higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N370**(E)**(J10)H

NATIONAL CERTIFICATE

ECONOMICS N5

(22020095)

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09:00–12:00

Calculators may be used.

This question paper consists of 11 pages.

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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. Answer ALL questions in SECTION A.
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.

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SECTION A

Answer ALL questions in this section.

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 (1.1.1–1.1.5) in the ANSWER BOOK.

1.1.1 The baker bought flour for R1,20 to bake one muffin and sold it for R2,00. The miller bought wheat from the farmer for 75c.

How much will be included in the National Income?

A R3,95
B R1,25
C R1,45
D R1,65

1.1.2 In closed economies, … do not play a part in the economic process.

A consumers
B producers
C governments
D foreign countries

1.1.3 The largest component of South Africa's national expenditure is …

A private fixed investment.
B production expenditure by general government.
C private consumption expenditure.
D total fixed capital expenditure.

1.1.4 To calculate GDP according to the … method, it is necessary to add up all payments made in respect of the four factors of production.

A income
B taxation
C output
D expenditure

1.1.5 In his budget speech, the Minister of Finance announced the following change in taxation: Employees who earn above R1 m will be charged 45% taxation. This is an example of …

A progressive taxation.
B incidence of tax.
C proportional taxation.
D regressive taxation.

(5 × 2) (10)

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 Sound infrastructure is a characteristic of a developing economy.

1.2.2 Removal or elimination of government power in a particular industry to create more competition within the industry is called deregulation.

1.2.3 If labour supply increases while labour demand is constant, the equilibrium wage rate will increase.

1.2.4 In order to convert the GDP to the GNP, the primary income from the rest of the world must be deducted.

1.2.5 Monetary economics concerns the policy on economic variables, including prices, interest rates, consumption and production.

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

1.2.7 The economic progress of South Africa can be compared with that of the United States of America by making a study of the general price level.

1.2.8 Informal businesses in the economy pay tax to the government.

1.2.9 Poverty is more concentrated in cities than in suburbs.

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

(10 × 2) (20)

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1.3 Choose a description from COLUMN B that matches a term in COLUMN A. Write only the letter (A–J) next to the question number (1.3.1–1.3.10) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.3.1	Economic cycle	A	the difference between visible imports and visible exports
1.3.2	Urbanisation	B	method used by the government to protect local industries against foreign industries
1.3.3	Inflation	C	function of money
1.3.4	Recessionary gap	D	government plans how money received will be spent
1.3.5	Balance of trade	E	policy that takes proactive approach to removing prejudices against recruiting and promoting minorities and other under-presented groups of the society
1.3.6	Census method	F	a general increase in the prices of goods and services
1.3.7	Protection	G	certain questions are included to determine the economic status of the population of the country
1.3.8	Affirmative action	H	concentration of people to cities and towns for better employment opportunities
1.3.9	Budget	I	situation whereby the real GDP is lower than the potential GDP at full employment
1.3.10	Hoarding medium	J	it shows how money, goods and services flow within the economy

(10 × 2) (20)
[50]

TOTAL SECTION A: 50

SECTION B

Answer any THREE questions in this section.

QUESTION 2

2.1 State whether the following are examples of DEMAND-PULL or COST-PUSH inflation:

2.1.1 The demand for goods and services rising more rapidly than production

2.1.2 Rapid increase in the price of imported goods

2.1.3 An increase in salaries and wages not accompanied by a proportional increase in productivity

2.1.4 The government reduces tax and the consumers have more money to spend on goods and services

2.1.5 The South African Reserve Bank printed more money

(5 × 2) (10)

2.2 Read the following statement and answer the questions:

'South Africa's trade unions have played an influential role in determining the labour market and industrial relations policies in the country.'

2.2.1 Briefly explain the term *trade union.* (3)

2.2.2 Discuss the aims of trade unions. (4)

2.3 Read the extract below and answer the questions:

EXAMINING SOUTH AFRICA'S TRADE POLICY OF 2012

'One of the defining features of trade policy in South Africa today is its demotion from being a key driver of growth to being a mere tool of industrial policy.'

2.3.1 Define the term *international trade*. (3)

2.3.2 Differentiate between *export promotion* and *import substitution*. (4)

2.3.3 Differentiate between *revaluation* and *appreciation* of currency. (4)

2.3.4 Give any TWO types of tariffs. (4)

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2.4 Study the table below and answer the questions.

The information in the table is based on South Africa's 2015 information. The figures are calculated in millions.

Compensation of employees	1 318
Net operating surplus	920
Consumption of fixed capital	418
Other taxes on production	22
Other subsidies on production	21
Subsidies on production	16
Taxes on products	52
Primary income from the rest of the world	72
Primary income to the rest of the world	362

2.4.1 Calculate the GNP at basic prices. (5)

2.4.2 Calculate the GDP at market prices. (5)

2.5 Give any THREE consequences of unemployment. (6)

2.6 Indicate whether the following statement is TRUE or FALSE. Choose the answer and write only 'True' or 'False' next to the question number (2.6) in the ANSWER BOOK.

Hyperinflation occurs when a country experiences very high and usually accelerating rates of inflation. (2)

[50]

QUESTION 3

3.1 Read the extract below and answer the questions:

SURPRISE CUT IN SOUTH AFRICA'S INTEREST RATE, RAND HIT

The South African Reserve Bank governor, Lesetja Kganyago, announced on Thursday that the Monetary Policy Committee has decided to cut interest rates. The repurchase rate was reduced by 25 basis points affected from 21 July 2017 to 6.75% per annum. The cost of borrowing is now 10.25%.

www.fin24.com/south-20.07.2017

3.1.1 Briefly explain the term *repo rate.* (3)

3.1.2 Explain with the aid of a graph what happens to interest rates if money supply increases. (7)

3.1.3 What is the meaning of 25 basis points? (2)

3.1.4 Name FOUR components of money. (4)

3.1.5 Choose the correct word from those between brackets. Write only the word next to the question number (a–b) in the ANSWER BOOK.

If money supply decreases, interest rates will (a) (decrease/increase) and the demand for money will (b) (decrease/increase). (2)

3.2 Study the table below and answer the questions. The table refers to a demand for labour and the supply of labour in the bed industry.

WAGE (R)	LABOUR DEMAND	LABOUR SUPPLY
500	500	100
750	400	250
900	350	350
950	300	400
1000	250	500

3.2.1 Define the concept *labour demand*. (2)

3.2.2 Choose the correct word from those between brackets. Write only the word next to the question number (3.2.2) in the ANSWER BOOK.

At a wage rate of R750, (shortage/surplus) of labour occurs. (1)

3.2.3 Support your answer in QUESTION 3.2.2 by showing calculations. (2)

3.2.4 Briefly explain what happens at a wage rate of R900. (2)

3.3 Study the following information and answer the questions:

'On 27 August 2017, the exchange rate was $1 = R13,03.'

3.3.1 Explain the term *exchange rate.* (3)

3.3.2 Due to the unstable political situation in South Africa, the value of the rand to the dollar decreased by 20%.

Calculate the rand to dollar value after the decrease. Show ALL calculations. (4)

3.3.3 Give FOUR factors affecting the demand for foreign exchange. (4 × 2) (8)

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3.4 Give ONE term for each of the following descriptions. Write only the term next to the question number (3.4.1–3.4.5) in the ANSWER BOOK.

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

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

3.4.3 The sum of the contribution of all factors in the process of producing goods and services, including wages, salaries, rent, interest and profit

3.4.4 Calculating national income by adding both finished and unfinished goods

3.4.5 The branch of economics concerned with large-scale or general economic factors such as interest rates and national productivity

(5 × 2) (10)
[50]

QUESTION 4

4.1 Give ONE term for each of the following by choosing a term from the list below. Write only the term next to the question number (4.1.1–4.1.5) in the ANSWER BOOK.

structural; cyclical; technological; frictional; seasonal

4.1.1 … unemployment exists when individuals lose their jobs as a result of downturn in the demand for goods and services.

4.1.2 When people are between jobs or looking for jobs, that is called … unemployment.

4.1.3 When there is a mismatch between the available jobs and the skills level of the unemployed, it is called … unemployment.

4.1.4 When people are unemployed at certain times of the year because they work in industries where they are not needed all year round, it is called … unemployment.

4.1.5 The introduction of a capital-intensive type of job replacing a labour-intensive type of job is called ... unemployment.

(5 × 2) (10)

4.2 People save money for different important reasons.

Differentiate between *precautionary* and *speculative* motives for holding money and provide an example of each. (6)

4.3 Describe the uses of national income figures. (12)

4.4 Discuss *fiscal policy* under the following headings:

4.4.1 Definition (3)

4.4.2 Fiscal policy instruments (9)

4.5 List FIVE factors influencing economic growth. (5 × 2) (10)
[50]

QUESTION 5

5.1 'The instruments of monetary policy used by the central bank depend on the level of development of the economy.'

Considering the statement above, list FIVE instruments of the monetary policy. (5 × 2) (10)

5.2 Study the table below and answer the questions.

	2014	2015	2016
Population	54 million	55 million	56 million
Price index deflator	100	125	150
Nominal national income	421 million	439 million	600 million

5.2.1 List THREE methods of calculating national income. (3 × 1) (3)

5.2.2 Calculate the real per capita income for 2015. Show ALL calculations. (4)

5.2.3 Calculate the real national income for 2016. Show ALL calculations. (3)

5.2.4 Indicate whether there was a *decrease* or an *increase* in economic growth between 2015 and 2016. Show ALL calculations. (3)

5.2.5 Distinguish between *gross domestic production* and *gross national production.* (4)

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5.3 Read the following statement and briefly explain South Africa's labour problem:

'The labour market requires leadership, and it needs real change'. (12)

5.4 Differentiate between the following:

5.4.1 *Direct* and *indirect* taxation
Also give an example of each. (6)

5.4.2 *Tax evasion* and *tax avoidance* (4)

5.5 Indicate whether the following statement is TRUE or FALSE. Choose the answer and write only 'True' or 'False' next to the question number (5.5) in the ANSWER BOOK.

The financial year runs from 1 February to 31 January the following year. (1)
[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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