higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N370**(E)**(J18)H

NATIONAL CERTIFICATE

ECONOMICS N5

(22020095)

18 June 2018 (X-Paper)
09:00–12:00

Calculators may be used.

This question paper consists of 14 pages.

Copyright reserved

DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE
ECONOMICS N5
TIME: 3 HOURS
MARKS: 200

NOTE: If you answer more than the required number of questions, only the required number will be marked. Clearly cross out ALL work you do not want to be marked.

INSTRUCTIONS AND INFORMATION

1. SECTION A is COMPULSORY and must be answered by ALL the candidates.
2. Answer any THREE questions in 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.

Copyright reserved

SECTION A (COMPULSORY)

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 form of import duty in which the tariff is levied as a certain amount per unit, mass or size is …tariff.

A composite
B ad valorem
C plural
D specific

1.1.2 Fiscal policy has got to do with …

A the supply of money in a country.
B exchange rate of South Africa.
C the financial policy of the state.
D control over state revenue and expenditure.

1.1.3 The condition in which high rate of unemployment and inflation occur at the same time is … inflation.

A creeping
B stagflation
C galloping
D deflation

1.1.4 The biggest contributor to the national income is …

A personal services.
B social services.
C construction industry.
D manufacturing industry.

1.1.5 … is a criminal act where individual uses illegal means to avoid paying tax like underreporting income, inflating deductions or expenses and hiding money.

A Tax avoidance
B Tax shifting
C Tax evasion
D Incidence of tax

Copyright reserved

1.1.6 Technological development as an important means of speeding up the economic growth rate of a country depends on …

A the percentage of a country's income which is spent on basic research and development every year.
B the availability of entrepreneurs in a country.
C the utilisation of goods and services by the permanent citizens of a country.
D the linking of production factors in order to produce goods and services.

1.1.7 Mr Tema, was employed by UMALUSI and resigned in January 2018, he is currently looking for a job and is unemployed. This is an example of … unemployment.

A cyclical
B frictional
C seasonal
D structural

1.1.8 This production factor refers to physical and human effort used in the production of goods and services.

A Land
B Labour
C Capital
D Entrepreneur

1.1.9 The remuneration for the production factor land is …

A rent.
B interest.
C profit.
D wages.

1.1.10 A variety of economy-wide phenomena is thoroughly examined such as, inflation, price levels, rate of growth, national income, gross domestic product and changes in unemployment, this refers to … economics.

A micro
B macro
C developing
D international

(10 × 2) (20)

Copyright reserved

1.2 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'True' or 'False' next to the question number (1.2.1–1.2.10) in the ANSWER BOOK.

1.2.1 The primary source of government revenue is income obtained from donations.

1.2.2 Hyper-inflation can be described as a situation in the economy where the value of the money is totally destroyed.

1.2.3 An increase in imports would likely lead to decrease in national income.

1.2.4 Mutual trade occurs because countries are differently endowed with raw materials.

1.2.5 Increase in salaries of employees will cause more expenditure on goods and services, this is an example of demand pull inflation.

1.2.6 Goods in process refer to those goods ready for human consumption.

1.2.7 The price of the final product is one of the factors influencing the demand for labour.

1.2.8 Inflow of money is treated as a credit on the balance of payments and outflow of money is treated as a debit.

1.2.9 National income can only be determined by the market value of intermediate goods.

1.2.10 In economics, inflationary gap is the amount by which the potential GDP exceeds actual full employment GDP.

(10 × 2) (20)

Copyright reserved

1.3 Choose a description from COLUMN B that matches a/an description/word/item in COLUMN A. Write only the letter (A–E) next to the question number (1.3.1–1.3.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.3.1	Productivity	A	certain essential gods and services cannot be provided by private enterprise because of huge capital outlay
1.3.2	Urbanisation	B	issuer of bank notes
1.3.3	Inflation	C	the ratio between the inputs and outputs.
1.3.4	The South African Reserve Bank	D	a general increase in the prices of goods and services
1.3.5	The state as entrepreneur	E	concentration of people to cities and towns for better employment opportunities

(5 × 2) (10)
[50]

TOTAL SECTION A: 50

SECTION B

Answer any THREE questions from this section.

QUESTION 2

2.1 Give ONE word/term for each of the following descriptions. Write only the word/term next to the question number (2.1.1–2.1.5) in the ANSWER BOOK.

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

2.1.2 When calculating national income and both finished and unfinished goods are added.

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

2.1.4 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.

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

(5 × 2) (10)

2.2 'Trade unions are highly effective at translating the prescriptions of the law into real benefits for their members.'

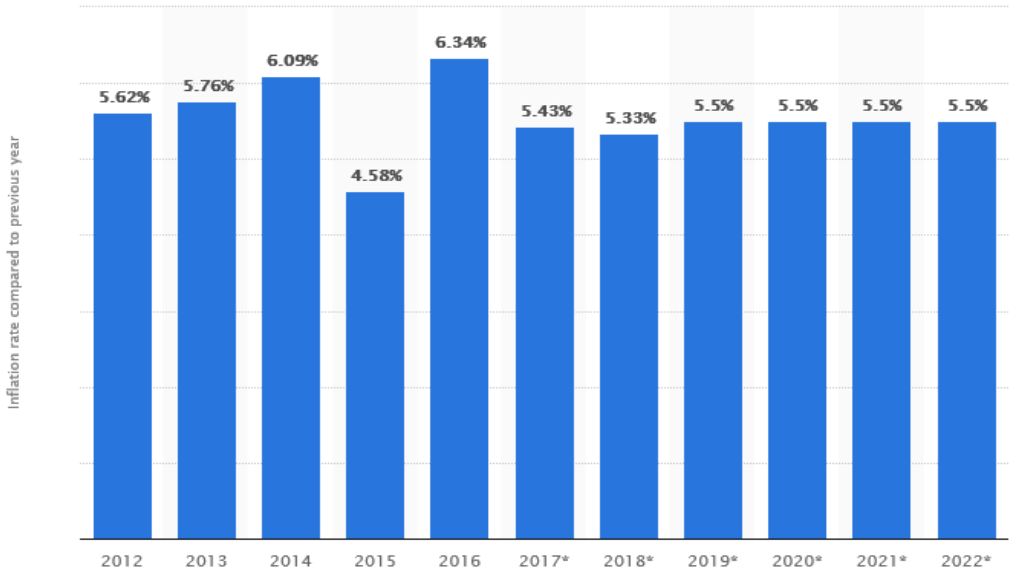
In the light of this statement answer the questions:

2.2.1 Briefly explain *trade unions.* (2)

2.2.2 Differentiate between *conciliation boards* and *industrial councils*. (4)

2.3 The graph provided below shows inflation rate and forecast up to the year 2022. Read the graph and answer the questions.

South Africa: Inflation rate from 2012 to 2022 (compared to the previous year)



© Statista 2018

2.3.1 Define the term *inflation.* (3)

2.3.2 In which year was the inflation the highest? (1)

2.3.3 In which year will the inflation the lowest? (1)

2.3.4 Calculate the percentage change in inflation between 2016 and 2017. Show ALL calculations. (3)

2.3.5 Briefly explain the effect of inflation on the following groups within the economy:

(a) Investors

(b) Debtors and creditors

(4 × 2) (8)

2.4 Differentiate between the following:

2.4.1 Devaluation and depreciation of currency.

2.4.2 Floating exchange rate and controlled floating exchange rate.

2.4.3 Import quotas and export subsidies.

(3 × 4) (12)

2.5 What does abbreviation *RDP* stand for? (2)

2.6 Briefly explain limitations that apply to trade unions. (4)
[50]

QUESTION 3

3.1 Give ONE word/term for each of the following descriptions by choosing a word/term from the list below. Write only the word/term next to the question number (3.1.1–3.15) in the ANSWER BOOK.

nationalisation; affirmative action; privatisation; deregulation; development

3.1.1 The process whereby the standard of living of the majority of the population increases over time.

3.1.2 The process through which the measures taken by the state to control transactions between private parties, are brought in line with the objectives.

3.1.3 It is a way of making the workplace more representative and fair by making sure that qualified people from designated groups (including black, coloured and Indian people), women and people with disabilities have equal opportunities in the workplace.

3.1.4 This refers to the process of a government taking control of a company or industry, which generally occurs without compensation for the loss of the net worth of seized assets and potential income.

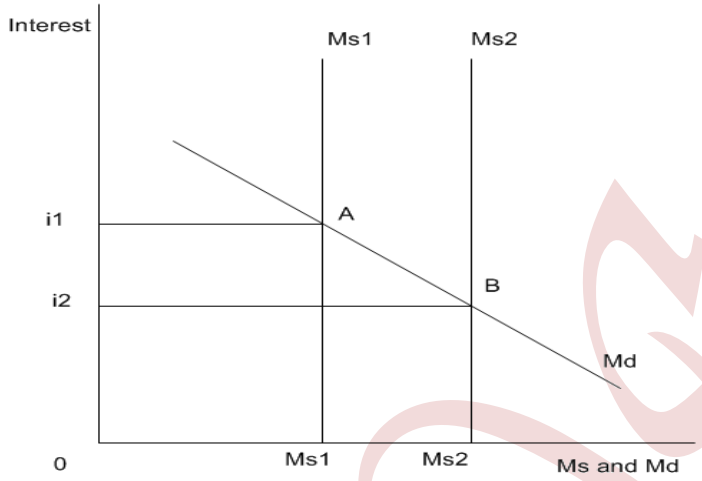
3.1.5 The process of transferring an enterprise or industry from the public sector to the private sector.

(5 × 2) (10)

Copyright reserved

3.2 Study the graph below and answer the questions.

The relationship between money supply and interest rate



3.2.1 What type of policy will the South African Reserve Bank use to control the above situation? (2)

3.2.2 Ms1 is the original money supply curve, explain what happens to interest rate and money supply if the curve moves to m2. (4)

3.2.3 List any TWO factors influencing the supply of money. (4)

3.3 'Soft Tissues cc' is the business that produces tissue in the community. Table below refers to a demand for labour and the supply of labour in this industry.

Study the table and answer the questions that follow:

WAGE (R)	LABOUR DEMAND	LABOUR SUPPLY
1 500	220	100
1 650	200	150
1 900	185	185
2 000	170	200
2 200	150	220

3.3.1 Define the concept *labour supply.* (2)

3.3.2 At a wage rate of R2 000 (shortage/surplus) of labour occurs. Choose the correct answer, and show ALL calculations to support your answer. (3)

3.3.3 Briefly explain what happens at a wage rate of R1 900. (2)

3.4 On 10 March 2018, $1 = R11,82.

In the light of the above statement discuss exchange rate under the following headings.

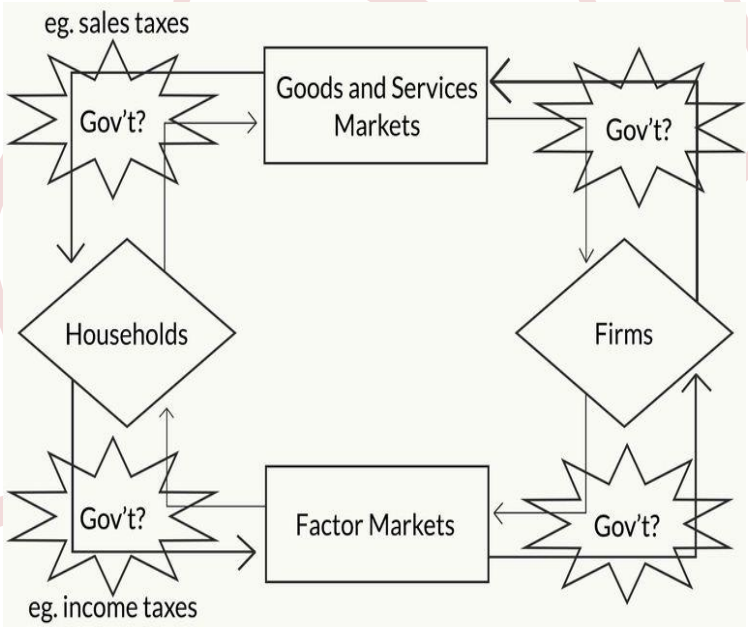
3.4.1 Definition. (2)

3.4.2 If today $1 = R12.18, is the rand (appreciates/depreciates) against the dollar? Choose the correct answer. (2)

3.4.3 Based on the information from QUESTION 3.3.2, what will be the effect on the balance of payment account? (3)

3.3.4 Give FOUR factors affecting the demand for foreign exchange rate. (4)

3.5 Discuss the process that takes place in the diagram below.



ECONOMIC CYCLE (8)

3.6 What is the difference between *gross national product* and *gross domestic product?* (4)

[50]

QUESTION 4

4.1 Indicate whether the following is a cause, consequence or measurement of unemployment in South Africa.

4.1.1 Expensive skills and potential ability are lost.

4.1.2 The decline in economic activity.

4.1.3 The capacity of the economy to create more job opportunities.

4.1.4 The total number of people employed in the formal sector is subtracted from the total economically active population.

4.1.5 Underutilisation of some of the other production factors.

(5 × 2) (10)

4.2 Demonstrate your understanding on the motives for savings by providing ONE example of each. (6)

4.3 The information below refers to national income of a country. Make use of the table to answer the questions.

	2015	**2016**	**2017**
Population	62 million	63,5 million	64,3 million
Price index deflator	100	120	140
Nominal national income	426 million	442 million	482 million

4.3.1 Calculate the real per capita income for 2016. Show ALL calculations. (4)

4.3.2 Calculate the real national income for 2017. Show ALL calculations. (3)

4.3.3 Indicate whether there was a decrease or an increase in economic growth between 2016 and 2017. Show ALL calculations. (3)

4.3.4 List any THREE uses of calculating national income. (3)

4.4 Discuss fiscal policy under the following headings:

4.4.1 Definition. (3)

4.4.2 Name the fiscal policy instruments. (6)

4.5 List FOUR factors that influence the economic growth. (4)

4.6 Define the term *economic cycle.* (3)

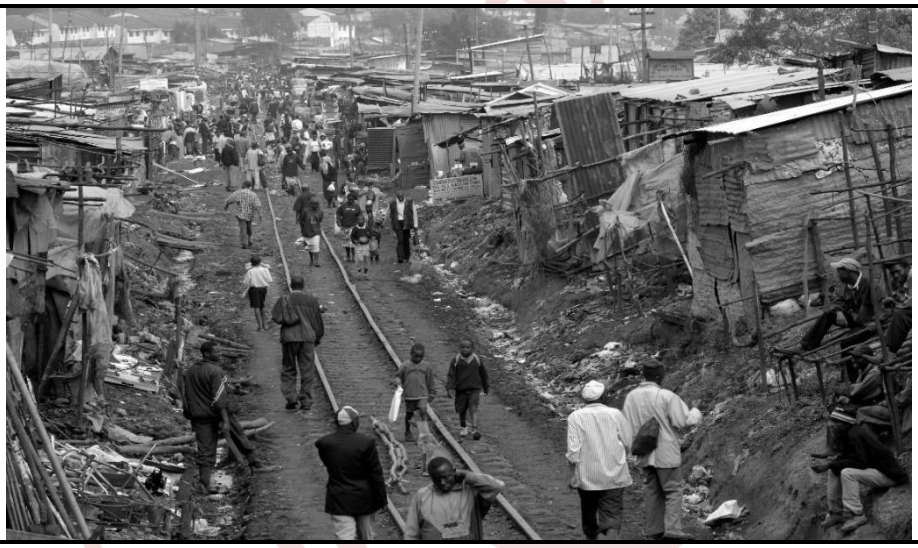
Copyright reserved

4.7 Each government in any country has functions to perform.

With reference to South Africa, discuss economic welfare as one of the functions which should be provided by the state. Also provide one example. (5)
[50]

QUESTION 5

5.1 Study the picture below and answer the questions:



5.1.1 Which economic development problem is depicted in the picture above? (2)

5.1.2 Explain the measures that are currently applied to reduce this problem. (4)

5.2 Economists expect stronger growth to eventually boost labour market sentiment. Discuss the South Africa's labour problem. (12)

5.3 Discuss the following economic reasons for protection.

5.3.1 Dangers of dumping.

5.3.2 Prevents a country from overspecialisation.

(2 × 4) (8)

5.4 Read the extract below and answer the questions.

The dark side of Budget 2018: VAT compliance

It seems as though tax administration and compliance have taken a back seat in the ongoing struggle to fund the revenue shortfall. In the past year taxpayers have experienced increased tax administration and compliance issues with the SA Revenue Service (SARS) tax consultant comments on Budget 2018.

[Source: *www.fin24.com*]

5.4.1 What is the current VAT rate? (2)

5.4.2 Suppose the selling price of a pair of jeans in January 2018 was R499.00, because of the change in VAT rate as from 1 April 2018 the selling price changes.

Calculate the new selling price of the same jeans. Show ALL calculations. (3)

5.4.3 Briefly explain the effect of such a change in VAT in the consumers' basket of goods? (3)

5.4.4 VAT is an example of direct taxation. TRUE/FALSE? (2)

5.5 Discuss the requirements of a good wage system. (8)

5.6 Explain the term *time wage*. (2)

5.7 List any TWO methods to increase national income. (4)
[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

Copyright reserved