higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

ECONOMICS N5

10 JUNE 2019

This marking guideline consists of 8 pages.

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SECTION A

QUESTION 1

1.1	1.1.1	B		
	1.1.2	D		
	1.1.3	C		
	1.1.4	D		
	1.1.5	D		
			(5 × 2)	(10)
1.2	1.2.1	False		
	1.2.2	False		
	1.2.3	False		
	1.2.4	True		
	1.2.5	True		
	1.2.6	False		
	1.2.7	True		
	1.2.8	False		
	1.2.9	False		
	1.2.10	False		
			(10 × 2)	(20)
1.3	1.3.1	J		
	1.3.2	H		
	1.3.3	F		
	1.3.4	I		
	1.3.5	A		
	1.3.6	G		
	1.3.7	B		
	1.3.8	E		
	1.3.9	D		
	1.3.10	C		
			(10 × 2)	(20)
				[50]

TOTAL SECTION A 50

SECTION B

QUESTION 2

2.1	2.1.1	Demand-pull inflation		
	2.1.2	Cost-push inflation		
	2.1.3	Cost-push inflation		
	2.1.4	Demand-pull inflation		
	2.1.5	Demand-pull inflation		
			(5 × 2)	(10)

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2.2 2.2.1 A trade union is an organised group of workers in a particular enterprise, industry, trade or profession seeking to establish a relationship with management via the process of collective bargaining. (3)

2.2.2 Trade unions aim to:
- improve work conditions
- promote the interests of its members in the work situation
- improve employees' standard of living and work satisfaction

(Any 2 × 2) (4)

2.3 2.3.1 International trade is a set of actions that aim to exchange capital, goods and services between foreign countries across their international borders. (3)

2.3.2
- *Import substitution* is a government strategy that emphasizes replacement of some agricultural/industrial imports to encourage local production for local consumption rather than producing for export market.
- *Export promotion* is a strategy for economic development that stresses expanding exports, often through policies to assist them such as export subsidies. (2 × 2) (4)

2.3.3
- *Revaluation of currency* is a measure enforced by government to increase the exchange value of its monetary unit.
- *Appreciation of currency* is an increase in the value of currency in terms of other currencies as a result of market forces.(2 × 2) (4)

2.3.4
- Ad valorem tariff
- Specific tariff (2 × 2) (4)

2.4 2.4.1

2015 FIGURES IN MILLIONS

GDP at basic prices		
Compensation of employees	1 318	
+ Net operating surplus	920	✓
+ Compensation on fixed capital	418	✓
GDP at factor cost	**2 656**	
+ Other taxes on production	22	✓
-Other subsidies	(21)	✓
GDP at basic prices	**2 657**	✓

(5)

2.4.2

GDP at market prices		
GDP at basic prices	2 657	
+Taxes on production	52	✓
-Subsidies on products	(16)	✓
Real GDP at market prices	2 693	
+Primary income for the rest of the world	72	✓
-Primary income to the rest of the world	362	✓
GDP at market prices	**2 403**	✓

(5)

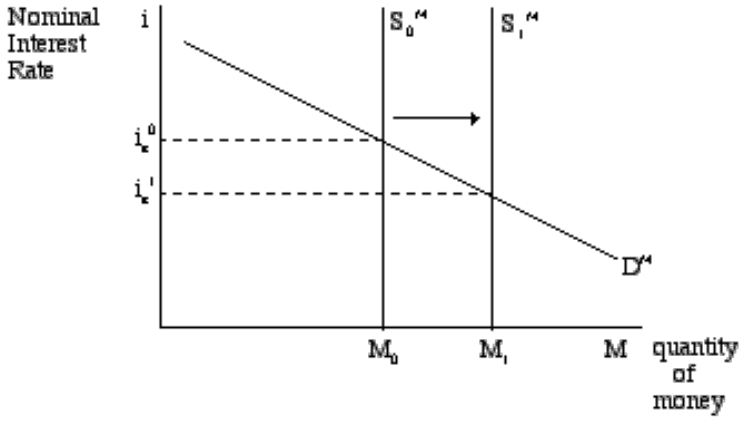
2.5
- Personal pride and dignity is affected.
- The crime rate increases.
- Skills and potential abilities are lost.
- It harms the transition process.
- The country cannot realise its full potential
- Production factors are underutilised. (Any 3 × 2) (6)

2.6 False (2)
[50]

QUESTION 3

3.1 3.1.1 *Repo rate* is the rate at which the central bank of a country (Reserve Bank of India in case of India) lends money to commercial banks in the event of any shortfall of funds. (3)

3.1.2



- vertical labelling
- horizontal labelling
- original demand curve
- original supply curve
- original equilibrium curve
- increase in supply curve
- new equilibrium curve 0.25% (7)

3.1.3 25% or 0,25 (2)

3.1.4
- Call deposits
- Coins
- Paper currency
- Current accounts (4)

3.1.5 (a) increase
(b) decrease (2 x 1) (2)

3.2 3.2.1 Labour demand refers to the need for employees and workers in a particular job market and what the employers are willing to pay for service. (2)

3.2.2 Shortage (1)

3.2.3 250 – 400 = -150 (2)

3.2.4 Equilibrium occurs (2)

3.3 3.3.1 *Exchange rate* is the rate at which one country's currency is expressed in terms of another country's currency. (3)

3.3.2 R13.03 × 20/100✓ = R2.61 + R13.03 ✓ $1 = R15.64 ✓✓

OR

R13.03 + (R13.03 × 0.2)✓ = R 13.03 + R2.61✓ $1 = R 15.64✓✓ (4)

3.3.3
- Importing goods
- Services from foreign factories
- Payments of instalments on repayment of overseas loans
- Transfer of capital to foreign countries
- Tourists spending money in foreign countries
- Other payments of foreign countries (Any 4 × 2) (8)

3.4 3.4.1 Economic growth
3.4.2 Transfer payment
3.4.3 Added value
3.4.4 Double counting
3.4.5 Macroeconomics

(5 × 2) (10)
[50]

QUESTION 4

4.1 4.1.1 Cyclical
4.1.2 Frictional
4.1.3 Structural
4.1.4 Seasonal
4.1.5 Technological

(5 × 2) (10)

4.2 Precautionary motives: People save money for difficult days✓✓ e.g. funeral cover✓

Speculative motives: People save money to have more in future✓✓ e.g. buying shares✓ (6)

4.3
- Determining economic growth
  Government agencies and departments examine such data to determine if government aims have been reached. After the statistics have been studied, the organisation may choose to change policies or create new ones to stimulate economic growth if the objectives have not been achieved. However, if the objectives have been accomplished, the government would normally also instigate changes to increase even more economic growth and expansion.
- Standard of living
  It is used to compare the standard of living of people in different countries (people's general well-being and wealth). If two countries are compared, the nation with a higher value of national income is stated to be more developed and advanced, as its people enjoy better living standards.
- Importance of different sectors in the economy
  If percentage contribution to GDP is compared over years, the indication is that structural changes are taking place in the national economy. (6 × 2) (12)

4.4 4.4.1 Fiscal policy is the means by which a government adjusts its spending levels and tax rates to monitor and influence a nation's economy. (3)

4.4.2 i) Income policy✓
This policy include measures in which money is collected from taxpayers without direct counter-performance. An increase or decrease of tax rate has effect in the economy. Tax can be levied to:
- obtain funds for providing collective services
- stabilise the economy✓✓

ii) Investment policy✓
Government expenditure has a great influence in the economy. A disadvantage of this policy is that there is a time lapse before the effects work through the economy. The prevailing and future trends and the state of the economy must be carefully considered.✓✓

iii) Public debt✓
The government may also borrow from the banking institutions. During a period of depression, such borrowings are highly effective; banks have excessive cash reserves and the private business community is not willing to borrow from banks since they consider it unprofitable.✓✓

(3 × 3) (9)

4.5
- Labour force
- Capital
- Technology
- Natural resources
- Entrepreneurship (5 × 2) (10)

[50]

QUESTION 5

5.1
- Exchange rate
- Reserve requirements
- Interest rate
- Direct credit control
- Lending by Central Bank
- Open market transactions
- Moral persuasion (Any 5 × 2) (10)

5.2 5.2.1
- Production method
- Income method
- Expenditure method (3)

5.2.2 National income/Population
= 439 000 000/55 000 000✓✓
= R7 9818.18✓✓ (4)

5.2.3 500 000 000 × 100/150✓✓
= R400 000✓ (3)

5.2.4 R439 000 000 ×100/125 ✓
R333 333.33,✓ increase✓ (3)

5.2.5
- GDP is the total value of final goods and services produced within the borders of a country for a specific period.
- GNP is the total value of final goods and services produced by the permanent residents of a country. (2 × 2) (4)

5.3
i. Unemployment✓ can be defined as the condition whereby qualified people are willing and able to work but cannot find work. It has a depressing effect on the entire economy.✓✓
ii. Strikes✓ can be defined as refusal by employees to continue working or obstruction of the normal progress of work. It leads to public losses and in a service industry output is lost forever.✓✓
iii. Lack of skills/training can be defined as a shortage of highly skilled workers. South Africa is characterised by a lack of skills and training. Training should be directed to improving the skills level of the work force.✓✓
iv. Migration✓ leads to the loss of large numbers of emigrants every year. Immigrants increase the labour supply, while emigrants cause it to decrease.✓✓ (12)

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5.4 5.4.2

- Direct taxes include the taxes that cannot be transferred or shifted to another person,✓✓ e.g. Pay As You Earn✓
- Indirect tax is the tax that can be shifted to someone else (shifted by a seller to a consumer),✓✓ e.g. VAT✓ (6)

5.4.2

- Tax evasion refers to an unlawful attempt to minimise tax liability through fraudulent techniques to circumvent or frustrate tax laws, such as deliberate under-statement of taxable income or wilful non-payment of due taxes.
- Tax avoidance is legally exploiting the tax system to reduce current or future tax liabilities. (2 × 2) (4)

5.5 False (1)
[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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