.

1.25 The monetary policy indicates that the demand for goods and services increases faster than the supply. (25 x 2) (50)

TOTAL SECTION A: 50

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SECTION B

Answer any THREE questions from this section.

QUESTION 2

In a certain country called 'Mellamot', the only four products that are produced are wine, cheese, bread and milk. The following table shows the market prices and quantities of each product consumed, during one year.

Product	Price per product ($)	Quantity consumed (units)
Wine	$5	200
Cheese	$3	120
Bread	$1	500
Milk	$2	400

2.1 Use the information above and calculate 'Mellamot's' GDP. Show all calculations. (8)

2.2 Provide concepts for the following definitions:

2.2.1 The payment which one person (or group) receives and then pays over to another person (or group) without a productive service being rendered.

2.2.2 The sum total of the contribution of each factor of production in the process of producing goods and services consisting of the costs of the production factors in the production process, namely wages, salaries, rent, interest and profit.

2.2.3 The monetary value of national income adjusted for price increases.

2.2.4 The process whereby the productive capacity of the economy increases over time so that there is an increase in the level of national income.

2.2.5 The capital invested in human ability. (2 x 5) (10)

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2.3 List the figures needed to calculate the amounts represented by capital letters in the table.

	Gross domestic product at factor prices
PLUS	A
MINUS	B
	Gross domestic product at market prices
MINUS	C
	Gross national product at market prices
MINUS	D
	Net national product at market prices

(4 x 2) (8)

2.4 State whether the following measures will cause an INCREASE or a DECREASE in productivity:

2.4.1 Effective use of production factors

2.4.2 An increase in taxes

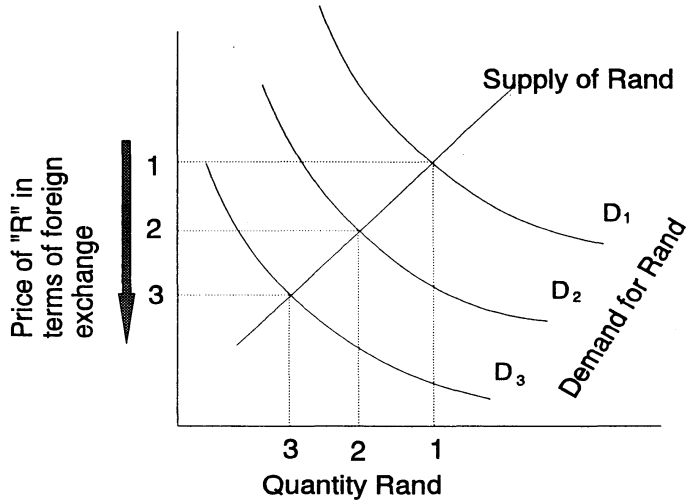
2.4.3 Performance-related remuneration systems (2 x 3) (6)

2.5 Construct a Demand and Supply curve from the following information:

PRICE	DEMAND	SUPPLY
40c	8	40
30c	16	32
20c	24	24
10c	32	16

(8)

2.6 Study the following graph on the value of the rand in respect of foreign exchange, and answer the questions that follow:



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2.6.1 Suppose the supply of rand stays constant. What will happen with the value of the rand against foreign exchange if the demand for rand keeps dropping from D_1 to D_2 to D_3? (2)

2.6.2 Why would the above-mentioned create serious problems on the Balance of Payments? (2)

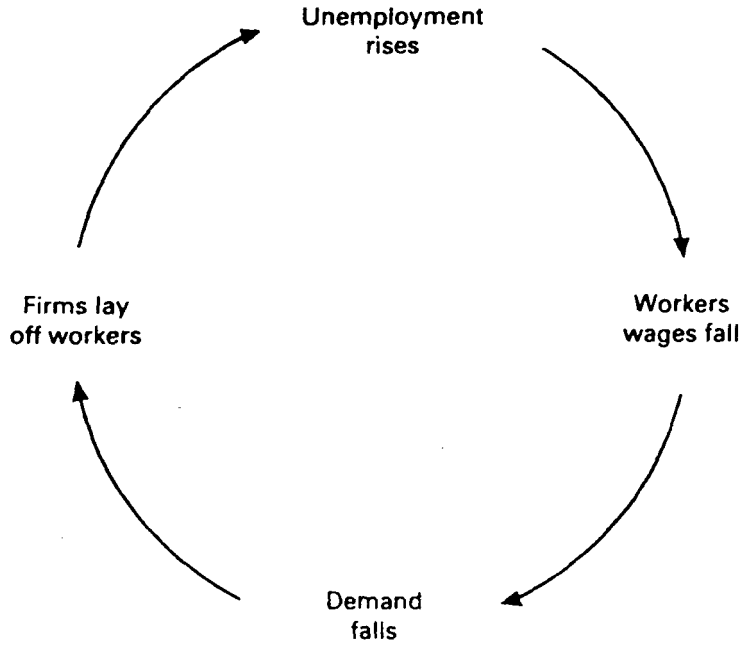
2.6.3 Why can South Africa not afford such a situation to continue? (2)

2.6.4 How would you explain the concept 'foreign exchange control measures'? (4)

[50]

QUESTION 3

3.1 Study the following figure and answer the questions.



3.1.1 What is unemployment? (4)

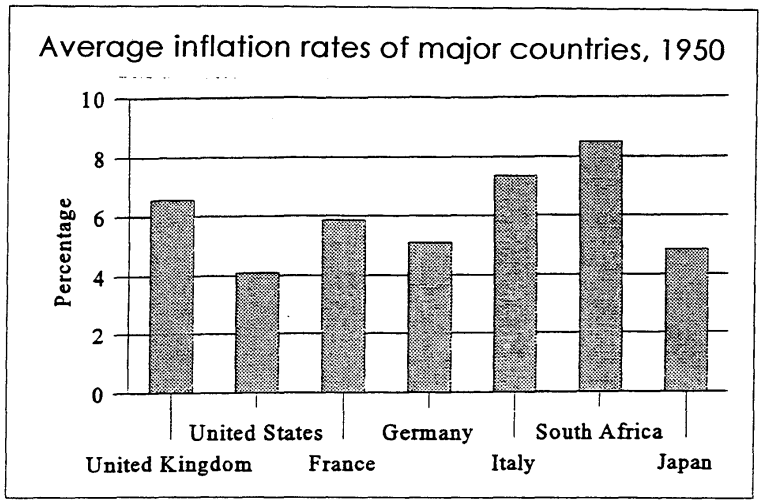
3.1.2 The figure above is an example of ... unemployment? (2)

3.1.3 State FIVE causes of unemployment. (5 x 2) (10)

3.1.4 State FIVE measures to decrease unemployment. (5 x 2) (10)

GUIDES

3.2 Study the following graph and answer the questions.



3.2.1 Which country had the highest percentage inflation rate since 1950? (2)

3.2.2 What is stagflation? (4)

3.2.3 Name the non monetary measures that the Government can implement to curb inflation. (10)

3.2.4 State whether the following are examples of demand-pull or cost-push inflation:

A More expensive imported goods.
B The demand for goods and services rising more rapidly than production.
C Consumers taking up large amounts of credit by means of loans to buy goods and services.
D An increase in remuneration not accompanied by a proportional increase in productivity. (4 x 2) (8)

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QUESTION 4

4.1 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (4.1.1–4.1.5) in the ANSWER BOOK.

4.1.1 The law of supply guarantees low prices for all goods for which the supply is high.

4.1.2 Other things being equal, an increase in demand will lead to an increase in price and quantity.

4.1.3 If supply decreases and demand increases, then quantity exchanged in the market will surely decrease.

4.1.4 A market demand schedule shows the various amounts of a commodity that consumers will buy at various alternative prices, under the assumption that other variables remain fixed.

4.1.5 A market is said to be in equilibrium when all the needs of consumers are satisfied. (5 x 2) (10)

4.2 The information below indicates the Rand /Dollar exchange rate. Answer the questions that follow:

$1 = R5,02

4.2.1 Write down the conversion of this equation into words. (5)

4.2.2 What is an exchange rate? (4)

4.2.3 Name TWO kinds of exchange rates. (4)

4.2.4 Name TWO factors that determine the demand for foreign exchange. (4)

4.3 State the different factors of production as well as the income earned by each. (8)

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4.4 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (4.4.1–4.4.4) in the ANSWER BOOK.

4.4.1 GNP measures the flow of spending on final products.

4.4.2 When income rises, personal income tax liabilities rise more rapidly.

4.4.3 Consumer spending is not affected by changes in the money markets.

4.4.4 The households conclude both buying and selling agreements with the business sector. (4 x 2) (8)

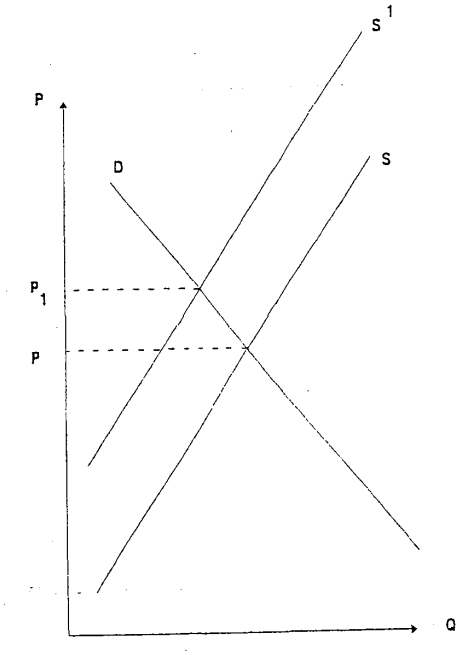
4.5 Define the concept *devaluation*. (2)

4.6 Why is the economic cycle a useful framework to explain the interdependence of all economic activities? (5)
[50]

QUESTION 5

5.1 Discuss any FOUR causes of international trade. (4 x 3) (12)

5.2 Study the following graph and answer the questions.



5.2.1 Which causes for inflation (demand-pull or cost push) is indicated in the graph? (2)

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5.2.2 Name the important features of the answer in QUESTION 5.2.1. (6)

5.2.3 Draw a conclusion (from the graph) regarding price increases or decreases. (4)

5.3 Choose a description from COLUMN B that matches an item/word in COLUMN A. Write only the letter (A–E) next to the question number (5.3.1–5.3.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
5.3.1	Proportional taxation	A	this refers to the person who ultimately has to pay the tax
5.3.2	Average tax rate	B	when a tax is levied on one person, who shifts it on to the shoulders of someone else
5.3.3	Incidents of taxes	C	the legitimate methods the taxpayer uses to reduce a tax load
5.3.4	Tax avoidance	D	the tax levied remains a constant percentage with an increase in the level of income
5.3.5	Tax shifting	E	the percentage or proportion of income paid out in tax

(5 x 2) (10)

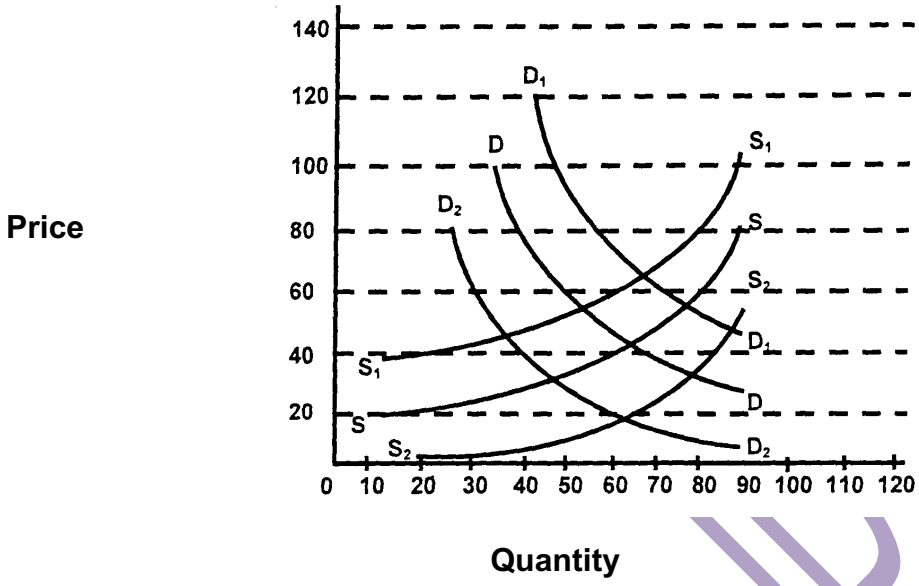
5.4 Complete the table by writing the missing word(s) or abbreviation(s) next to the letter in the ANSWER BOOK.

Gross domestic product (GDP)
Less: Provision for depreciation
(A)
Less: Net factor payments to foreign countries
Net national product (NNP)
Less: **(B)**
Add: **(C)**
Net national income (NNI)

(6)

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5.5 Study the following graph and answer the questions.



5.5.1 Which two curves indicate an increase in demand and supply respectively? (2)

5.5.2 Assume curves S and D are the original curves, what will the effect of an increase in the supply be on equilibrium price and quantity? (4)

5.5.3 Differentiate between *labour demand* and *labour supply*. (4)
[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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